

City Auditor's Office 2021 Annual Report



Calgary

City Auditor's Office

Message from the City Auditor

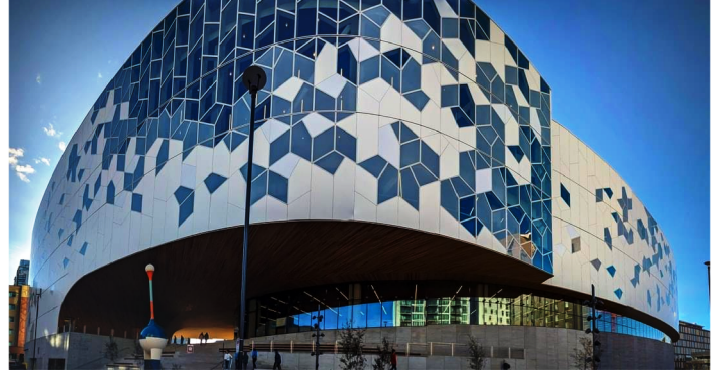
This report provides a summary of our 2021 deliverables as an effective, independent and objective City Auditor's Office (CAO) that is accountable to Audit Committee and Council. 2021 was a year of significant change for the CAO. Many of our activities focused on the future resilience of the team to support the delivery of quality and timely audit, advisory and investigative services in 2022 and beyond.

During 2021, we experienced many personnel changes with three members of the team, including the City Auditor, retiring from The City and two members of our team accepting roles within City Administration. Tragically, one of our longest serving leaders died in 2021. We welcomed a new Administrator and two new Senior Auditors to the team during the first half of 2021, and as we move into 2022, we are recruiting two additional Senior Auditors and a Senior Data Analytics Auditor. Along with the recruitment of a permanent City Auditor, this will bring the team back to full capacity.

To further support future resilience, we completed the procurement of an organization to provide contract audit services on an 'as needed' basis and an organization to provide intake services for the Whistle-blower Program. We completed the transition to the upgraded version of our audit software and transitioned data analytics activities to a new software to enhance effectiveness.

Against a backdrop of the ongoing COVID-19 pandemic, the CAO continued to deliver value-added audit, advisory and whistle-blower services in a virtual environment. We are proud we maintained our responsiveness in service delivery during 2021. We were able to deliver more than 83% of the 2021 Audit Plan with a significantly under capacity team. Although the Whistle-blower Program received a record number of reports, we maintained our targets for responding to and assessing reports received.

We also responded to requests from City Administration to provide advice on controls and emerging risks. In support of risk reduction, we identified 69 recommendations through the delivery of audit and advisory projects and investigations. Our ongoing follow-up and monitoring to support implementation of 39 management action plans reduced high and medium risk exposures facing The City.



We reconfirmed the 2022 Audit Plan to ensure that we continue to focus audit resources on topics of higher risk, while recognizing and supporting Administration's priorities of delivering services during the ongoing pandemic and corporate realignment. We also planned priority areas of 2022 data analytics activity to complement and enhance our assurance coverage.

Despite the challenges and changes faced by the team, our focus on quality and reliability of service delivery remained as high as ever. In 2021 we delivered our audit and advisory services in conformance with the Institute of Internal Auditors Professional Standards. Our next external assessment to confirm conformance is scheduled to take place in Q2 2022.

During Q1 2021, experts in the field of workplace investigations conducted a one-of-a-kind external assessment of the Whistle-blower Program processes. Their report confirmed that processes aligned to best practice and work has commenced to respond to recommendations aimed at supporting continuous process improvement.

Further details of the CAO's 2021 deliverables are described in this report under the four underpinning values of:





- Responsiveness;
- Risk Reduction;
- Reliability; and
- Resilience.

Our activities and reports issued during 2022 are also available at www.calgary.ca/auditor.

Handwritten signature of Liz Ormsby in blue ink.

Liz Ormsby, ACA, CIA, CFE, CAPM
Acting City Auditor

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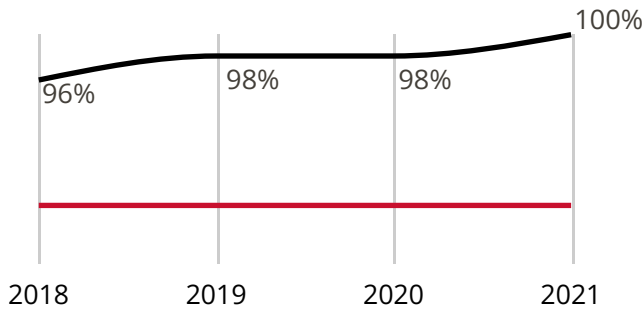
1.0 One Calgary Accountability



The CAO will continue to track our five performance measures as stated in the One Calgary 2019-2022 Service Plans and Budgets. These performance measures align to our guiding principles of Responsiveness, Risk Reduction, Reliability and Resilience.



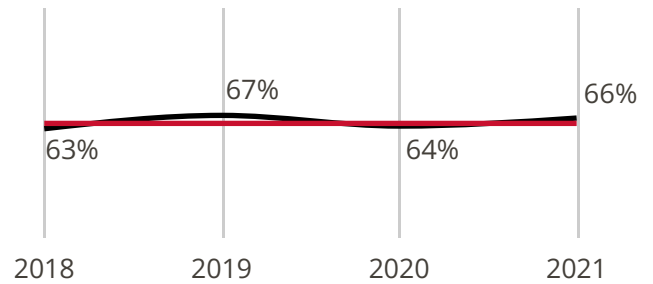
CAO Client Satisfaction



● Actual ● Target - 85%



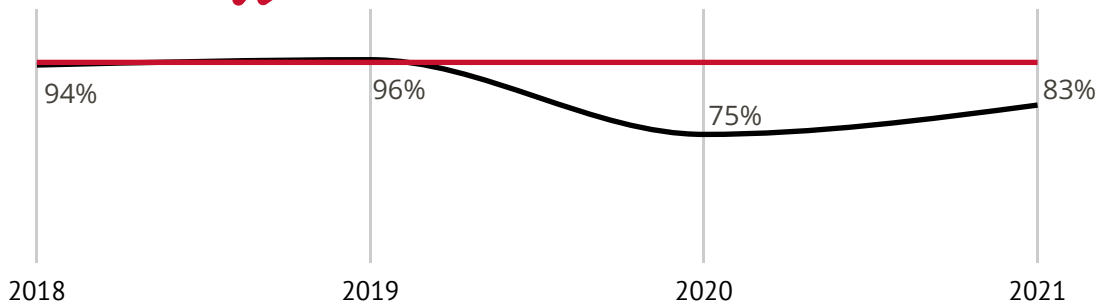
% of Whistle-blower Program Investigations Open < 180 Days



● Actual ● Target - 65%



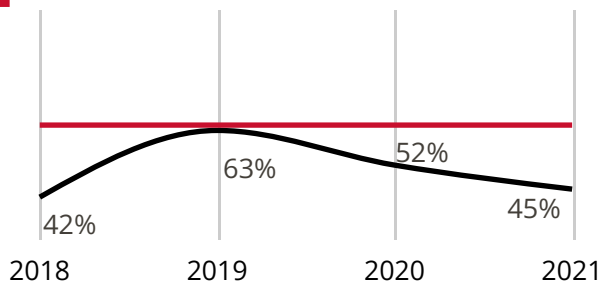
Annual Audit Plan Completion



● Actual ● Target - 95%



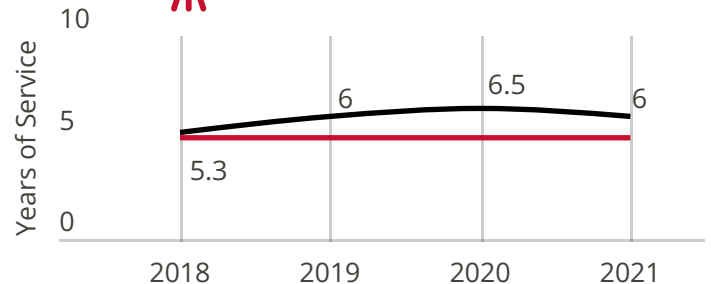
Timely Implementation of Action Plans



● Actual ● Target - 65%



Staff Retention



● Actual ● Target - 5

Responsiveness: The ability to assess and react to current and emerging risks through audit assurance, advisory and investigative services.

2.1 City Auditor's Office Mandate

The CAO is accountable to Audit Committee and Council, assisting them in their oversight and governance role over Administration. We add value and enhance public trust through our independent and objective audit assurance, advisory and investigative services. Our work supports the citizen priority of a Well-Run City.

