

# City Auditor's Office 2022 Annual Report



**Calgary**

City Auditor's Office

# Message from the City Auditor

In June 2022, it was an honour and a privilege to be appointed as City Auditor to proudly lead a team known for its quality work and focus in adding value to Administration, Audit Committee and Council. This report provides a summary of our 2022 deliverables.

In a public reporting environment, it is vital our work is reliable and of the highest professional quality. Our External Assessment conducted by the Institute of Internal Auditors (IIA) in May 2022 confirmed our on-going conformance with all Institute of Internal Auditor Professional Standards.

In 2022, the Whistle-blower Program (WBP) completed the implementation of the recommendations made by the external review of the program in 2021. These recommendations have supported the on-going continuous improvement of investigation processes as well as their responsiveness and reliability. The 24 recommendations included seven related to the review and update of the Whistle-blower Council Policy, which was approved by Council in December 2022. A strong and clear policy strengthens trust with employees and Calgarians and supports the resilience and responsiveness of the program by supporting the consistent evaluation of reports received.

During 2022, we built and maintained the resilience and responsiveness of our team through combining recruitment with use of additional resources. Following my appointment as City Auditor, I was able to appoint a second permanent Deputy City Auditor in my vacant position. We were successful in recruiting two experienced Senior Auditors, a Senior Data Analytics Auditor, and an Investigator to support the WBP. To support our internal resources and maintain responsiveness, we additionally utilized contract audit support, and investigator resources from Administration.

Utilizing our resources in this manner enabled us to deliver 92% of our planned 2022 audit plan, and maintain our high level of WBP responsiveness with 99% of newly reported concerns responded to within a business day, and 86% of active investigations less than 180 days in duration.



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 timely implementation of 39 management action plans reduced high and medium risk exposures facing The City. We delivered two continuous auditing projects which allowed us to both provide assurance to Audit Committee, and additionally to collaborate with Administration to support “in the moment” and on-going analysis of risk and mitigating controls through detailed analysis of data sets.

To best support responsiveness to emerging risks, we developed a one-year 2023 Audit Plan which additionally facilitates alignment of future audit plans to The City's new organization structure and 2023-2026 Service Plans and Budgets. We also planned priority areas of focus for 2023 data analytics activity to complement and enhance our assurance coverage. Further details of the CAO's 2022 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 available at [www.calgary.ca/auditor](http://www.calgary.ca/auditor).

A handwritten signature in blue ink that reads "Liz Ormsby".

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

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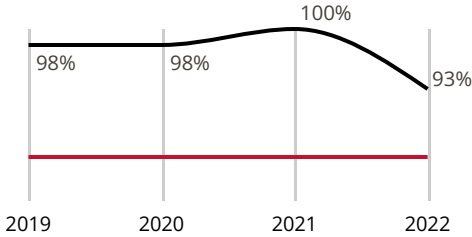
# 1.0 One Calgary Accountability



The CAO tracks five performance measures that align to our guiding principles of Responsiveness, Risk Reduction, Reliability and Resilience. These measures will be utilized in the 2023-2026 Service Plans and Budget cycle to measure on-going performance.



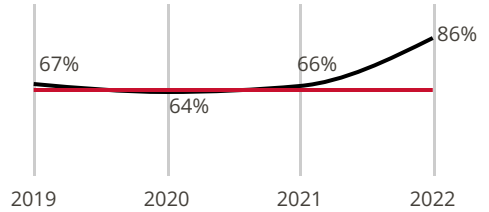
## CAO Client Satisfaction



● Actual ● Target - 85%



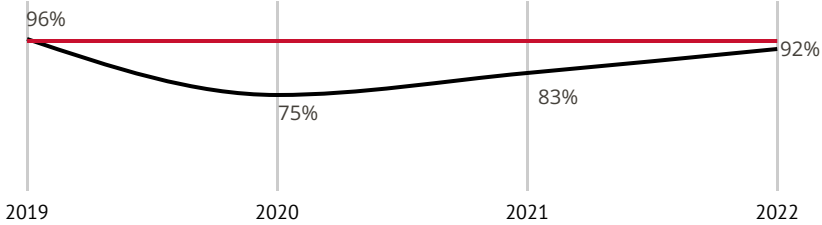
## % of Whistle-blower Program Investigations Open < 180 Days



● Actual ● Target - 65%



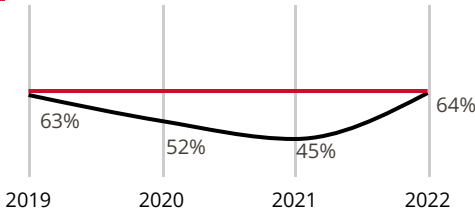
## Annual Audit Plan Completion



● Actual ● Target - 95%



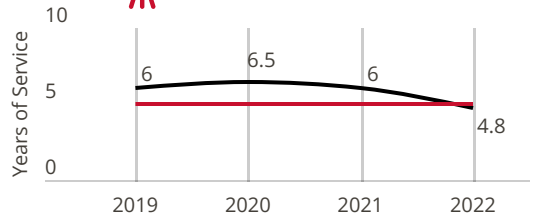
## Timely Implementation of Action Plans



● 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

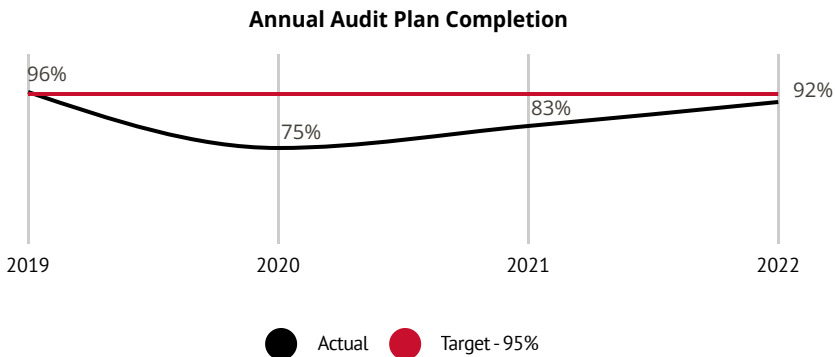
The CAO is accountable to Audit Committee and Council, assisting them in their oversight and governance role over Administration. We add value, resilience and enhance public trust through our independent and objective assurance, advisory and investigative services.

