

## FLOOD RECOVERY EXPENDITURE AUDIT

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### EXECUTIVE SUMMARY

The City Auditor's Office issued the Flood Recovery Expenditure Audit Report to Administration on September 3, 2014. The report includes Administration's response to eight recommendations raised by the City Auditor's Office to support control improvements for future events as well as the need to enhance tracking and reporting controls supporting capital projects still underway.

### 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 2014 SEPTEMBER 11:

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That Council receive Report AC2014-0734 for information.

Excerpt from the Minutes of the Regular Meeting of the Audit Committee, held 2014 September 11:

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### "CLERICAL CORRECTION

At the request of Mr. Day, a clerical correction was noted in the Attachment, on Page 6 of 24, first paragraph, third sentence, by deleting the word "misrepresented" following the words "We noted that some budget amounts were" and by substituting the word "misclassified".

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 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 2014 Annual Audit Plan was approved on December 12, 2013.

### BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2014 Annual Audit Plan. The objective of this audit was to provide assurance on the effectiveness of key controls that support accountability and transparency of the June 2013 flood funding recovery expenditures.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

The flood event created significant damage to municipal infrastructure and service delivery, as well as to local communities. Following the state of local emergency, there was an urgent need to ensure recovery expenditures could be approved and recovery work could continue. The impact to City infrastructure sustained as a result of the flood was estimated at \$445M<sup>1</sup> as at September 3, 2013. Recovery capital projects span across 16 business units and in some cases will take more than five years to complete.

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<sup>1</sup> As per PFC2013-0634 CFO's Report to Priorities and Finance Committee

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Our audit focused on the control processes put in place at a corporate level to address transparency and accountability of flood recovery expenditures. Expenditures approved during the State of Local Emergency (SOLE) were out of scope for this audit. The City Auditor's Office is currently conducting an audit specifically on procurement during the SOLE.

We examined Administration's reports to Council on the overall flood recovery budgets and expenditures to measure timeliness, accuracy and sufficiency of information. We also reviewed a judgemental sample of nine infrastructure recovery projects, with estimated budgets of \$127.3M<sup>2</sup>, including Calgary Police Service's Administration Building project and the Calgary Zoo Buildings project to assess accountability for flood recovery expenditures at the project level.

We anticipated that controls would be initially established on a best effort basis, and that reporting and monitoring would be enhanced over time. The results of our review confirmed best efforts made by Administration and determined the level of accountability and transparency as immediately established for these projects was reasonable. To support greater transparency in reporting for flood recovery capital projects, we raised one recommendation to improve granularity of project update reports to Council. We also raised seven recommendations to Administration to enhance accountability of capital expenditures related to future disaster events.

Administration agreed to the recommendations and provided action plans with commitment dates by or before June 30, 2015. We will follow-up on these commitments as part of our on-going follow-up process.

### **Stakeholder Engagement, Research and Communication**

This audit was conducted with the Finance Director acting as the audit principal contact within Administration. Additional support and cooperation was provided by management and staff across the City, including Calgary Police Service.

### **Strategic Alignment**

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

### **Social, Environmental, Economic (External)**

This report has been reviewed for alignment with The City of Calgary's Triple Bottom Line (TBL) Policy Framework. No implications are identified.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

N/A

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<sup>2</sup> As reported in C2013-0836 City Manager's Office Report to Council

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### **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.

#### **REASON FOR RECOMMENDATIONS:**

Audit Committee's Terms of Reference states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

### **ATTACHMENTS**

1. Flood Recovery Expenditure Audit Report – **(As Corrected)**