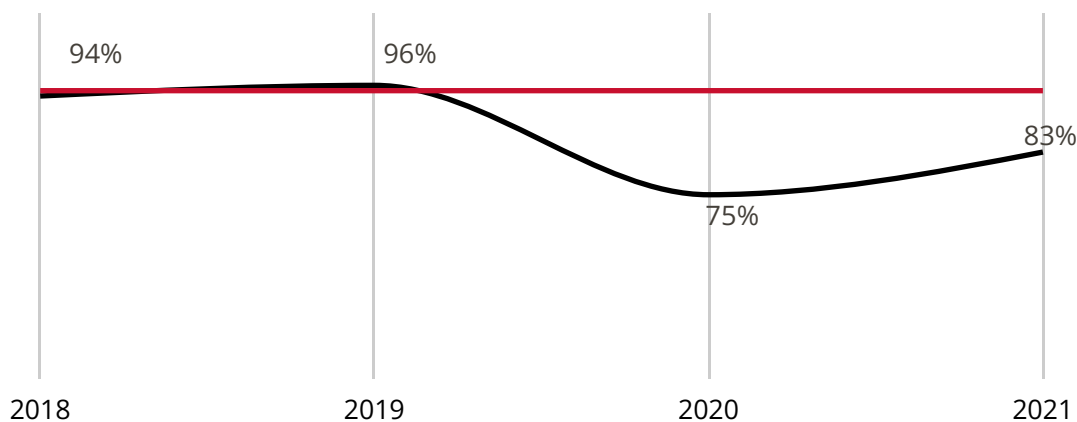
2.2 Audit Services

The CAO Audit Plans are critical deliverables provided to Audit Committee to support our audit mission to add value and enhance public trust. Audit Committee approved the 2021/2022 Audit Plan on October 22, 2020. We adjusted the 2021 Audit Plan to reflect Administration’s priorities of delivering services during the ongoing pandemic and the corporate realignment and personnel changes within the CAO. These adjustments were communicated to Audit Committee in our 3rd Quarter 2021 Report presented at the December 16, 2021 meeting.

The CAO tracks the percentage of the Audit Plan completed, based on the schedule established when the Audit Plan is approved. The CAO continued to deliver audits remotely in 2021 and experience slightly longer audit timescales since City staff were required to work remotely where possible due to the ongoing COVID-19 pandemic. In addition, position vacancies due to retirements and staff absences impacted audit resource capacity. We are proud we were able to complete 83% of our Audit Plan despite these challenges. We were able to finalize eight audit projects during the year and remain on track to finalize the four remaining 2021 audits during the first half of 2022.

In 2021, the CAO validated the 2022 Audit Plan by using a risk-based framework to ensure audit resources were directed to the most significant areas of The City. Activities included engaging with key City stakeholders and assessing available CAO resources. The 2022 Audit Plan, presented to Audit Committee December 16, 2021, reflects the impact of the pandemic and the realignment on Administration and the impact of staff vacancies and upcoming recruitment on resource capacity.

Annual Audit Plan Completion



 Actual  Target - 95%

2.3 Advisory Services

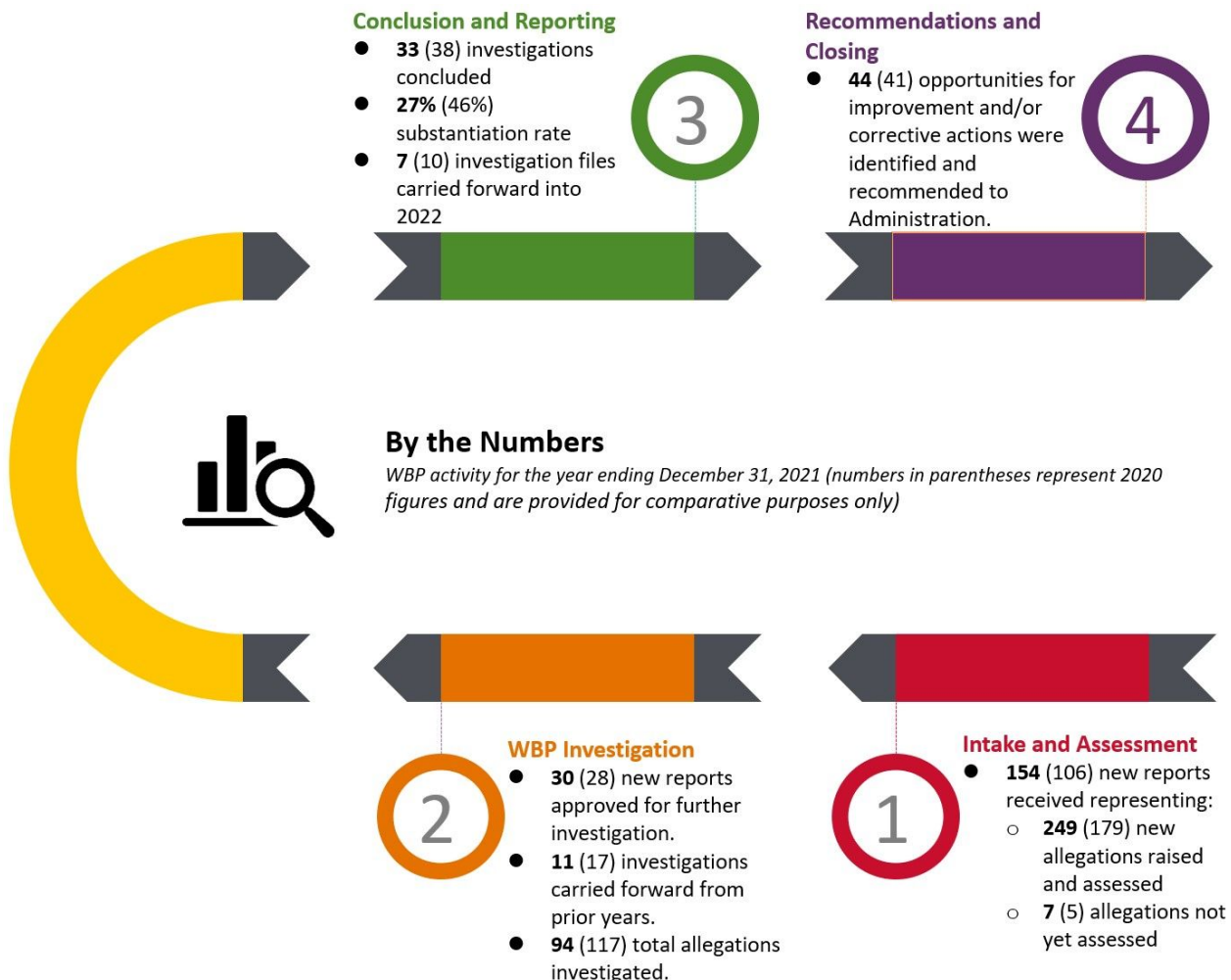
The CAO provides independent and objective advisory services on an issue or project-specific basis as requested by Administration. Based on our knowledge of best practice on risks, controls and governance frameworks along with our deep understanding of The City, we are well positioned to provide advice on mitigation of significant risks and opportunities to improve City operations. We ensure advisory services provided do not impede our ability to conduct objective audits in an area at a future date. During 2021, the CAO provided advisory services to a number of areas including:

- The City's Infrastructure Calgary Steering Committee as an advisory member;
- The City's Council Expenses Working Group as an advisory member;
- Input to a business unit implementing a business reporting tool; and
- Input to a business unit reviewing internal controls.

The City Auditor supported Council during Q4 by providing an interim location for reports to be filed until the appointment of a new City Integrity Commissioner. The City Auditor was also a non-voting member of the Audit Committee's Sub-Committee on Wholly Owned Subsidiaries Governance during Q1, Q2 and Q3.

2.4 Investigation Services - Whistle-blower Program

Council Policy CC026 Whistle-blower Policy establish the Whistle-blower Program (WBP) in 2007 as a mechanism through which confidential reports alleging suspected acts of waste and/or wrongdoing can be reported by Calgarians, City employees, or service providers. The WBP operates objectively and independently from Administration and under the direct responsibility of the City Auditor.



2.4 Investigation Services - Whistle-blower Program (continued)

In 2021, the WBP experienced a 45% increase in reporting volume when compared to 2020. The unusually higher increase is primarily attributed to reports received in relation to various concerns arising from COVID-19 compliance matters. With the support of the City Manager’s Office, these reports were referred to senior leaders in Administration to be addressed through non-investigative actions, which is how such matters were processed in 2020. This was done to ensure compliance with provincial health restrictions and guidance, the City’s State of Local Emergency declared by Council, The City’s Pandemic Face Covering Bylaw 63M2021 and the COVID-19 Vaccination Policy.

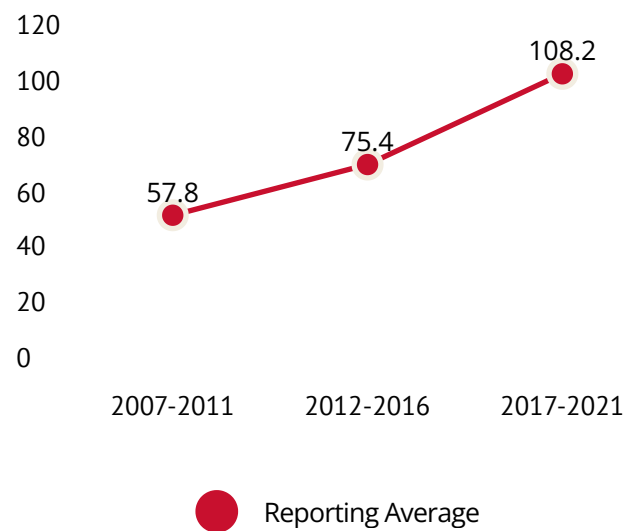
In the fifteen years of its operation, the WBP has experienced regular annual increases in reporting volumes. Increased reporting is regarded as a positive indication that there is general awareness of and easy access to the WBP. Higher reporting volumes by employees more directly demonstrates their empowerment to report, and their confidence that concerns raised will be objectively assessed and, where supported, investigated in an appropriate manner.