### 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 2022 Audit Plan at the December, 2021 committee meeting.

The CAO tracks the percentage of the Audit Plan completed, based on the schedule established when the Audit Plan is approved. The CAO was able to leverage contract resources to support the completion of two audits and minimize the impact of staff absences and departures on audit resource capacity. We are proud we were able to complete 92% of our Audit Plan and demonstrate resilience. We were able to finalize eight audit projects during the year and remain on track to finalize the five remaining 2022 audits during the first half of 2023.

In 2022, the CAO developed the 2023 Audit Plan using a risk-based framework to ensure audit resources were directed to the most significant areas of The City. Activities included confirming The City's risk profile, identifying areas of highest priority, engaging with key City partners, including members of Audit Committee, Council, and Administration, and assessing available CAO resources. The 2023 Audit Plan includes ten audits, incorporating a current Senior Auditor vacancy and upcoming recruitment, along with available external contract audit resources into capacity calculations.



## 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 2022, the CAO provided advisory services to a number of areas including:

- The City's Infrastructure Calgary Steering Committee as an advisory member;
- Input to a business unit on policy revisions and a proposed initiative; and
- Information to a business unit using data analytics.

## 2.4 Investigation Services - Whistle-blower Program

Whistle-blower Program (WBP) activity in 2022 may be indicative of a return to pre-pandemic activity, following two annual cycles of elevated reporting.

### 1 - Intake & Assessment

- 95 (154) new reports received representing:
- 207 (258) new allegations raised and assessed.

### 2- WBP Investigation

- 18 (30) new reports approved for further investigation.
- 8 (11) investigations carried forward from prior years.
- 40 (94) total allegations investigated.



#### By the Numbers

*WBP activity for the year ending December 31, 2022 (numbers in parentheses represent 2021 figures and are provided for comparative purposes only)*

### 3 - Conclusion & Reporting

- 19 (33) investigations concluded.
- 28% (27%) substantiation rate.
- 7 (7) investigation files carried forward into 2023.

### 4 - Recommendations & Closing

- 44 (41) opportunities for improvement and/or corrective actions were identified and recommended to Administration.

## 2.4 Investigation Services - Whistle-blower Program (continued)

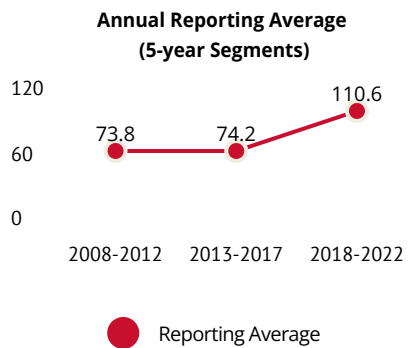
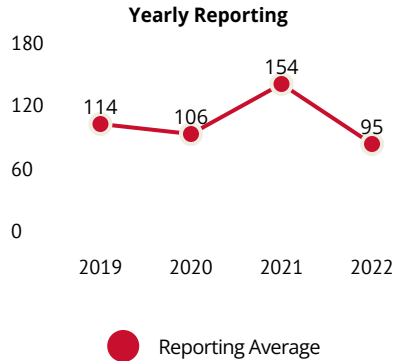
While the WBP experienced a 38% decrease in reporting volume when compared to 2021, the reporting volume in 2022 has a direct correlation to the reduction of COVID-19 related reporting. With the reduction and eventual cessation of federal and provincial health mandates, states of local emergencies, The City's Pandemic Face Covering Bylaw 63M2021 and the COVID-19 Vaccination Policy, COVID-19 related reporting to the WBP dropped significantly and resulted in a return to reporting volumes typically observed pre-pandemic.

Reporting volumes are tracked as an indicator of the awareness of the WBP as a method available to report suspected wrongdoing, and how to submit concerns of potential violations of policy or procedure.

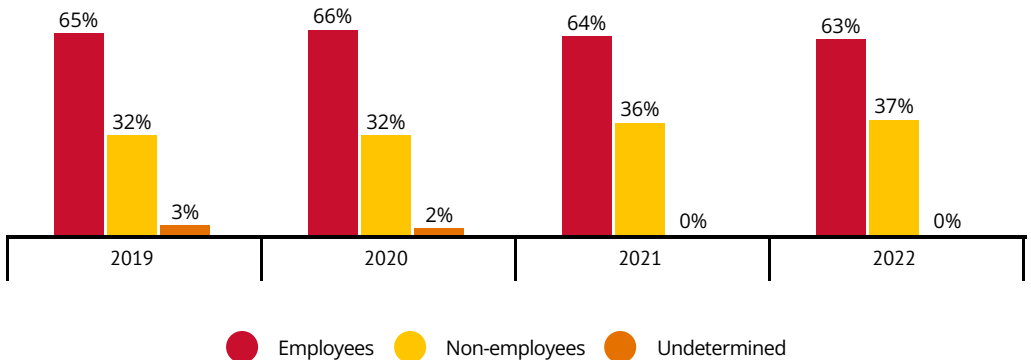
Consistent messaging to employees by Administration throughout 2022 reinforced employee behaviour expectations and actively encouraged employees to report suspected wrongdoing through all available reporting channels including the WBP. Year over year reporting volumes have been indicative of general awareness of and easy access to the WBP.

Due to the WBP being only one of several avenues available for employees to raise concerns, there is no 'right' or 'wrong' figure regarding reporting volume. However, higher reporting volume attributed to employees is generally indicative of their empowerment to report, and their confidence that concerns raised will be objectively assessed and, where supported, investigated appropriately.

Historically, employees have accounted for 56% of all reports submitted to the WBP. In 2022, employees reported 63% of all concerns.



