

ETHICS PROGRAM ASSESSMENT UPDATE-CODE OF CONDUCT

EXECUTIVE SUMMARY

To support the Audit Committee in its role to monitor the adequacy and effectiveness of corporate policies including code of conduct and conflict of interest, the City Auditor's Office engaged KPMG LLP to conduct an assessment of the Ethics Program, comprised of the City's Code of Conduct ("the Code") and Whistle-blower programs. KPMG prepared the Ethics Program Assessment report, dated 8 July 2015, which was received for information by the Audit committee on 2015 July 15 and subsequently by Council on 2015 July 27.

The Code should cover areas of risk, and set out expected standards of behaviour and principles to guide stakeholders' actions and decisions in their day to day work.

KPMG noted overall strengths of the Code, but raised a number of issues around reporting, investigation and measurement processes, as well as clarity of roles and responsibilities. KPMG noted that some of these issues stemmed from the decentralized nature to which the City's Ethics Program and the Code in particular had been developed over time.

The Code should also be based on the values and desired behaviours of the organization. The City Manager and SMT have collectively redefined the values of the organization as well as behaviours that are expected of all employees to create a satisfying workplace and to make life better every day for the citizens they serve. These elements of The City's culture will form the foundation of the revised Code.

The City Manager continues his role as Executive Sponsor of the Code and maintains accountability for the KPMG report's actions to address the observations and recommendations identified. Responsibility for governance of the Code has been assigned to the Chief Financial Officer (CFO). The CFO has directed the Chief Human Resources Officer to develop and implement a coordinated and centralized approach to the Code, as well as to oversee the work to address the actions outlined in the KPMG report.

A project team has been formed and policy owners have been engaged to begin the work of addressing the KPMG report action, incorporating the corporate values, and identify other enhancements. The project team has developed a timeline which, in some cases, shortens the timelines for completing the actions outlined in the KPMG report.

The City Auditor's Office will 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.

RECOMMENDATIONS:

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 2015 NOVEMBER 12:

That Council receive this Report for information.

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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) and requested an update be brought forward to the 2015 November 12 Regular Meeting of Audit Committee. This report deals specifically with the Code and not the Whistle-blower program.

BACKGROUND

The City Auditor's Office engaged KPMG LLP in August 2014 to perform an assessment of The City's Ethics Program as part of effective governance. The Ethics Program assessment completed by KPMG LLP on 2015 July 8 documented twenty key observations and recommendations, along with management responses related to The City's Code and Whistle-blower programs.

The City Manager, as Executive Sponsor of the Code, has directed Human Resources to coordinate follow-up actions on the Code in accordance with the timeline presented in the KPMG report. In addition, one action is being led by Supply and one by City Clerk's.

The Code lays out behavioural expectations in the workplace that are driven from the organization's core values. The City Manager and the Senior Management Team have recently redefined and articulated core values and behaviours for City staff, according to their commitment under their Leadership Strategic Plan: Contract with Council (LSP). The project to revise the Code has been incorporated into the Human Resources-led LSP program of projects aimed at achieving: Cohesive leadership culture and collaborative workforce (LSP commitment #2). In addition to reviewing the recommendations from the KPMG report, the project team will work to incorporate the new core values into the Code. This will provide leaders and employees with more clarity on their roles and responsibilities within the organization.

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 an employee may encounter at work. While The City's Code has many strengths, the KPMG report identified a number of opportunities to make the Code more streamlined, understandable and accessible. Human Resources has struck a project team to revise the Code, in consultation with leaders and policy owners, based on approved actions and best practices. The project team has developed a charter and detailed project plan that includes stakeholder engagement and best practice research in the public and private sectors. This research and engagement will help the project team develop recommendations on what the Code should look like moving forward, while ensuring alignment with the new culture and values. In reviewing the timelines put forward in the KPMG report, the project team has determined that a number of those timelines can be shortened (ATTACHMENT).

Stakeholder Engagement, Research and Communication

The project team has engaged the policy owners of the nine policies that fall under the Code of Conduct and will continue to involve this critical stakeholder group. The team will be engaging with leaders and employees to ensure that changes address the actions in the KPMG report, as well as provide clarity and understanding to this broad audience. An important aspect of the

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project will be tapping into the significant knowledge base and best practices that exist in developing codes of conduct.

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 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 behaviours and accountability.

Social, Environmental, Economic (External)

The Code guides employee actions to support our corporate culture where City services are coordinated, integrated and citizen and customer focused; 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 FOR RECOMMENDATIONS:

The City of Calgary is committed to promoting a culture of respectful, ethical and safe behaviour in the workplace, guided by a Code of Conduct. This report provides follow up regarding accountability to the code, and an implementation timeline of recommendations contained within The City Auditor's 2014 assessment of the City's Corporate Ethics Program.

ATTACHMENT

Timelines for achieving KPMG Report Actions.