Consistent messaging to employees by Administration regarding employee behaviour expectations and options to report inappropriate activity actively encourage employees to report suspected wrongdoing through all available reporting channels including the WBP.

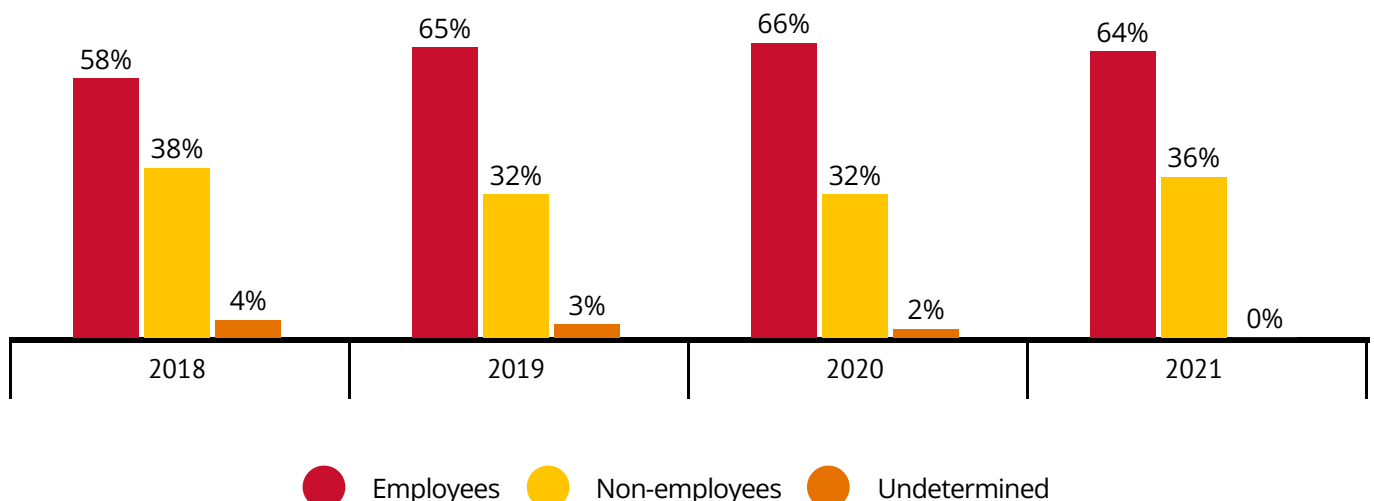
Proportionally, more employees utilized the WBP to raise concerns of potential waste and/or wrongdoing in 2021 than in past years, while non-employee reporting has remained relatively unchanged from recent years.

Employees have historically accounted for approximately 56% of all reports received by the WBP. In 2021, employees reported 64% of all concerns, and while comparative to recent years, is the first year-over-year decrease in WBP utilization by employees observed since 2012.

Annual Reporting Average (5-year Segments)



Who is reporting?



Investigation Closing Rates

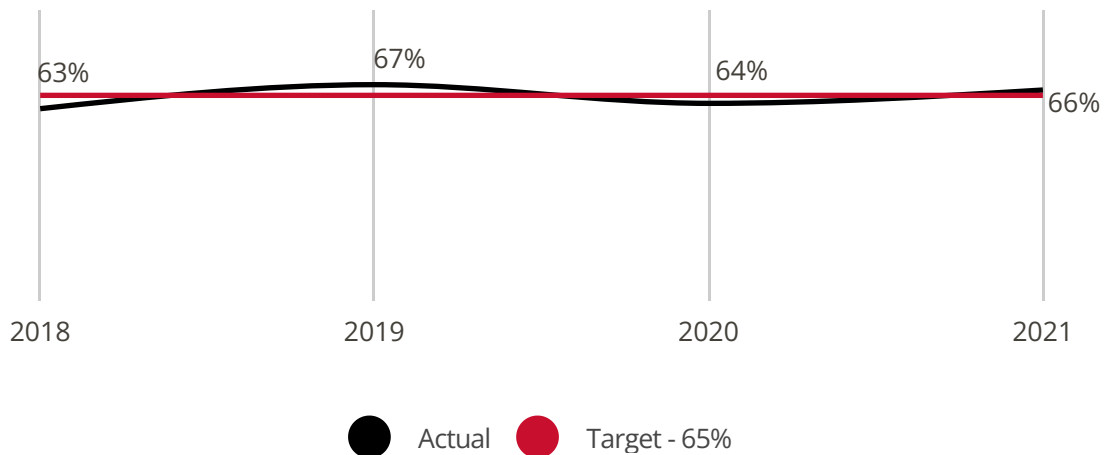
A key measure of responsiveness for the WBP is the average time an investigation is considered open. For an individual raising a concern, an incomplete investigation is an unresolved matter that may prolong a negative impact to them personally or professionally. An investigation is considered open from the date a recommendation for investigation is approved by the City Auditor, through to the signing-off of an investigation report. Each investigation comes with its own set of variables including: the quantity and complexity of allegations raised, the availability of evidence and witnesses needing to be interviewed, the availability of investigative resources; and the prevailing risk exposure to The City for unconcluded allegations. All open investigations are regularly re-assessed and prioritized based on their risk exposure.

Recognizing that each investigation has its own complexity and risk exposure, the WBP strives to close investigations within six months, 65% of the time, as aligned with our One Calgary accountability targets. Investigations completed within the 6-month target during 2021 ranged from 19 to 159 calendar days.

“Thank you for your assistance in allowing me to report this anonymously, as well as your prompt action.”

*Reporting Employee,
Whistle-blower Program Investigation*

% of Investigations Open Less Than 180 Days - WBP Responsiveness Measure



Similar to the early months of 2020, the WBP experienced a reduction in the availability of investigative resources due to a leave of absence, and our response to the COVID-19 pandemic for a second year, contributed to a decrease in the efficient completion of some investigations.

However, ongoing enhancements and efficiencies applied to WBP procedures in recent years continue to yield positive results in minimizing the overall impact with year over year improvement in the timely assessment and response to concerns reported. This resulted in:

- A reduction in the number of outstanding investigations aged greater than one year compared to 2020;
- A reduction in the average number of calendar days required to complete investigations compared to 2020, representing a fifth consecutive annual decline; and
- A reduction in the number of open investigations being carried forward into 2022 compared to the number carried into 2021 from 2020.

Risk Reduction: Audit, advisory and whistle-blower recommendations cost-effectively address risk and are implemented in a timely manner.

3.1 Audits Completed

During 2021, we issued seven audit reports and a further report on a continuous auditing project (for further information see page 16 of this report). Our audit reports included 24 recommendations, focused on mitigating high or medium risks to which Administration provided 33 action plans.

Cyber Security Incident Response Follow-up AC2021-0313

With the advent of the COVID-19 pandemic, organizations saw a rise in cyber crime as criminals capitalized on rapid changes to doing business virtually and increases in the number of employees and customers teleworking.

Why we did this:

This follow-up audit on management actions, in response to key Cyber Security Incident Response Audit (AC2018-0410) recommendations, assessed the effectiveness of management's actions to respond in a timely manner to mitigate related cyber security risks.

What we concluded:

Information Security took positive steps in implementing management actions to address the key recommendations from the Cyber Security Incident Response Audit. We identified areas of improvement and provided six recommendations to further enhance the incident response process.

Why it matters:

Cyber security events could negatively impact The City's finances, reputation and operations through privacy breaches and service disruptions if not managed effectively.

"The City Auditor's Office were excellent. They took the time to review the scope of the audit and to understand the Incident Response and our goals. They provided detailed and informative recommendations that will be incorporated in our next IR Plan and process which is a big help.

The survey and results provided us with excellent information that will assist us in improving the security training uptake. All in all, they were very professional and diligent."

*Dave Mercer,
Manager, Corporate Security*



Integrated Risk Management Audit – AC2021-0730



The City Auditor's Office conforms to The Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing (Standards). Under the Standards, the City Auditor's Office is required to periodically audit the effectiveness and contribute to the improvement of risk management processes of the organization.

Council adopted the Integrated Risk Management (IRM) Policy (CC011), which was last amended in 2020, to embed a more proactive, corporate-wide and systematic approach to managing risks that impact The City's ability to achieve its results. The City developed a structured IRM Framework and supporting processes to guide risk management.

Why we did this:

This recurring operational audit assessed the effectiveness of The City's IRM Framework as required by the Standards.

What we concluded:

The IRM Team has made significant progress in advancing the maturity of the IRM Framework, since we last completed an audit in 2014. They have moved past basic risk management practices and are focused on continually maturing and improving.