### Who is reporting?



## Investigation Closing Rates

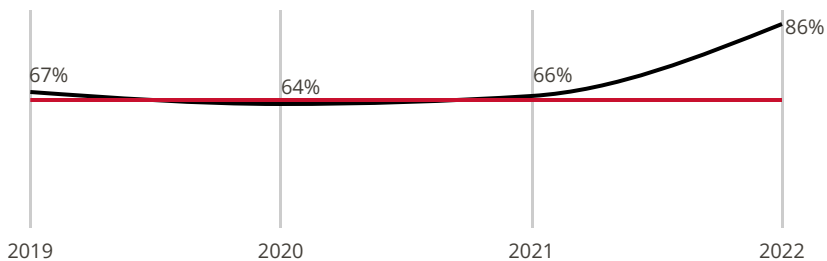
A key measure of responsiveness for the WBP is the timely completion of investigations. We acknowledge that for many individuals the matter being reported has negatively impacted them personally or professionally for some time prior to reporting, and an incomplete investigation only prolongs their negative experience. An investigation is considered open from the date a recommendation to investigate 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 re-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. This target will increase to 75% in 2023. Closing rates can fluctuate due to reporting volume and available investigative resources. Investigations completed within the six-month target during 2022 ranged from 14 to 127 calendar days.

*"I appreciate your swift review of this claim and for taking this matter seriously."*

*Reporting Employee*

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



● Actual ● Target - 65%

The WBP experienced a reduction in staffing resources during the first three quarters of 2022 while recruitment for additional investigative resources occurred. During this period, an investigative resource was made available by Administration and, combined with ongoing enhancements and efficiencies applied to WBP procedures in recent years, the overall impact to the timely assessment and response to concerns reported was minimized. This resulted in:

- The elimination of outstanding investigations aged greater than one year;
- A reduction in the average number of calendar days required to complete investigations compared to 2021, representing a sixth consecutive annual decline; and
- A reduction in the number of open investigations being carried forward into 2023 compared to the number carried into 2022 from 2021.



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

### **3.1 Audits Completed**

During 2022, we issued eight audit reports and a further report on a continuous auditing project (detailed on page 16). Our audit reports included 25 recommendations, focused on mitigating high or medium risks to which Administration provided 37 action plans.

#### **Transportation Infrastructure – Construction**

##### **Project Audit - AC2022-0497**

A Main Street is a cultural, social, and economic focal point of a community. The Main Streets Program aims to build resilient, adaptable, and attractive public spaces to support a wider variety of uses and mixed housing options to empower citizens to travel less and live more by providing the things needed in their own communities.

The West 17th Avenue Main Streets Project is one of the Main Streets Projects funded for construction. The scope of the project involves streetscape improvements and infrastructure upgrades and places a special emphasis on placemaking, pedestrian comfort, safety, and other citizen and business owner interests.



##### **Why we did this**

The City committed to an initial \$60M for capital investment in the Main Streets Program. We assessed the effectiveness of the design and operation of processes that mitigate the project's schedule, cost, and quality risks. We also assessed the effectiveness of internal communication of project roles, responsibilities, and status in support of program delivery in accordance with the program charter.

##### **What we concluded**

Overall, processes were designed and operating effectively to mitigate risks related to project schedule, cost, and quality. We identified two opportunities to enhance processes: Supporting current and future project schedule risk mitigation through the development of work breakdown structures; and enhancing quality risk mitigation processes.

##### **Why it matters**

Effective project management practices support the delivery of a quality project within budget and schedule.

## Public Protection Site Safety Plan Process Audit - AC2022-0876

Construction activity in Calgary must comply with Part 8 of the Alberta Building Code and Section 5.6 of the Alberta Fire Code to ensure public safety. In response to unsafe construction practices, Calgary Building Services (Building Services) worked closely with the construction industry to develop technically feasible requirements for protecting the public during demolition and/or construction.

Building Services' objective was to help builders minimize construction impact and ensure public safety. Although not required by the Alberta Building Code, the Public Protection Site Safety Plan (PPSSP), a requirement since 2012, is part of the building permit and plans review process.



### Why we did this

The objective of the audit was to assess the design and operating effectiveness of the PPSSP process to mitigate construction site safety risk. The objective was achieved by assessing key steps/controls in the PPSSP process and monitoring of key risk indicators between January 1, 2019, and December 31, 2021.

### What we concluded

The PPSSP process evolved significantly since 2012 and was no longer operating as originally designed. While key steps were not consistently completed, PPSSP considerations were incorporated informally into current practice. In addition, Building Services was not monitoring key construction site safety indicators. Since the PPSSP was implemented in 2012, we determined it was a good time for Building Services to review the intention of the PPSSP process and current practice and determine a more effective future state, including monitoring and reporting of relevant key risk indicators.

### Why it matters

If construction activities are not properly managed, they can become unsafe for the public, disruptive to those that live nearby, or damage adjacent property.

## Hyperion System Governance Audit - AC2022-0079

The Hyperion system is used by finance users across The City of Calgary to store, manage, and report budget information.

### Why we did this

Key aspects of effective IT system governance are system rules, roles and responsibilities, and processes to ensure that the system achieves its purpose.

### What we concluded

The Hyperion system governance processes and controls are designed and operating effectively to ensure complete and accurate budgetary data is used to support financial decision making. We identified two key areas to support future effective system governance:

1. Updating outdated governance committee terms of references, and
2. Improving the process for measuring benefits realization on system investments.

### Why it matters

Inadequate governance over the Hyperion system could result in inaccurate budget data used to make decisions, as well as inefficient budget processes.

## Fleet Operator and Public Safety Audit - AC2022-0315

As an enabling service, Fleet Services (FS) supports City business units that are responsible for providing front-line services to citizens, such as Waste and Recycling, Roads, Water Services, and Parks. FS ensures that The City's fleet is operated safely and responsibly. This is achieved through appropriate maintenance and repairs of vehicles and equipment and operator safety and training. FS is responsible for The City's operator policies, providing operator training for City vehicles and equipment, and investigating collisions involving The City's approximate 4,600 certified operators. FS also manages legislative requirements including compliance with the National Safety Code and the Alberta Traffic Safety Act standards set out by Alberta Transportation.

### Why we did this

The objective of this audit was to assess the design and operating effectiveness of key controls that support FS operator and public safety related to City Fleet operations.

### What we concluded

Overall, we determined that FS processes to manage operator and public safety risks are generally effective. To enhance the FS safety program, we raised recommendations to strengthen current safety compliance assessments, before and after vehicle usage controls; City operators' re-certification controls to ensure the necessary skills to safely operate City vehicles; and the development of a monitoring process to prevent dangerous fatigue-related incidents.

