

## ENVIRONMENTAL & SAFETY MANAGEMENT- ENVIROSYSTEM OVERSIGHT AUDIT

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### EXECUTIVE SUMMARY

The City Auditor's Office issued the Environmental & Safety Management- EnviroSystem Oversight Audit Report to Administration on September 9, 2016. The report includes Administration's response to nine recommendations raised by the City Auditor's Office to enhance the Environmental and Safety Management (ESM) Business Unit's (BU's) ability to evaluate and report on the effectiveness of The City of Calgary's (The City's) environmental management system (EnviroSystem). Administration accepted all nine recommendations and has provided commitment to implement action plans no later than July 1, 2017. The City Auditor's Office will track the implementation of these commitments as part of our ongoing follow-up process.

### RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

### RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2016 SEPTEMBER 22:

That Council receive this Report AC2016-0754 for information.

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2016/2017 Annual Audit Plan was approved on December 10, 2015. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

### BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2016/2017 Annual Audit Plan. The objective of this audit was to evaluate the effectiveness of ESM's Strategic Services Division's (SSD's) oversight over The City's EnviroSystem, which supports The City's environmental commitments.

SSD provides oversight over the EnviroSystem. Key oversight activities include managing The City's Internal Audit Program (IAP), and tracking and reporting on The City's environmental risks and performance. The audit assessment was based on an examination of controls and practices against The City's IAP framework, ISO 14001<sup>1</sup>, ISO 14004 (Environmental Management System- General Guidelines), and ISO 19011 (Guidelines for Auditing Management Systems), and The City's Integrated Risk Management (IRM) framework.

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<sup>1</sup> ISO 14001 is an international standard for effective environmental management.

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The City's ISO certification model includes 12 registrations representing 13<sup>2</sup> operational BUs, with higher environmental operating risks, who operate under their own formal management systems registered under ISO 14001. These management systems are collectively known as The City's EnviroSystem. Prior to 2009, The City was certified through 11 separate registrations representing 12 operational BUs and one corporate wide umbrella registration covering 20 low risk BUs.

SSD conducts internal audits to provide information on whether the EnviroSystem conforms to ISO 14001 and The City's requirements. In addition, external assessments, are conducted by Accredited Certification consultants to evaluate conformity with The City's compliance obligations and ISO 14001 standards. These formal external evaluations are coordinated by the certified BUs, and have supported all 13 BUs in maintaining their certifications as well as supporting IAP conformance to the requirements of ISO 14001.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City's ISO certification model changed significantly in 2009, however, ESM's mandate and internal audit approach remain unchanged. Although BU audits and related reporting processes are occurring, oversight controls require improvement to ensure that the IAP is providing adequate assurance over the EnviroSystem and appropriate monitoring and reporting is in place. Through re-evaluation of ESM's mandate and implementation of the recommendations raised, we believe ESM can enhance their service without the expenditure of significant additional resources.

SSD maintains the Environment, Health and Safety (EHS) Risk Register on behalf of The Corporation and updates the register regularly as part of governance reporting to the Administrative Leadership Team (ALT). The EHS Risk Register process has been updated to align with IRM standards, however, corporate environmental objectives have not been clearly defined, which may impact the ability to adequately identify, analyze and rank related risks. Further, the EHS Risk Register concentrates on selected "strategic" corporate risks and does not consistently leverage risks assessed by BUs through IRM and ISO 14001. We recommended enhancements to include defined overall corporate environmental objectives, with ALT confirmation, and BU environmental risk analysis to support greater consistency in identifying and ranking environmental risks.

SSD provides EHS Governance Reports to ALT, however the Governance Reports have evolved to focus on corporate environmental risks with limited insights on performance trends and the overall health of the EnviroSystem. SSD also prepares monthly and semi-annual environmental reports to ALT and the Standing Policy Committee on Utilities and Corporate Services that provide information on environmental performance such as incidents, violations, and internal audit and external assessment results. In addition to raising recommendations to provide insights on trends and the overall health of the EnviroSystem, we also recommended the inclusion of data analysis and trending in performance reports, which will support the prompt identification of actions to improve the EnviroSystem across City operations.

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<sup>2</sup> Twelve separate registrations cover 13 BUs since Water Resources and Water Services have a combined registration.

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### Stakeholder Engagement, Research and Communication

This audit was conducted with the SSD division acting as the principal audit contact within Administration.

### Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations.

### Social, Environmental, Economic (External)

N/A

### Financial Capacity

#### Current and Future Operating Budget:

N/A

#### Current and Future Capital Budget:

N/A

### Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure.

Our audit focused on SSD's oversight role over the EnviroSystem due to the criticality of the EnviroSystem in evaluating The City's environmental compliance and providing value through the identification of risks and environmental performance improvements. Strengthening oversight controls will ensure that SSD's key EnviroSystem oversight activities are effective and provide greater value to The City.

#### REASONS FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

### ATTACHMENT:

1. Environmental & Safety Management- EnviroSystem Oversight Audit