We raised five recommendations intended to help achieve clarity on the future strategic direction and maturity of the IRM Framework and identify areas where the IRM Team can build on and improve current processes that support continuous framework improvement.

Why it matters:

An effective IRM Framework enhances The City's ability to achieve desired results, including delivery of services to citizens, by establishing a reliable basis for decision making and planning. Where risks are not identified, assessed and managed, The City could incur unnecessary costs and service disruption.

Green Line Program Governance Follow-up Audit - AC2021-0918

This audit followed up on the effectiveness of governance implemented in response to the two recommendations raised in the CAO 2019 Green Line Project Governance Audit (AC2019-0353).

Why we did this:

This follow-up audit assessed the Green Line Program's progress implementing formalized governance structures as of February 28, 2021, in response to the two recommendations raised in AC2019-0353.



What we concluded:

The Green Line Program Management have taken steps to enhance the current governance structure by aligning their processes with guidance from best practice such as creating a program charter, developing a comprehensive risk management plan, and establishing the Green Line Board, an oversight board with diverse industry expertise. Recommendation 1 to implement a program governance framework remains in progress and Green Line Program Management have an action plan to finalize the governance framework by December 31, 2021.

The Green Line Program Management have made significant progress in risk management by developing a comprehensive risk management plan, refining the risk register with program and project risks and updating risk mitigation strategies monthly. We concluded that the action plan in response to recommendation 2 in the original audit was completed.

Why it matters:

The Green Line Program is the largest infrastructure project in Calgary's history (Stage 1 will consist of 20km of LRT track with 15 stations and an estimated cost of \$4.9 billion). Given the magnitude of the Green Line Program, good governance is a critical element to the program's success.

"I just wanted to thank you for your work on our audit. It went very well yesterday. Congrats to you all! We are already busy working on our to-do list."

*Renee Summers,
Executive Advisor, Green Line*

311 Response Audit AC2021-0923

Since May 18, 2005, 311 has received more than 16 million calls from Calgarians requesting information and services. Customer research from 2018 identified high overall caller satisfaction with their 311 experience and noted that the principal reason for dissatisfied callers was that their issues (the reason for their service request submission) were not resolved.

Why we did this:

This audit assessed the effectiveness of the response process across The City in responding to citizen service requests received through 311.

What we concluded:

We concluded that processes across The City in responding to citizen 311 service requests were generally aligned to the criteria supporting an effective response. However, our sample identified variations in how service requests could be raised by a citizen and how they could be tracked and resolved, which could negatively impact citizen experience, response effectiveness and efficiency. We raised five recommendations to support the future consistency of citizen response to service requests.

Why it matters:

The 311 service connects Calgarians to City information and services they need. The consistency of the response to citizen requests supports effective and efficient customer service and communication, given the large number of citizen calls since inception in 2005.

Industrial Control Systems Security Audit - AC2021-1099

In keeping with the evolution of technology, The City has increasingly adopted an environment in which physical processes moved away from isolated, manually controlled operational technology systems to interconnected controlled equipment.

Why we did this:

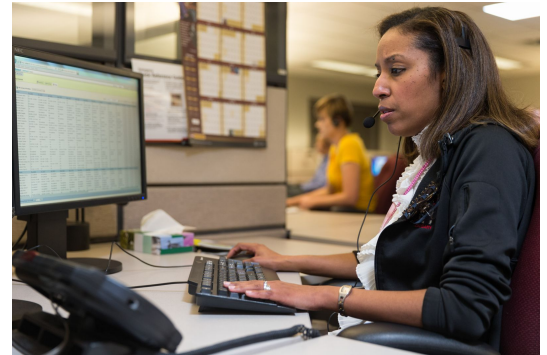
Industrial Control Systems (ICS) are used to monitor and control industrial processes and are a major segment within the operational technology sector. Operational technology systems are potentially vulnerable to the types of security challenges more common to information technology systems, including malicious hacking.

What we concluded:

The City has taken initial steps in implementing ICS security organizational controls. We identified areas of improvement and provided seven recommendations to further strengthen The City's ICS cybersecurity capabilities.

Why it matters:

ICS systems are critical components behind the delivery of safe services for Calgarians.



"It was a great experience working with the City Auditor's Office. All aspects of the audit were carried out professionally."

*Darrol Weiss,
Control System Services
Leader, Water Services*

2021 Municipal Election Audit - AC2021-1277

General Elections in Calgary are complex events held every four years, allowing electors to vote for Mayor, Councillor and Public and Separate School Board Trustee candidates.

General Elections are governed by the Local Authorities Elections Act and administered by Elections Calgary.

Since the last General Election in 2017, Elections Calgary initiated changes to ward boundaries and processes to improve voting efficiency and voter experience, such as downloadable voter registration forms, and increased the number of vote stations and advance voting hours.

Environmentally, the COVID-19 pandemic was a challenge that had the potential to impact voters' and election workers' health and safety. In addition, City and Provincial questions increased ballot length.

Why we did this:

The audit assessed Election Calgary's readiness to deliver a safe and effective 2021 General Election given significant environmental and process changes in 2020 and 2021.

What we concluded:

Elections Calgary refined processes and planned effectively to administer the 2021 General Election and mitigate risks arising from significant changes.

We reviewed plans regarding ballot supply, voting station selection, recruitment, staffing and training, communication, tabulator testing, and end of night procedures, and determined Elections Calgary incorporated significant changes in planning, such as ward boundaries, longer ballots and COVID-19.

Elections Calgary promptly addressed recommendations for improvement regarding data integrity controls and re-forecasting of demand for voting options.

Why it matters:

Risk mitigation and effective planning support the delivery of a safe and effective General Election for voters and other stakeholders.

"On behalf of Elections Calgary, I would like to thank the City Auditor's Office on conducting the 2021 Municipal Elections Audit. We appreciated your expertise and professional advice. to ensure that Elections Calgary was in the best position to deliver a safe and accessible General Election in October. Thank you!"

*Kate Martin,
Returning Officer/City Clerk*



PeopleSoft Financials and Supply Chain Management Continuous Auditing - AC2021-1251

Continuous auditing results are a strong indicator that access controls within PeopleSoft Financials and Supply Chain Management (FSCM) are effective in mitigating risks of fraudulent or unauthorized transactions, inaccurate financial reporting and system downtime.

Why we did this:

PeopleSoft FSCM is the system used across The City for financial and procurement management.

Continuous auditing is an efficient and cost-effective approach to monitor system access and associated risks in a timely manner.

Data analysis of system access provides assurance to Audit Committee and Administration on control effectiveness via a visual scorecard.

What we concluded:

FSCM access controls are generally effective in mitigating risk associated with Accounts Payable and Technical Functionality.

Why it matters:

System access controls are part of a series of controls that mitigate the risks of fraudulent or unauthorized transactions, inaccurate financial reporting and system downtime.



"Thank you! This was a great project to work on with you and I embrace the collaborative working relationship we have with the City Auditor's Office. ."

*Donna Taylor,
Finance Leader*

Acquisition of Goods and Services under SOLE Audit - AC2021-1673

In response to the pandemic spread of COVID-19, The City declared three unprecedented states of local emergency (SOLE). During a declared SOLE period, the Calgary Emergency Management Agency (CEMA) has the authority to acquire the necessary goods and services to protect public safety, health and welfare under the Emergency Management Act, which supersedes the standard City procurement policies and procedures.

CEMA led the emergency response during the COVID-19 SOLE and worked with Supply Management to ensure essential City services were uninterrupted. They implemented a SOLE procurement process to expedite purchases of personal protective equipment, such as hand sanitizer, disinfectant wipes and masks. In addition, IT and Supply Management coordinated the acquisition of required IT goods and services to ensure business continuity by providing employees with equipment to work from home.



Why we did this:

The audit assessed the design and operating effectiveness of processes implemented to support the acquisition of goods and services during the COVID-19 SOLE to mitigate the following key financial and reputational risks:

- Overpayment for goods and services;
- Purchase of goods and services that were not required; and
- Conflict of interest.

What we concluded:

Sole procurement processes implemented supported the timely acquisition of SOLE goods and services and were designed and operating effectively to mitigate key risks. We identified an opportunity for improvement to update SOLE procurement guidance and raised one recommendation.