### Why it matters

The safety of employees and members of the public is a key City priority.



*"Thank you, City Auditor's Office for your great work! Your findings will help us improve our processes and enhance safety of City's operations."*

*Majid Asefi,  
Director, Fleet & Inventory*

## Facility Management Lifecycle Investment Management Audit - AC2022-1148

The City of Calgary's Facility Management Business Unit managed 501 city-owned facilities with 4.3 million square feet and approximately \$2.2B in replacement value on December 31, 2021, including facilities added to their portfolio between 2018 and 2021 through the Corporate Coordinated Operations and Maintenance Program (CCOM). The objective of the CCOM program, which is ongoing, was to facilitate a coordinated and corporate wide approach to the operations and maintenance, risk management, harmonization of processes, and standardization of data for facilities.



### Why we did this

The objective of the audit was to assess the effectiveness of processes to manage facility lifecycle costs and investments to mitigate safety risks and support service delivery. Specifically, we reviewed controls over the accuracy and integrity of building condition data used to inform lifecycle management decisions and processes to prioritize lifecycle investments, including Facility Management's Risk Framework to identify critical assets and prioritization criteria.

### What we concluded

Facility Management made significant progress in designing a robust risk framework to support evidence-based lifecycle investment decision-making. However, asset data could not be fully relied on to provide accurate and complete building condition information to support lifecycle cost prioritization since many facilities onboarded through CCOM did not have complete and accurate asset data or a Building Condition Assessment. We recommended the implementation of a long-term plan that leveraged Building Condition Assessments to improve data reliability and implementation of additional controls to mitigate the risk of data errors and omissions.

### Why it matters

In an environment of capital budget constraints, effective processes to manage and prioritize lifecycle investments are critical to mitigate the risk associated with facilities in poor and critical condition that could become unsafe for City staff and the public, and lead to service loss or disruption.

*"The sample that was selected did effectively reveal the shortfalls in data. Your staff were courteous and professional at all times, and learned our business quickly."*

*Jon Anderson,  
Manager, Investment Management*

## Calgary Recreation Infrastructure Investment Audit - AC2022-0727

Calgary Recreation, in collaboration with partners, provides recreation programs, services and access to multiple and various recreation facilities across The City. A recreation “facility and service” gap has arisen due to Calgary’s population growth, increasing participation in sports, non-functional and aging facilities, the need for competition-capable sport and recreation facilities and community gathering spaces, geographic growth, changing demographics and evolving recreation needs.



This demand for programs, services and access to facilities drives infrastructure investment opportunities in new and existing recreation facilities.

### Why we did this

The objective of this audit was to assess the effectiveness of processes implemented by Calgary Recreation to support equitable infrastructure investments.

### What we concluded

Overall, Calgary Recreation’s processes to support equitable infrastructure investments were not fully effective. Calgary Recreation has established an informal objective of improving equitable access to recreation opportunities and included equity as an underlying principle supporting its identification of infrastructure investment opportunities.

However, to meet the three-week report deadline directed by Council, Calgary Recreation followed an ad hoc portfolio decision-making process to arrive at the six infrastructure investments presented for approval to Council in June 2021. We raised three recommendations to support The City’s on-going effective management of infrastructure investment opportunities.

### Why it matters

The demand for recreation programs, services and access to facilities drives infrastructure investment opportunities in new and existing recreation facilities. There are also increasing expectations from a variety of stakeholders to consider equity in recreation infrastructure investment decision-making.

## Green Line Program Baseline Schedule Audit - AC2022-1191

The Green Line Program is the largest infrastructure project in Calgary's history with Stage 1 costs estimated at \$5.5 billion, including financing costs. Stage 1 will be built in two phases. Phase 1 will consist of 18km of LRT track with 13 stations from Shepard up to and including Eau Claire.

Phase 2 from Eau Claire to 16 Avenue N will include two stations and 2km of track.



### Why we did this

The objective of this audit was to assess the effectiveness of the design and operation of processes to create and monitor the Green Line Baseline Schedule. We evaluated Green Line's key controls and processes using guidance/criteria from the Project Management Institute (PMI) and the Association for the Advancement of Cost Engineering (AACE).

### What we concluded

We concluded that processes to create and monitor the Green Line Baseline Schedule were designed and operating effectively. Specifically, Green Line incorporated PMI/AACE best practice guidance in:

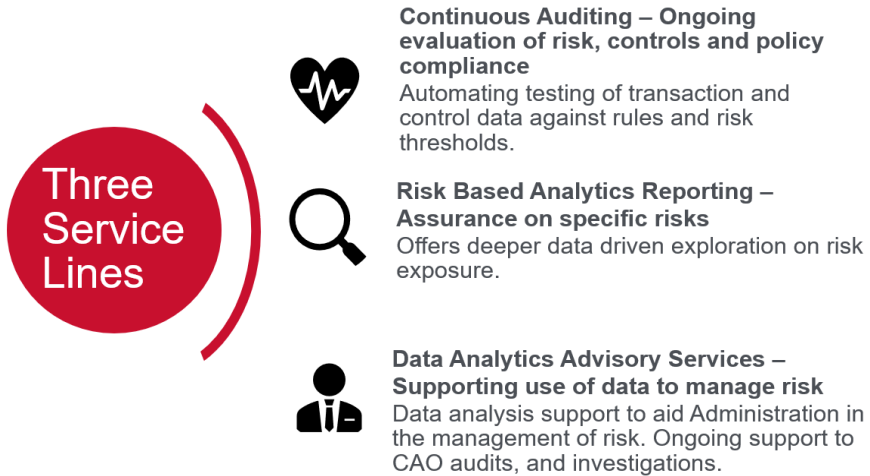
- The Schedule Management Plan, which established criteria and activities for developing, monitoring and controlling the Green Line Baseline Schedule.
- The development of the Green Line Baseline Schedule, including identifying and considering risks, documentation of schedule basis and assumptions, defining and sequencing of activities, and the completion of due diligence activities related to baseline schedule and constructability reviews.
- The design and operation of monitoring and reporting processes.
- The design of the change process. We could not test the operation of change management processes as there were no changes to the critical path during the audit period.

We made one recommendation related to reporting to further support the Green Line Board in its governance and oversight role.

