

Supplier Conflict of Interest Continuous Auditing Project

RECOMMENDATIONS:

That the Audit Committee:

1. Receive this report for the Corporate Record; and
2. Recommend that Council receive this report for the Corporate Record.

RECOMMENDATION OF THE AUDIT COMMITTEE, 2023 JANUARY 19:

That Council receive this Report for the Corporate Record.

HIGHLIGHTS

- Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties, and functions of the position. In accordance with Bylaw 30M2004 (as amended), the City Auditor reports the outcome of all audits to the Audit Committee (including Administration's response and corrective actions to be taken regarding specific recommendations). The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 33M2020.
- What does this mean to Calgarians? Continuous auditing results are a strong indicator that Administration has established adequate controls to manage the risk of conflict of interest between employees and suppliers.
- Why does it matter? Implementing continuous auditing is an efficient and cost-effective approach to monitor conflict of interest and associated risks in a timely manner.

DISCUSSION

Supplier conflict of interest occurs when an employee is or appears to be influenced to make a biased decision that benefits them, their family, and friends. Left unmitigated such conflicts can lead to inflated prices, lower quality product, potential supplier unfair advantage, financial loss, and reputational damage. The City of Calgary Conflict of Interest Policy (HR-LR-004) requires employees to "disclose any private interest, including those of any relative, business associate or friend, prior to participating in or seeking to influence any civic decision-making process affecting such an interest."

Our project objective was to use data analytics to identify one area of potential conflict of interest, receipt of financial benefit, between employees and suppliers and determine if these were appropriately disclosed to support risk mitigation. We created a PowerBI report to automatically match employee information and supplier information using phone numbers and addresses (see Attachment). We then used automation to eliminate false positives (e.g., a former supplier becoming an employee) and manually reviewed and followed up on the remaining potential conflicts of interest matches.

Our analysis identified no conflict of interest matches. This is a strong indicator that overall Administration has established adequate controls to manage the risk of conflict of interest between employees and suppliers. We identified two process improvement opportunities which Administration is taking forward; first to close an open purchase order, where work is completed,

Supplier Conflict of Interest Continuous Auditing Project

associated with a former supplier who is now an employee, and second to inactivate former suppliers associated with employees in the Supplier Master File.

The City Auditor's Office will continue to refresh the Power BI report to monitor overall risk exposure with a future plan to transition to Administration.

ATTACHMENT

1. Supplier Conflict of Interest Continuous Auditing Project

DEPARTMENT CIRCULATION

Name	Title, Department or Business Unit	Approve/Consult/Inform
Liz Ormsby	City Auditor	Approve
David Duckworth	City Manager	Inform
Carla Male	Chief Financial Officer	Inform
Les Tochor	Director, Finance/ City Treasurer	Inform
Amit Patil	Director, Supply Management	Inform
Michael Perkins	Manager, Financial Operations	Inform
Donna Taylor	Finance Leader, Accounts Payable	Inform
Nicole McAlister	Manager, Supply Management	Inform