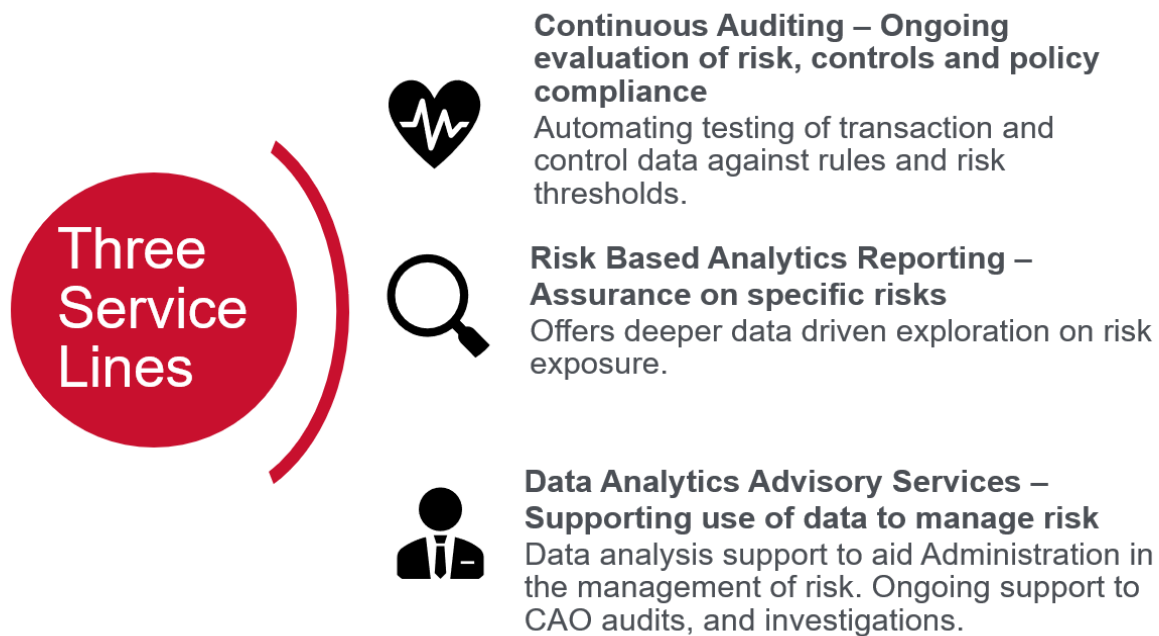
Why it matters:

During a SOLE period, there is an expectation purchases are managed efficiently and cost effectively and there are appropriate processes to mitigate the risk of waste and/or wrongdoing. The City spent \$8.4M related to COVID-19, consisting of \$6M on non-IT purchases and \$2.4M on IT purchases, in the first two SOLE periods.

"Thank you for your professional audit. Your perspective and insight help us to perform better for the citizens of Calgary."

*Nicole McAlister,
Manager, Performance &
Quality, Supply Management*

3.2 Data Analytics Program Update



During 2021, the Data Analytics Program implemented continuous auditing to monitor access within PeopleSoft Financials and Supply Chain Management (FSCM), continued and enhanced our continuous auditing of Corporate Credit Cards, and supported CAO audits and investigations.

We developed and implemented a new continuous auditing tool to monitor accounts payable and technical user access within FSCM. A scorecard showing the results of this tool was presented to Audit Committee as part of the PeopleSoft Financials and Supply Chain Management Continuous Auditing report (AC2021-1251).

We continued to monitor the Corporate Credit Card program using the continuous auditing tool we developed in 2020. We enhanced this tool to address risks associated with card holders on a leave of absence. Furthermore, we piloted Robotics Process Automation to automate manual data extraction of credit card data. Finally, we shared scripts, used in this continuous auditing tool, with Administration to enhance their monitoring of risks.

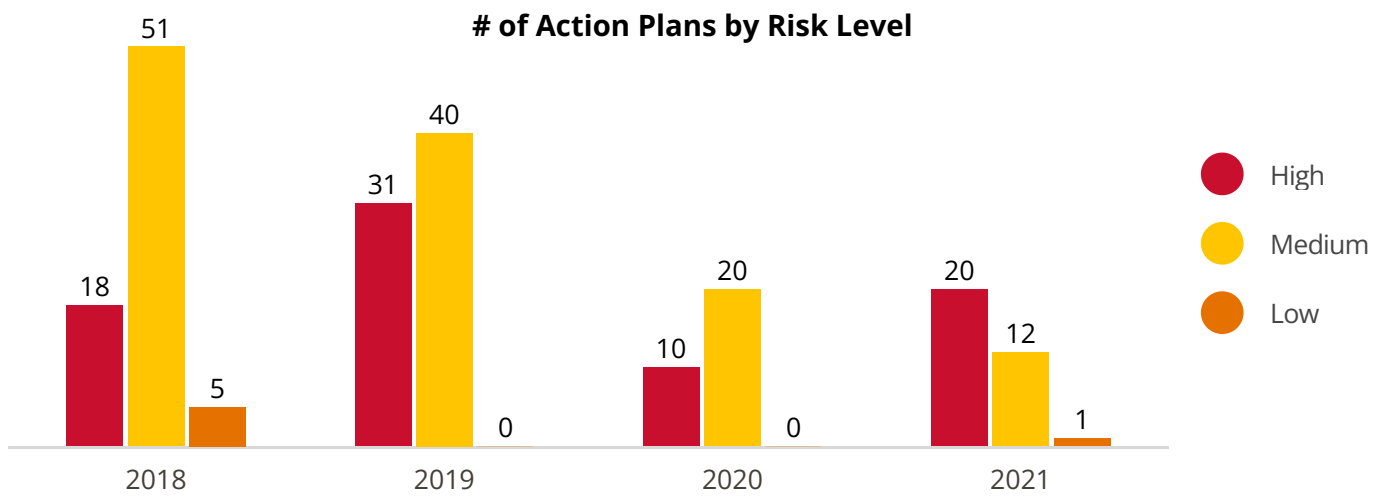
Additionally, the Data Analytics Program provided ongoing support to WBP investigations and to CAO audits. In particular, detailed analysis of expenditure supported the audit work conducted in the Acquisition of Goods and Services under SOLE Audit (AC2021-1673).

Finally, in 2021 we evaluated options and made the decision to transition to a new audit data analytics platform. This change will expand access to audit specific data analytics software across the CAO and supports centralization of our analytics activities to further mature our processes. Implementation will occur in Q1 of 2022.

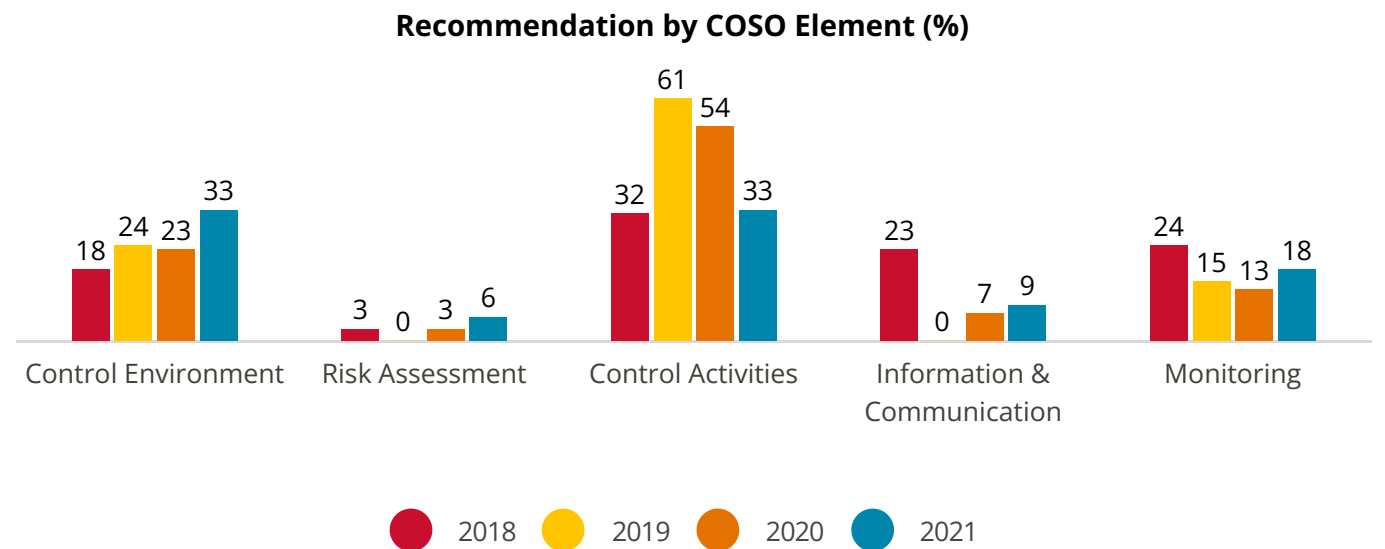
3.3 Audit Recommendations

The CAO takes a risk-based approach throughout the execution of each audit by focusing on key risks to the achievement of Administration’s objectives, which supports meeting City priorities. With Administration’s input, we rank identified risks from high to low based on the impact and likelihood should the risk event occur. Where audit testing determines existing processes and controls result in unmitigated risk exposure (i.e. residual risk), we raise audit recommendations that consider practicality, cost efficiency, addressing root cause and mitigating future business risk to an appropriate risk tolerance. We ask Administration to respond with defined action plans.

Our audit recommendations intentionally focus on high and medium residual risk exposure to help Administration prioritize resources on areas of greater importance and value. This approach reinforces the importance of effective risk management and decision-making utilizing a risk-based approach.