### Why it matters

The creation of a robust Green Line Baseline Schedule combined with effective on-going monitoring processes supports on-time program completion and mitigates the risk of delays with associated financial and reputational impact.

## 3.2 Data Analytics Program Update



The City Auditor's Office Data Analytics Program focused activities in 2022 on building assurance capabilities. We delivered continuous auditing projects, data analytics advisory services and enhanced our resilience.

Our continuous auditing and risk-based analytics projects are planned data analytics activities. Our planned 2022 Data Analytics Areas of Focus was presented to Audit Committee in December 2021, and we delivered two projects during 2022: our Active Directory Continuous Auditing Project (see page 16) and Supplier Conflict of Interest Continuous Auditing Project, which was presented at the January 2023 meeting of Audit Committee.

Data Analytics Advisory Services were delivered to support audit projects, including the Hyperion System Governance and Public Protection Site Safety Plan Process, and investigations. Support involved extracting data from various source systems, delivering it in a format suitable for analysis and supporting the investigator or auditor in their analysis.

Finally, in 2022 we enhanced resilience by implementing new audit data analytics software which has expanded access and use of this software across the City Auditor's Office and supported centralization of key analytics scripts. Additionally, we continue to refine our methodology for delivering our continuous auditing projects.

## Active Directory Continuous Auditing Project - AC2022-0987

Active Directory (AD) establishes the identity of users accessing an IT network (authentication) and controls what can be accessed (authorization).

### Why we did this

Continuous auditing is an efficient and cost-effective approach to monitor the AD environment and associated risks in a timely manner.

Data analysis of AD provides assurance to Audit Committee and Administration on control effectiveness and opportunities via a scorecard.

### What we concluded

Overall controls of AD are generally effective, reflecting most accounts are managed through an automated identity management processes.

### Why it matters

AD user account controls mitigate the risks of unauthorized access and support accountability for actions taken using an account. This prevents and/or reduces the impact of data breaches, cyber attacks and fraud.



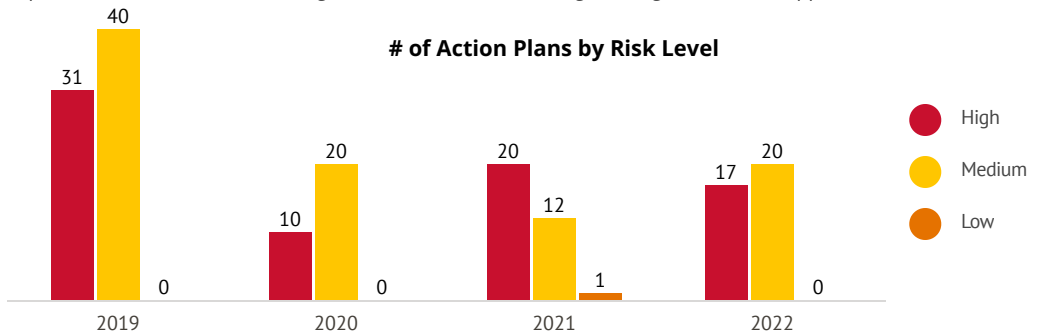
*"This was my first official audit in this role. I felt it went very well and the collaboration from both sides was excellent."*

*Tyler Andruschak,  
Manager, IT*

## 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.

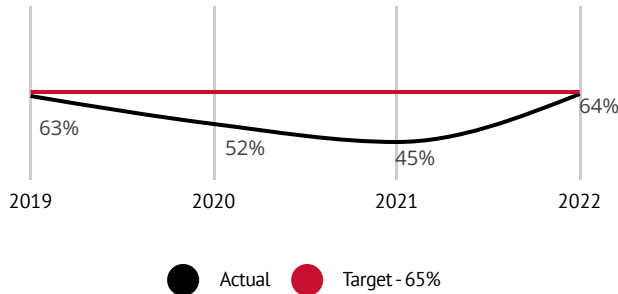




### 3.4 Implemented Audit Recommendations

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 significant improvement in timely implementation in 2022. We believe the improvement reflects greater availability of Administration resources following the completion of the organizational realignment in August and the reduced impact of the COVID-19 pandemic. We will continue to monitor to identify whether the improvement is part of a continuing trend.

#### Timely Implementation of Action Plans

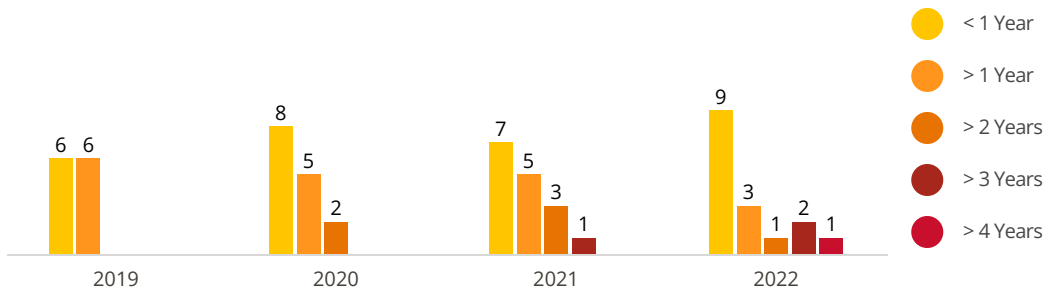


In 2022, Administration implemented 39 action plans, all of which were high (51%) and medium (49%) risk. At year-end, there were 40 outstanding action plans compared to 42 in 2021. Of these, 16 were considered overdue (16 in 2021) since Administration required more time to fully implement action plan commitments.

Most overdue action plans (75%) were overdue by less than two years, which was consistent with 2021 (75%). We will be following up on the three action plans overdue by more than two to three years in Q1 2023 and will communicate any concerns in our 1st Quarter Report to Audit Committee in April.

One action plan is overdue by more than four years. We followed up on this action plan in Q1 2022 and communicated the on-going risk exposure to Audit Committee at the April 2022 meeting. Administration have subsequently obtained budget to support implementation of their action plan, and we will be following up on this action plan in Q1 2025 as part of our commitment to follow-up 30 days after the action plan implementation date. We will continue to support Administration's commitment through quarterly monitoring of action plans and assessment of residual risk.

