

CODE OF CONDUCT ANNUAL REPORT

EXECUTIVE SUMMARY

To support the Audit Committee in its role to monitor the adequacy and effectiveness of corporate policies including the Code of Conduct ("the Code"), the City Auditor's Office engaged KPMG LLP to conduct an assessment of the Ethics Program comprised of The City's Code of Conduct and Whistle-blower programs. KPMG prepared the Ethics Program Assessment report dated 2015 July 08, which was received for information by the Audit Committee on 2015 July 15 and subsequently by Council on 2015 July 27.

This annual report to Audit Committee focuses on the status and progress towards addressing actions from the KPMG report relating to the Code of Conduct. It also highlights some additional actions taken to increase the effectiveness and awareness of the Code of Conduct and its underlying policies.

The City Auditor will continue to monitor the progress of actions taken by the City to address the audit recommendations and report to the Audit Committee on the adequacy, effectiveness and timeliness of implementation.

ADMINISTRATION RECOMMENDATION

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

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2016 JUNE 16:

That Council receive Report AC2016-0332 for information.

Opposition to the Recommendation:

Opposed: R. Pootmans

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 48M2012 (as amended) requires the Audit Committee to monitor the adequacy and effectiveness of corporate policies including Code of Conduct and Conflict of Interest. On 2015 July 16, the Audit Committee approved the City Auditor recommendations contained in Report AC2015-0560 (as amended). Administration brought forward in Report AC2015-1891 an update on the work that was underway to review the Code of Conduct to the 2015 November 12 meeting of Audit Committee that Audit Committee received for information.

BACKGROUND

The City Auditor as part of its governance mandate engaged KPMG LLP in August 2014 to perform an assessment of The City's Ethics Program. The assessment completed on 2015 July 8 documented twelve (12) Observations and associated Recommendations along with Management Responses and Actions relating to the Code of Conduct. Additional Observations and Recommendations were directed to the Whistleblower Program.

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The Code should cover areas of risk and set out expected standards of behavior and principles to guide stakeholders' actions and decisions in their day to day work. The Code should also be based on the values and desired behaviors of the organization. In 2015 the City Manager and Senior Management Team redefined The City's values, as well as the behaviors that are expected of all employees, known as "the 4Cs": competence, collaboration, commitment and character.

The City Manager maintains accountability for the KPMG report's actions and instructed Human Resources to coordinate follow-up actions on the Code in accordance with the timelines outlined in the report. A project to review and revise the Code was established and was included among a number of Human Resources projects in support of the Leadership Strategic Plan: Contract with Council, directive 2: "a cohesive leadership culture and a collaborative workforce".

The City Manager is the Executive Sponsor for the Code of Conduct. In 2015 the Administrative Leadership Team (ALT) placed responsibility for governance of the Code of Conduct with the Chief Financial Officer, who in turn charged the Chief Human Resources Officer (CHRO) with responsibility for developing and implementing a coordinated and centralized approach to the Code, as well as to oversee the work to address actions outlined in the KPMG report. A project team was formed to address the actions laid out in the KPMG report related to the Code. The CHRO directed the team to take a comprehensive look at the Code as well as other elements that need to be in place to support and sustain an ethical work environment. The team undertook significant research and engagement to arrive at its conclusions and recommendations.

The governance structure for the Code adopted by ALT and the coordinated approach taken by the CHRO and the project team over the course of this review, has resulted in a more aligned, consistent and collaborative effort among the six (6) Business Units who own the nine (9) underlying Code policies/topics. An Advisory Committee comprising all Code of Conduct policy owners was formed to provide guidance, feedback and advice to the project team on its findings, deliverables and recommendations.

The project team took a number of steps to create a more streamlined, user-friendly, accessible and understandable Code of Conduct. Some actions have been implemented. Others will be further developed and implemented aligned with the deadlines set out in the KPMG report. The project team, in consultation with stakeholders and in consideration of industry best practices, has addressed the KPMG report Actions, developed a refreshed Code of Conduct and outlined specific actions to streamline, simplify and clarify processes to support the Code and ethical behavior at The City. These changes also integrate the newly defined City values and behaviors so that the Code reflects and provides information and tools in support of the desired culture.

The specific actions the project team has taken in response to the Observations, Recommendations and approved Actions outlined in the KPMG report, are summarized in Attachment 1.

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Additional measures taken to bring specific Code policies up to date, build greater employee knowledge of certain underlying policies and increase employees' understanding of the Code of Conduct are outlined in Attachment 2. We have seen increased traffic to Code websites and evidence that some employees may feel more comfortable in reporting concerns.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The purpose of the Code is to provide employees with a reference guide to key City policies that address risk areas of conduct an employee may encounter. The City's Code had many strengths, but the KPMG report identified a number of opportunities to make the Code more streamlined, understandable and accessible.

Stakeholder Engagement, Research and Communication

The project team gathered a significant amount of information about Codes of Conduct and how to best sustain ethical behavior in organizations. The team surveyed a number of Canadian and American municipalities as well as private sector organizations. They reviewed research papers from numerous academics, experts and think-tanks regarding Codes of Conduct, and ethics and compliance in organizations.

The team met with policy owners (for policies that fall under the Code of Conduct), employee groups, leaders across the organization, union executives and also agency partners to gather information about their experiences with the existing Code and/or to understand what improvements would better meet the objective of sustaining strong, ethical practices and behaviors aligned with our organization culture.

Finally, the team consulted extensively with a number of internal subject matter experts, including people knowledgeable in the areas of: risk management, measurement, learning and development, orientation, communications, recruitment, culture and project management.

The team took a comprehensive look at the Code, and other organizational factors that support ethical behavior. The team also examined the 'life-cycle' of the employee (from prospective candidate -- to the time of hire -- to the term of employment -- to their departure) to assess the touch points where exposure to the Code of Conduct would be timely and reinforcing. Finally, the team examined all major processes that are connected to the Code of Conduct including: training and orientation, reporting concerns, asking questions, investigating alleged violations, reviewing and updating policies, the appropriate use of policies and standards, tracking and reporting performance measures, and communications vehicles for building awareness and reinforcing learning.

Strategic Alignment

This report assists the Audit Committee in its role to monitor the adequacy and effectiveness of corporate policies including Code of Conduct and Conflict of Interest. The Code of Conduct review project is aligned with Council Priority: A Well-run City. On 2014 September 15, Council approved the Leadership Strategic Plan which includes the development of a "Cohesive leadership culture and collaborative workforce," founded on the values of a responsible and accountable public service. The Code of Conduct is an important vehicle for communicating values, expected behaviors and accountability.

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Social, Environmental, Economic (External)

The Code guides employee actions to support our corporate culture where City services are coordinated, integrated and citizen and customer-focussed; employees work together and as a team; services are supported by a sustainable financial plan; and The City instills confidence and trust in all that we do as an organization.

Financial Capacity

Current and Future Operating Budget:

As one of the Human Resources-led Leadership Strategic Plan projects, the work of this project is being funded through Human Resources.

Current and Future Capital Budget:

None.

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. The Code of Conduct addresses standards for workplace conduct in areas that can create risk for the organization.

REASON(S) FOR RECOMMENDATION(S):

The City of Calgary is committed to promoting a culture of respectful, ethical and safe behavior in the workplace, guided by a Code of Conduct. This report provides the key outcomes from the project that was established to address actions raised in the KPMG report as well as additional measures in support of the Code of Conduct and ethical behavior.

ATTACHMENT(S)

Attachment 1: Actions in Response to KPMG report

Attachment 2: Code of Conduct and Underlying Policies - 2015 Actions