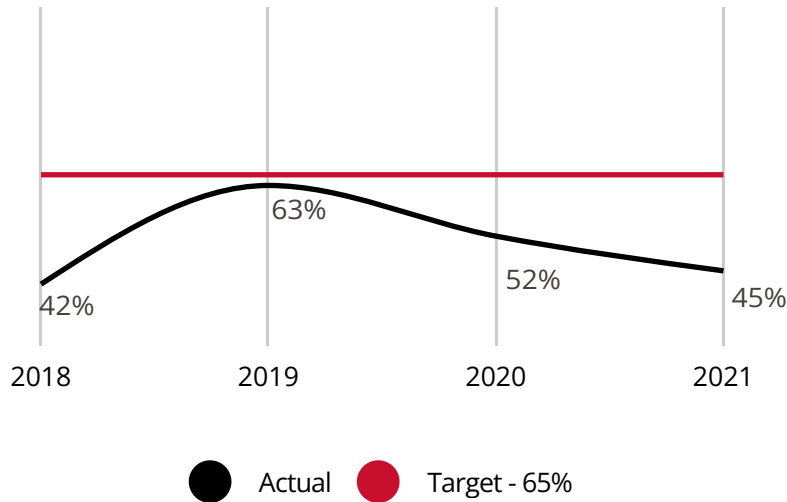
The CAO provides independent assurance regarding the effectiveness of governance, risk management, and internal control. The COSO Internal Control Framework is a widely accepted framework that outlines the principles and components necessary for an organization to effectively manage risks by implementing internal controls. The CAO categorizes recommendations into the five fundamental COSO components to identify potential trends and provide Administration with additional insight into the effectiveness of internal controls. Over the last four years, the CAO has consistently raised recommendations focused on embedding and enhancing effective control activities, which we view as a positive outcome of our risk-based audit process.



3.4 Implemented Audit Recommendations

The CAO tracks the timely implementation of action plans quarterly. Results frequently vary from quarter to quarter as Administration’s commitments can be impacted by other City priorities, initiatives and projects. Our tracking noted a continuing decline in timely implementation in 2021, which reflects Administration’s prioritization of resources to focus on the organizational realignment and the COVID-19 pandemic response.

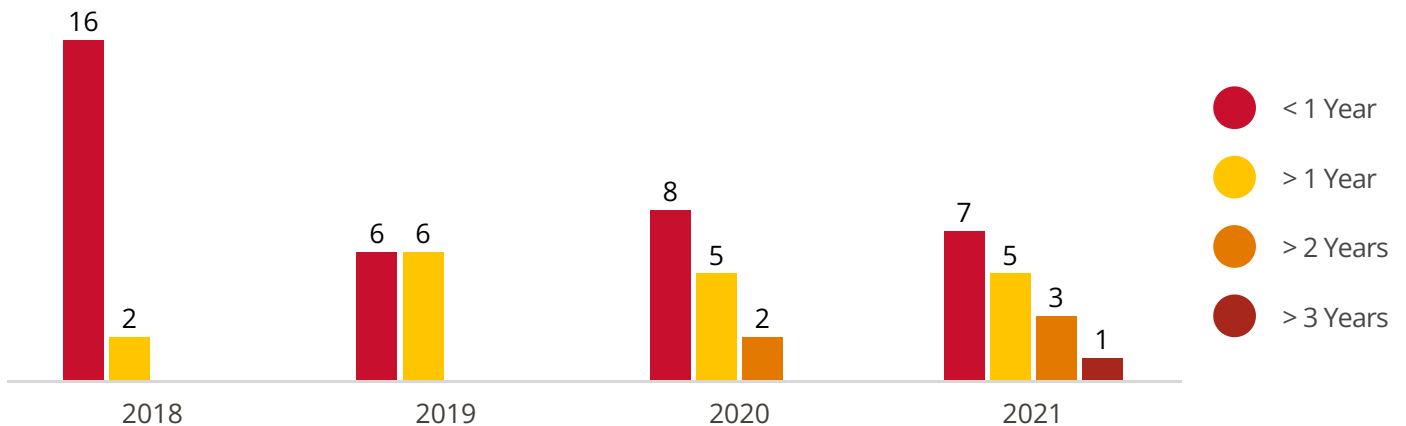
Timely Implementation of Action Plans



In 2021, Administration implemented 39 action plans, all of which were high (56%) and medium (44%) risk. At year-end, there were 42 outstanding action plans compared to 35 in 2020. Of these, 16 were considered overdue (15 in 2020) since Administration required more time to fully implement action plan commitments.

There were 5% fewer overdue action plans relative to total action plans at year-end (38% in 2021 versus 43% in 2020). There were three action plans overdue by more than two years and, for the first time in three years, one action plan overdue by more than three years. We will be following up on all four of these action plans in Q1 2022 and will communicate any concerns in our 1st Quarter Report to Audit Committee. We will continue to support Administration’s commitment through quarterly monitoring of action plans and assessment of residual risk.

of Overdue Action Plans

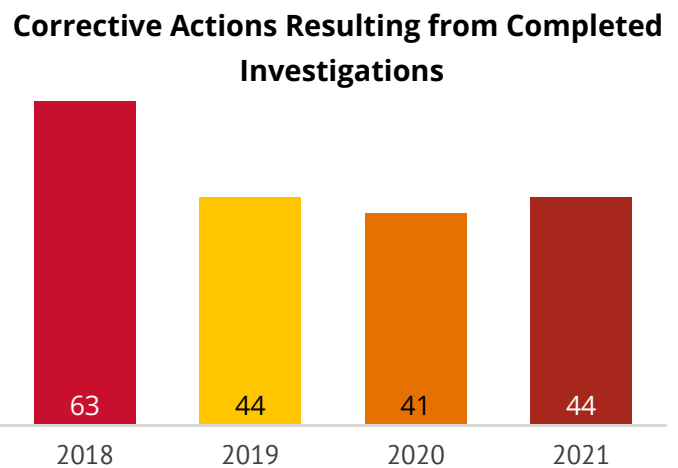


3.5 Whistle-blower Investigation Recommendations

Being more than an investigative body tasked with responding to reports of suspected acts of wrongdoing, the WBP provides additional value by identifying root causes of issues investigated. By recommending timely corrective actions to Administration, causal issues identified can be reviewed at either the business unit level or more broadly across the entire organization and, as necessary, corrected in support of mitigating against recurrence of similar activity. Identifying and correcting root causes is a valuable component of a successful employee reporting program and is reflected in our WBP policy.

Our recommendations for corrective action are opportunities for improvement and are provided to assist Administration in correcting behaviour or deficient processes which may have contributed to an activity investigated.

Corrective actions were identified in 58% of investigations concluded in 2021 and regular follow-up with Administration occurred to confirm their completion. At December 31, 92% of recommendations made by the WBP were completed and considered closed. Outstanding recommendations are not considered high risk to the organization and the WBP will continue to monitor their completion status.



Where investigation identifies broader, or systemic issues, these are raised appropriately with senior Administration leadership and result in organization-wide corrective action recommendations. A summary of each investigation resulting in a corrective action is disclosed on our webpage at: www.calgary.ca/whistle, which is updated on a quarterly basis.

The identifying information of individuals or business units involved is excluded in alignment with our commitment to confidentiality, reporter protection and privacy. Individual investigation summaries disclosed may have multiple corrective actions which are not detailed or itemized. The publishing of allegations and investigative findings and corrective actions supports WBP transparency, accountability and The City Auditor's commitment for appropriate response and action.



Reliability: Audit, advisory and investigative services add value and are effectively completed by skilled, experienced professionals.

4.1 Audit and Advisory Professional Standards

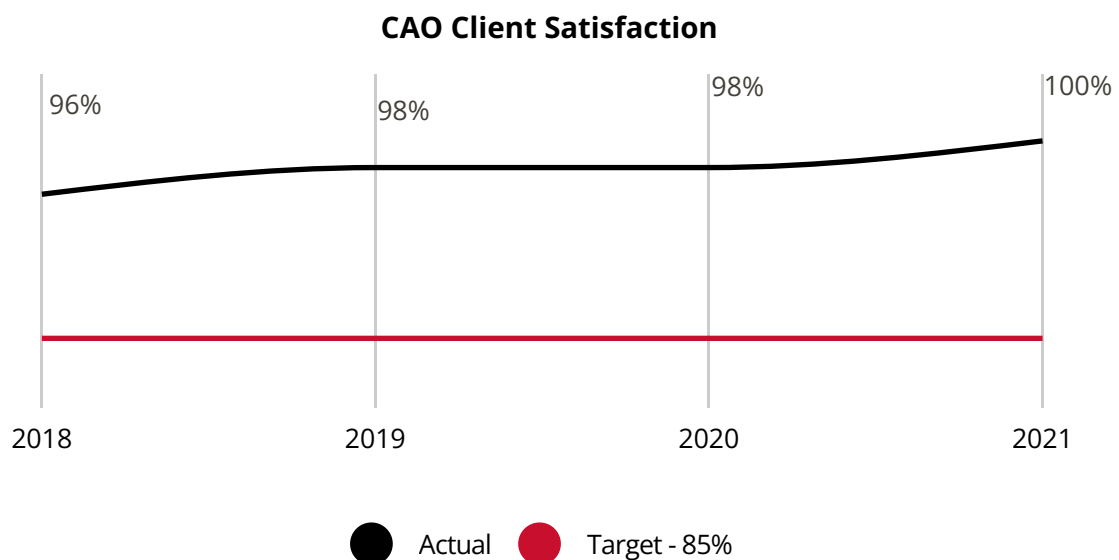
The CAO conducts its audit and advisory activities in conformance with the Institute of Internal Auditors (IIA) standards which require the implementation of an internal quality program. Our internal quality program was conducted throughout the year and included the completion of:

- Quarterly audit file peer reviews (by an auditor not involved in the audit);
- Quarterly KPI monitoring;
- Post-audit lessons learned exercises and client surveys; and
- Periodic review and update of key audit processes.