#### # of Overdue Action Plans



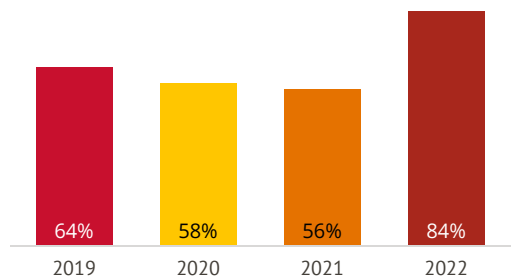
### 3.5 Whistle-blower Investigation Recommendations

Being more than an investigative body tasked with responding to reports of suspected acts of wrongdoing, the WBP provides additional value in 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 necessary component in determining an employee reporting program as successful and the WBP investigation team takes pride in presenting thoughtful and relevant recommendations.

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 84% of investigations concluded in 2022 and regular follow-up with Administration occurred to confirm their completion. At December 31, 94% of recommendations made by the WBP were completed and considered closed. Recommendations outstanding at Dec. 31, 2022 are not considered high risk to the organization and the WBP will continue to monitor their completion status.

**Investigations Resulting in Corrective Action**



Occasionally, investigations identify broader, or systemic issues that reach beyond a specific division or business unit. These observations are appropriately raised with senior Administration leadership and can result in organization-wide corrective action recommendations. A summary of each WBP investigation resulting in a recommendation by the WBP is disclosed on our webpage at: [www.calgary.ca/whistle](http://www.calgary.ca/whistle), which is updated on a quarterly basis.

Recommendations are opportunities for improvement and can be made for any completed investigation, and are not limited to only investigations with substantiated allegations.

The publishing of summarized corrective actions provides transparency of our process and demonstrates accountability in taking investigative action, where appropriate, in response to reports submitted to the WBP. Summaries are presented in a sanitized manner in support of our commitment to confidentiality, reporter protection, and privacy.

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

#### 4.1 Audit and Advisory Professional Standards



##### City Auditor's Office 2022 External Quality Assessment Report

One of the CAO's underpinning values is reliability. Stakeholders, including Audit Committee, must have confidence CAO deliverables meet quality expectations and are complete, accurate, objective, and timely.

The CAO conducts its audit and advisory activities in conformance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing 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.

IIA Professional Standards require the CAO to conduct an external assessment at least once every five years by an independent qualified reviewer. An external assessment provides independent objective assurance that the CAO is in conformance with the IIA Standards.

In 2022, an external assessment was completed by the IIA Quality Services and concluded that the CAO "generally conforms" (the highest rating available) to IIA Standards. This conformance provides additional assurance that the CAO is providing effective audits. The external assessment noted that the CAO has an ability to adapt and be responsive to change - the results of which are shown on page 20.

The CAO has established a Quality Assurance and Improvement Program that demonstrates a commitment to continuous improvement and alignment with the IIA Standards and the IIA Code of Ethics. Results of interviews and surveys of key stakeholders indicate that the CAO is highly valued by the Audit Committee and senior management. Three opportunities for continuous improvement were identified. The CAO will act on these opportunities during 2022/2023 to enhance on going efficiency and effectiveness.



Governance		
	Standard	Rating
1000	Purpose, Authority, and Responsibility	GC
1100	Independence and Objectivity	GC
1300	Quality Assurance and Improvement Program	GC
	Code of Ethics	GC

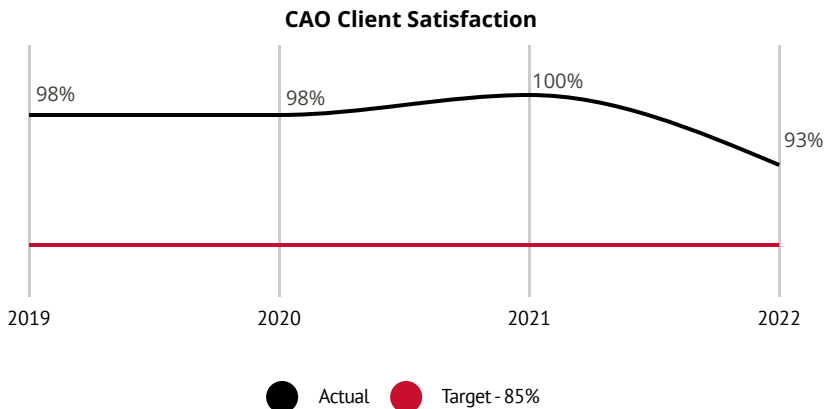
Staff		
	Standard	Rating
1200	Proficiency and Due Professional Care	GC

Management		
	Standard	Rating
2000	Managing the Internal Audit Activity	GC
2100	Nature of Work	GC
2600	Communicating the Acceptance of Risks	GC

Process		
	Standard	Rating
2200	Engagement Planning	GC
2300	Performing the Engagement	GC
2400	Communicating Results	GC
2500	Monitoring Progress	GC

**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. Eight client surveys were received during 2022 covering seven audits, with a response rate of 78% (2021 – 71%). We are proud we were able to achieve a 93% client satisfaction rating.



## 4.2 Whistle-blower Policy

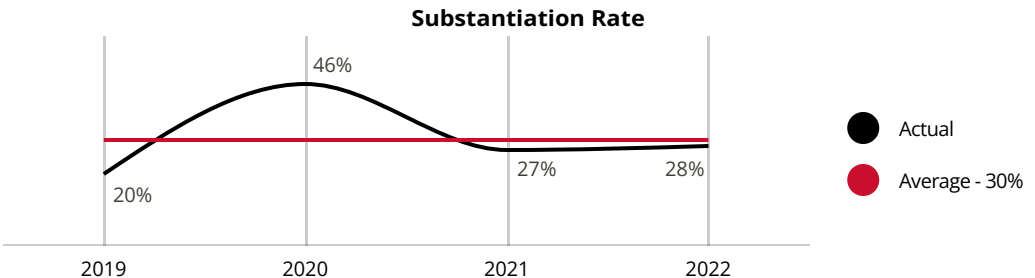
In support of The City's policy review process, a scheduled review of the Whistle-blower Policy occurred, and an updated policy was approved by Council in Q4 2022. While the updated policy does not significantly change the operations of the WBP, notable changes include:

- Clearly outlining how the policy will drive decision-making regarding concerns reported to the WBP.
- Updated roles, responsibilities, and definitions.
- Clarifying an existing practice of extending protection against reprisal to witnesses who support whistle-blower investigations and not just to those who report.
- Assignment of a new policy number CP2022-06, replacing Council Policy CC026.