The internal quality activity evidenced conformance to standards and opportunities for further process improvements were incorporated into updates of procedures and practices. As part of this activity, the CAO confirmed the continued organizational independence of its operation.

Client Satisfaction Survey

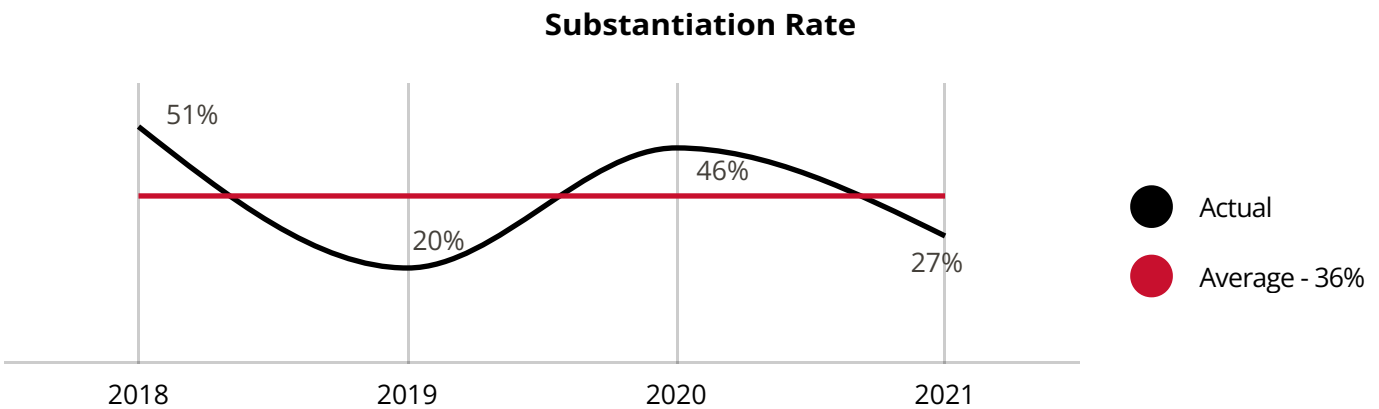
The CAO requests Administration's feedback at the conclusion of each audit project through a survey of ten questions focused on audit delivery and audit value. Seven client surveys were received during 2021 covering seven audits, with a response rate of 71%. Despite the additional pressures faced by Administration resulting from the continued spread of COVID-19 and the increasing number of active cases (in 2021, The City operated under two instances of state of local emergency), the response rate showed an increase relative to 2020 (63%). We are proud we were able to achieve a 100% client satisfaction rating despite the challenges faced by The City in 2021.



4.2 Whistle-blower Investigation Practices

Whistle-blower investigations are executed in alignment with best practices. WBP investigators' conduct is aligned with the codes of conduct of the Association of Certified Fraud Examiners or Association of Certified Forensic Investigators of Canada.

Assessment procedures are applied to each report received to determine the most appropriate action to address the allegation, or allegations, raised by employees and Calgarians. Not all concerns raised support investigation. Some matters can be more effectively addressed by Administration through non-investigative actions, while other matters raised simply do not support any action. Of the matters assessed in 2021, 56% supported action by investigation or a non-investigative response by Administration. Only an investigation can determine whether an alleged activity or conduct as reported is substantiated. The substantiation rate of allegations investigated in 2021 was 27%. To calculate the substantiation rate, the number of allegations substantiated is divided by the number of allegations investigated.



Substantiation rates are expected to fluctuate year over year and are helpful in identifying potential problems in both reporting and investigation processes. For example, a consistently low substantiation rate could indicate a need to better educate users of the program regarding basic information necessary to support a successful investigation, or it could be indicative that investigation practices may require improvement. Conversely, a consistently high substantiation rate could question the investigators' objectivity or support further examination to identify more specific trends requiring corrective action.

All investigation activity is scrutinized to ensure thoroughness, objectivity and quality before an investigation can be considered concluded.

4.3 Whistle-blower Program External Assessment

The City Auditor is responsible for ensuring the effective operation of the WBP. In 2020, support for the completion of an external assessment of WBP procedures was provided by Audit Committee and a scope of work was finalized with a consultant in Q4 2020. The independent work was completed and reported to Audit Committee in Q2 2021.

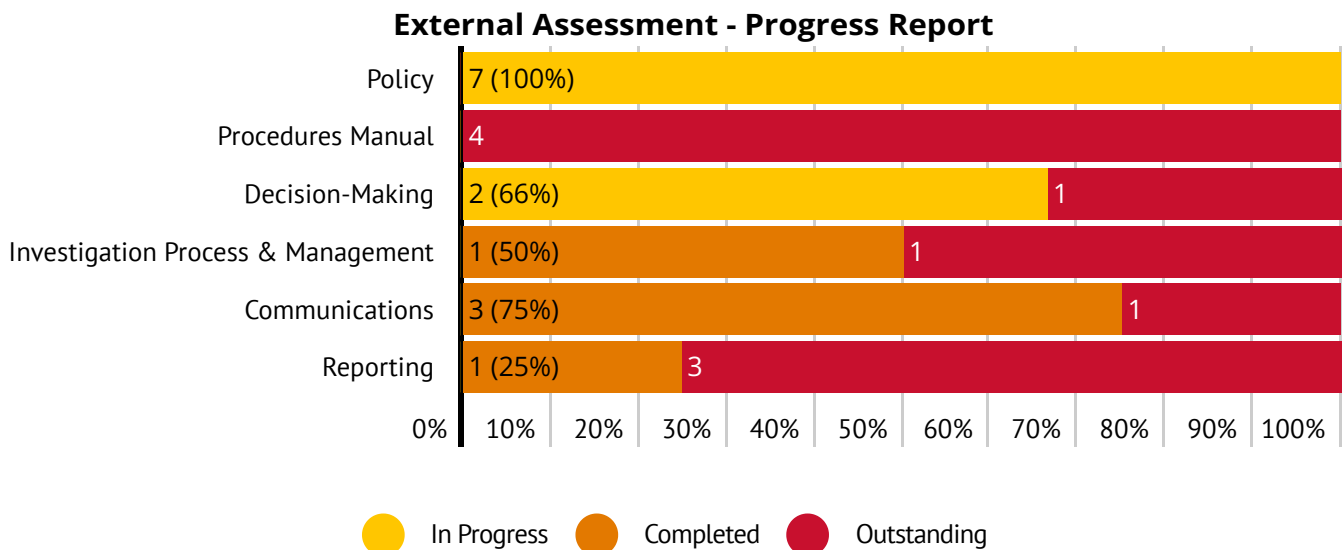
The consultant reviewed WBP operational documentation and interviewed various stakeholders regarding their role in the WBP process and their views and observations regarding the effectiveness of the WBP. The consultant concluded that, overall, the WBP was a "comprehensive program with a solid structure in place."

4.3 Whistle-blower Program External Assessment (continued)

Key observations included:

- The WBP has well-documented processes and tools to ensure its proper functioning.
- The WBP effectively tracks investigation statuses closely, using a risk-based approach to prioritize its work.
- Many measures are in place to ensure confidentiality is maintained.
- Key decision-making is consistently documented.
- The WBP maintains an effective website.

The majority of recommendations made were administrative in nature, intended to strengthen processes and messaging to users of the program. All recommendations were accepted by the WBP and work is underway to implement them. Below, recommendation progress is illustrated by recommendation category. At December 31, 2021, 59% of recommendations made were either completed or partially completed. It is anticipated that all recommendations will be completed in 2022.



Sensitive Reports

WBP procedures require all reports with allegations involving any staff member of the CAO, or those which question the objectivity of either the City Auditor or the Manager, Whistle-Blower Program, to be assessed independently by the Chair of Audit Committee. Reports submitted online and identified as sensitive are received directly by the Chair for confidential review, bypassing staff associated with the operation of the WBP. If the Chair determines a report received as not meeting the criteria to be considered sensitive, the Chair may redirect the report to the WBP for assessment and normal processing. Reports identified as sensitive and not redirected to the WBP are not included in any statistics reported by the WBP. The Chair, Audit Committee has confirmed that sensitive reports received in 2021 were appropriately assessed and are considered closed.

Whistle-blower Protection

Any City employee who identifies themselves and reports a concern to the WBP in good faith is entitled to protection against reprisal, as provided by Council Policy CC026. City employees who believe reprisal has occurred are encouraged to contact the City Auditor, who will investigate. No suspected acts of reprisal were reported to the City Auditor in 2021.