## 4.3 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 applied to each report received determines the most appropriate action to address the allegation, or allegations, raised by employees and non-employees. 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 by the WBP. Sixty-four percent (64%) of the matters assessed in 2022 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 as a violation of City policy. The substantiation rate of allegations investigated in 2022 was 28%. To calculate the substantiation rate, the number of allegations substantiated is divided by the number of allegations investigated.



An unsubstantiated allegation may not represent an alleged action which did not occur, or that the report to the WBP should not have been made – an unsubstantiated allegation may simply be the result of available evidence not sufficiently supporting the concern as raised. 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 reporters on what information is necessary to support a successful investigation, or it could be indicative of investigation practices requiring improvement.

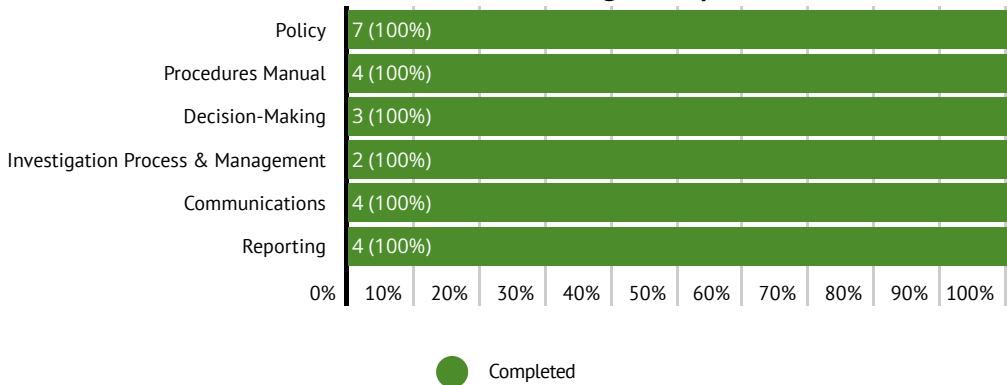
Conversely, a consistently high substantiation rate could question the investigators' objectivity or support further examination to identify more specific trends requiring corrective action. All investigation activity is scrutinized to ensure thoroughness, objectivity and quality before an investigation can be considered concluded.

### Whistle-blower Program External Assessment

As reported in our 2021 annual report, a maturity assessment of the operational practices of the WBP was completed by an external consultant who indicated that, overall, the WBP was a “comprehensive program with a solid structure in place”. Recommendations made to strengthen processes, increase efficiency, and prove additional clarity and transparency in the areas of policy, operating procedures, decision-making, reporting and communications were accepted by the City Auditor.

Most of the recommendations made were minor and administrative in nature, allowing for 59% completion, or partial completion, at the end of 2021. The more significant work involved and relied upon Council’s adoption of CP2022-06 Whistle-blower Policy, allowing for the completion of all remaining in late 2022.

#### External Assessment - Progress Report



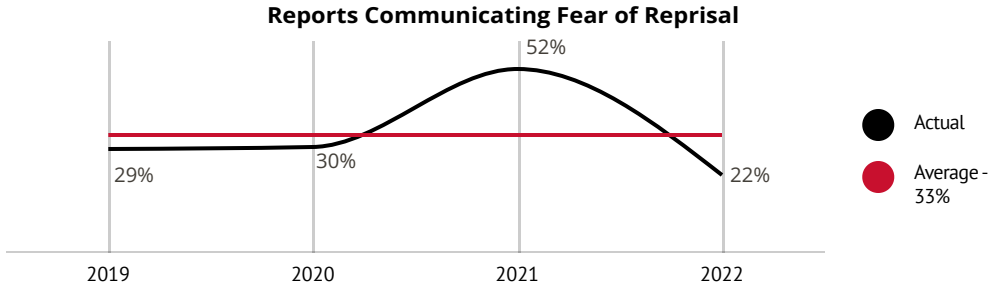
### Sensitive Reports

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, WBP, to be independently assessed by the Chair of Audit Committee, or their designate. Reports submitted online and identified as sensitive are automatically directed to the Chair, or designate, for confidential review, bypassing staff associated with the day-to-day operations of the WBP. If the Chair, or designate, determines a report received as not meeting the criteria to be considered sensitive, the report is redirected 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 2022 were appropriately assessed and are considered closed.

### Whistle-blower Protection

CP2022-06 Whistle-blower Policy outlines reporter protection and eligibility. Staff involved with the daily activities of the WBP recognize that reporting wrongdoing is rarely easy, and it becomes more difficult when it involves supervisors or colleagues with whom close working relationships exist. Some employees who report to the WBP express a fear of reprisal. Although the reprisal they fear may never materialize, employees are nonetheless informed and encouraged throughout the reporting and investigation process to self-monitor and to report suspected reprisal to the City Auditor.

No suspected acts of reprisal resulting from reporting to the WBP were reported to the City Auditor in 2022.



Retaliation experienced by employees resulting from activities undertaken by Administration and unrelated to reporting to the Whistle-blower is against the Code of Conduct and violations are addressed by Administration, and do not qualify for reporter protection under CP2022-06 Whistle-blower Policy.

### Speaking Up Project

There are many reasons an individual may fear reprisal for reporting suspected wrongdoing – some within an employer’s control and others not. In 2022, Administration undertook work to better understand the barriers to speaking up so that processes could be enhanced to address the barriers. The initiative aligns with The City’s Rethink to Thrive Strategy to focus on the physical and psychological safety of our employees with an emphasis on a respectful and inclusive workplace, equity, inclusion and anti-racism. The Whistle-blower Program has been an active contributor to this important project.