4.4 Professional Designations and Training

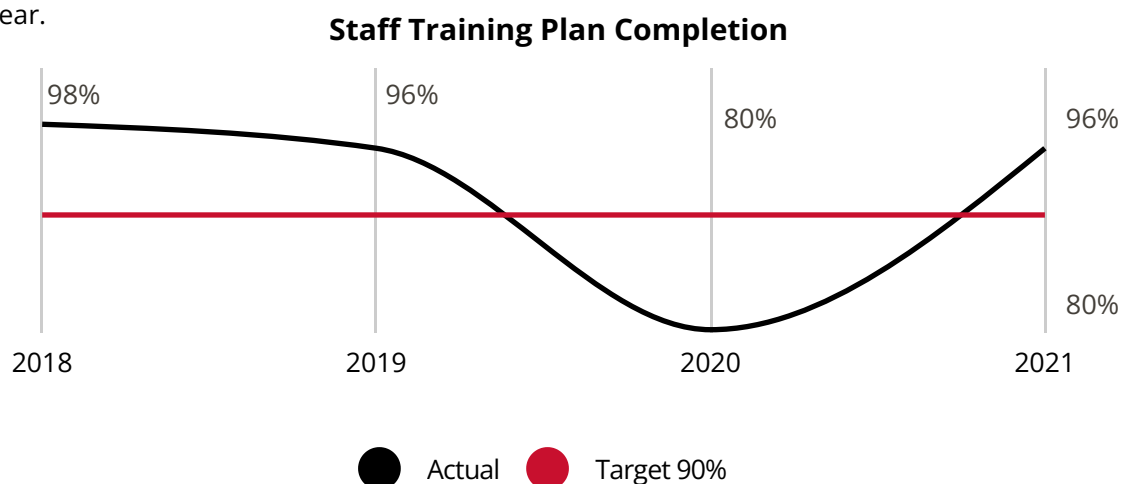
The skills and knowledge of staff are a foundational part of the CAO. To run effective audits, advisory projects and investigations, we have a range of complementary professional designations that enhance the effectiveness of the team. All staff conducting audits, advisory and whistle-blower investigations have at least one of the Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner or Certified Forensic Investigator designations.

Professional Designation Category	Number of Staff
Internal Audit	10
Fraud Investigations	3
Accounting	7
Risk Management	3
IT Audit	2
Project Management	1
Data Analytics	1

4.5 Staff Training

Our staff commitment to life-long learning helps to keep our team current on best practices, supports succession planning, and the creation of annual development plans based on team member needs.

Monitoring the completion of these plans helps us to track the value of staff training. During 2021, we improved our % completion of planned training as more training opportunities became available over the previous year.



Throughout 2021, our staff took the opportunity to participate in leadership training to enhance their own skills and the overall capacity of our team. Additionally, two members of the team took part in mentorship training on their own time to support the growth and stability of their own professions. This past year, two members of our team also contributed as either a volunteer board member or as a guest speaker with the Association of Local Government Auditors (ALGA) at their annual conference that was held virtually in 2021.

Resilience: Establish and maintain structure and protocols, which provide adaptability and agility, to ensure the continued delivery of City Auditor's Office services.

5.1 Budget

The CAO strives to provide the highest level of independent and objective assurance, advisory and investigative services within our Council-approved budget. Our approved 2021 annual budget includes costs associated with completing audit, advisory and investigative services.

Most of the CAO budget represents salary and associated costs for the professional team. The CAO generally maintains funding within its budget to enable the office to hire subject matter experts to evaluate specialized risk areas or provide specific knowledge. The CAO did not fully utilize the 2021 salary budget due to staff absences and position vacancies. In Q1 2021, we utilized contract resources to engage experts in the field of workplace investigations to conduct an external assessment of WBP processes.

(\$'000's)	2018 Annual Budget	2018 Actual	2019 Annual Budget	2019 Actual	2020 Annual Budget	2020 Actual	2021 Annual Budget	2021 Actual	Variance
Salary	2,619	2,424	2,684	2,585	2,764	2,477	2,802	2,454	348
Tools & Technology	125	118	120	108	130	166	130	140	(10)
Training	65	51	52	56	56	20	56	21	35
Professional Memberships	18	17	18	21	18	19	17	16	1
Contracted Services	21	18	0	10	4	0	7	25	(18)
Employee Recognition	0	0	3	1	3	0	3	0	3
Office Operating Costs	66	54	57	56	49	46	47	36	11
Total	2,914	2,682	2,934	2,837	3,024	2,728	3,062	2,692	370

5.2 Business Continuity

Business continuity is a key aspect of resilience to ensure that City services can be delivered without interruption in the event of a disruption caused by emergencies. During 2021, the CAO delivered services utilizing the activated CAO Business Continuity Plan, in response to the ongoing COVID-19 pandemic. Following minor process revisions in 2020, all services were able to be delivered effectively through remote working.

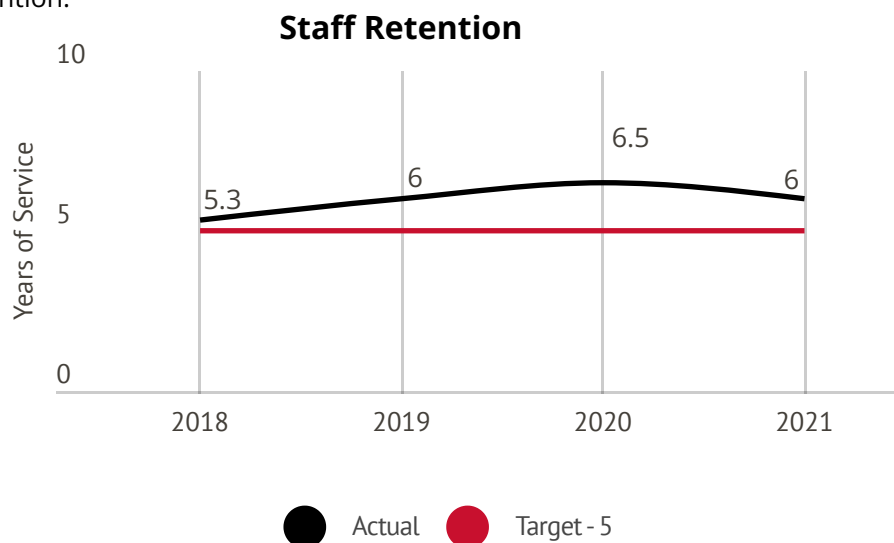
The CAO team focused continuous improvement activities during 2021 on underpinning systems and processes that further support business continuity and resilience. Additionally, a full update of the Office Manual and associated office procedures was completed to support clarity of team roles, responsibilities and tasks. Finally, the Job Evaluation Questionnaire process was completed for the Senior Auditor (8 FTE) and Senior Data Analytics Auditor (1 FTE) positions to support clarity of role description and future recruitment.

5.3 Staff Engagement and Retention

The key to our effective and efficient service delivery is our skilled and knowledgeable staff. 2021 was a time of significant personnel change for the CAO, which is reflected in the decrease of the average years of service of staff. During 2021, the City Auditor and two of our most experienced Senior Auditors elected to take retirement at the end of many years of service to the profession and The City. Our Audit Manager IT very tragically passed away after a short illness before their planned retirement in 2021. Additionally, two long serving members of the CAO, our Office Administrator and a Senior Auditor, accepted positions elsewhere in The City.

We were successful in recruiting two new Senior Auditors and a permanent Office Administrator as well as promoting the Senior Data Analytics Auditor into the vacant Audit Manager IT position. In early 2022, we have two further recruitment activities underway: a posting for the vacant Senior Data Analytics Auditor created by the promotion and a posting for two Senior Auditors. We expect these positions to be filled by the end of Q2, 2022. During the first half of 2022 both the City Auditor and one of two Deputy City Auditor positions will remain filled on an Acting basis while Audit Committee conduct the recruitment for a permanent City Auditor.

Despite challenges faced, the CAO team have displayed outstanding resilience and continued to deliver high quality services during 2021. All members of the CAO are invited to contribute to a monthly anonymous survey of team mood and scores remained positive throughout the year. In addition, feedback from The City of Calgary employee survey showed high scores from the CAO regarding drivers related to employee engagement and retention.



5.4 Software Update

The CAO has been using TeamMate audit software, since 2005, to:

- Plan, conduct and store the results of audits and advisory services;
- Track audit observations and recommendations; and
- Score the audit risk universe and conduct trend analysis.

In 2021, we completed the transition to TeamMate+, which features a cloud-based format. Utilizing updated audit software supports resilience and reliability in our audit processes and enhances our office productivity, reporting and monitoring capabilities.

While 2021 was a year of unprecedented change for the City Auditor's Office, we have focused our activities on supporting the future resilience of the team and look forward to continuing to deliver valuable, responsive and risk-based services during 2022.

Looking for more Information?

Visit our website at www.calgary.ca/auditor to find more information and to read our audit reports.

You can also learn more about the WBP at www.calgary.ca/whistle