## 4.4 Professional Designations

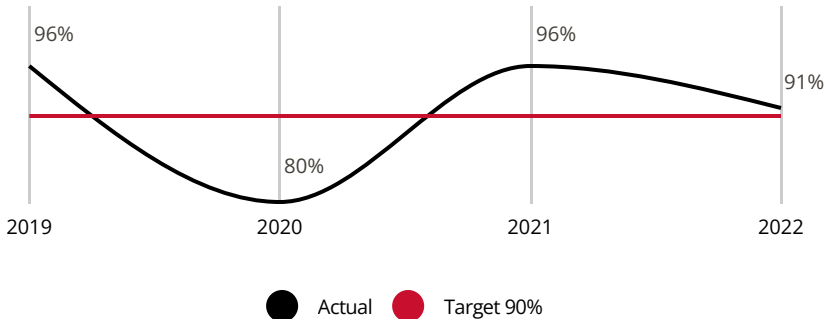
The skills and knowledge of staff are a foundational part of the CAO. To run effective audits, advisory projects and investigations, we have a range of complementary professional designations that enhance the effectiveness of the team. All staff conducting audits, advisory and whistle-blower investigations 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	11
Fraud Investigations	3
Accounting	6
Risk Management	1
IT Audit	4
Project Management	1
Data Analytics	3

### 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 2022, we achieved our 90% staff training plan completion target.

**Staff Training Plan Completion**

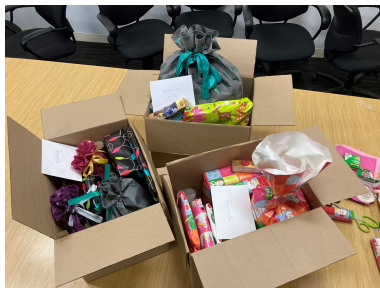


Throughout 2022, our staff participated in various training sessions to enhance their own skills and the overall capacity of our team. Seven members of the team took part in the IIA National Conference that took place in Calgary and benefited by discussing the latest best practices in internal audit and networking with leaders from across North America. The City Auditor took part in a panel discussion on the benefits of obtaining the Certified Internal Auditor designation.

Three members of our team attended the Association of Certified Fraud Examiners’ Conference to stay current on leading practices in investigations. The CAO also offered a training session to our entire team focused on enhancing our audit process skills by ensuring fact-based and control-based tests, and feasible audit recommendations can be used to elicit change.

### 4.6 Professional and Community Volunteer Activity

Volunteering both professionally and in our community is an important value in the CAO. As noted above, the City Auditor volunteered as a panelist at the 2022 IIA National Conference and our Audit Manager IT is a key volunteer member of the Association of Local Government Auditors Board. In 2022, the team continued our tradition of joining the Seniors Secret Service, a community volunteer initiative to donate Christmas gifts to those in the community who may not have friends and family to gift to them.





**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 2022 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 2022 salary budget due to staff absences and position vacancies. However, we were able to leverage contract resources to support the completion of investigative and assurance services by engaging internal contract resources to support WBP investigations and external contract resources to support the completion of two audits on our 2022 audit plan.

(\$'000's)	2019 Annual Budget	2019 Actual	2020 Annual Budget	2020 Actual	2021 Annual Budget	2021 Actual	2022 Annual Budget	2022 Actual	Variance
Salary	2,684	2,585	2,764	2,477	2,802	2,454	2,825	2,274	551
Tools & Technology	120	108	130	166	130	140	130	125	5
Training	52	56	56	20	56	21	56	38	18
Professional Memberships	18	21	18	19	17	16	17	15	2
Contracted Services	0	10	4	0	7	25	7	193	(186)
Employee Recognition	3	1	3	0	3	0	3	0	3
Office Operating Costs	57	56	49	46	47	36	48	53	(5)
<b>Total</b>	<b>2,934</b>	<b>2,837</b>	<b>3,024</b>	<b>2,728</b>	<b>3,062</b>	<b>2,692</b>	<b>3,086</b>	<b>2,698</b>	<b>388</b>

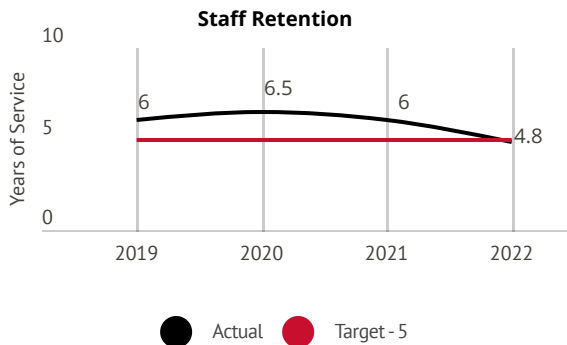
## 5.2 Business Continuity

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. The CAO started 2022 working remotely utilizing the CAO business continuity plan, and transitioned to hybrid working from April onwards. An annual update of the CAO business continuity plan was completed in October to support the CAO in continuing service delivery in the event of a future disruption.

Other CAO processes and process improvements also support on-going business continuity and resilience, including workplace inspections to support a safe working environment, records management processes to support records retention and disposition, and continuous process improvement activity to support on-going efficient working practices.

## 5.3 Staff Engagement and Retention

Skilled and knowledgeable staff are fundamental to the CAO's ability to deliver value-add services. During 2022, we focused on building our team following a number of departures in 2020 and 2021. The City Auditor position was formally appointed by Council in June 2022, and following that, the Acting Deputy City Auditor was formally appointed into the second Deputy City Auditor position. We were successful in recruiting and on-boarding two Senior Auditors, a Senior Data Analytics Auditor, and a WBP Investigator, as well as transitioning our temporary Office Administrator into the permanent role.



We continued our focus on continuous learning and utilized learning opportunities to build team engagement and cohesion. We completed training on ideas generation offered by The City's Innovation Lab, and audit training on drafting audit observations delivered by an industry professional. We also completed team and leadership sessions focused on diversity, equity, inclusion and belonging (EDIB) in support of our on-going commitment to this important topic. We have enjoyed growing our team and building new connections this year: all members of the CAO are invited to contribute to a monthly anonymous survey of team mood and scores remained positive throughout the year. We have also enjoyed building collaborative relationships with other City teams who contribute to The City's governance, risk and controls. We held a session discussing risk methodology with The City's Enterprise Risk Management (ERM) team in December, and will continue to identify opportunities to share knowledge and ideas in relation to risk management activities without compromising our independence and objectivity.

### Looking for more Information?

Visit our website at [www.calgary.ca/auditor](http://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](http://www.calgary.ca/whistle)