City Auditor's Office
2013 Annual Report

February 20, 2014

How to Reach Us

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City Auditor's Office 2013 Annual Report

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City Auditor's Office 2013 Annual Report

1.0 Message from the City Auditor

The City Auditor's Office Annual Report reflects the City Auditor's accountability to City Council and to the Citizens of Calgary. This report highlights the significant activities carried out by the City Auditor's Office in 2013.

2013 represented a year of change for the City Auditor's Office. Over the past year we moved to a new office location, had several staff position changes including a new City Auditor, implemented changes to audit activities due to the June flood, developed relationships with new members of Audit Committee, and implemented ongoing process improvements. That is a significant amount of change for any team. I am very proud of the team of audit professionals that make up the City Auditor's Office. Overall we had a very successful year, despite all the changes and challenges that arose. We exceeded many of the success targets set, and I am happy to share the success story of 2013.

At the start of 2013 the City Auditor's Office received its own audit report on the effectiveness of the internal audit process and conformance with Standards for the Professional Practice of Internal Auditing. The report confirmed our conformance but also provided opportunities to further enhance our professional effectiveness. We welcomed those recommendations and worked quickly to implement improvements to our office practices. That said we continue to look for further opportunities to improve our service, and in the last quarter of 2013 identified a number of leading practice opportunities that we will focus on during 2014.

Highlights of the year, discussed later in this report, include the completion of nine audits; ongoing response to the Whistle-Blower Program; continued follow-up and reporting on the status of audit recommendations; revisions to the City Auditor Office Bylaw; and formalization of the City Auditor Office Charter.

We had several new audit staff join our team, including myself. These talented professionals were able to come up to speed quickly due to the base of experienced audit professionals who have been in the City Auditor's Office for two years or more. I am energized by the potential of utilizing the wide experience and expertise of our revised team. We have a great year ahead of us in 2014, and I am confident that we can be effective in identifying opportunities for Administration to improve their effectiveness to achieve objectives and commitments that serve Calgarians.

Lastly my report would not be complete if I did not mention our plans for 2014. The 2014 Annual Audit Plan consisting of 24 audit activities in total was approved by Audit Committee in December 2013. These activities represent value for money audits, carry forward audits from previous year, advisory assessments, bylaw directed requirements and City Auditor's Office initiatives.

By completing the 2014 plan we intend to provide the Audit Committee and Council assurance on one or more aspects specific to cost economy, control effectiveness, or process efficiency for the department/business units under review. It is an ambitious plan, but one that we are prepared to achieve.

Katharine Palmer, CIA, CFE, CCSA, MBA
City Auditor

2.0 Overview of the City Auditor's Office

The City Auditor's Office is accountable to City Council, through the Audit Committee. This Annual Report provides City Council with an overview of the activities of the City Auditor's Office in 2013.

2.1 Authority and Independence

In May, 2004 City Council passed Bylaw 30M2004, establishing the position of City Auditor as a designated officer of the City of Calgary. In 2013 proposed updates were made to the Bylaw that went before Council for approval in Q1 2014. (See Section 5.2)

The bylaw requires that the City Auditor be appointed by resolution of City Council. It also provides the City Auditor with the authority to conduct reviews, evaluations, and audits, as well as provide consulting and advisory services.

The City Auditor is accountable to City Council and is independent of the City Administration.

2.2 Mandate

The City Auditor's Office is responsible for assisting Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations.

2.3 Services

The City Auditor's Office (CAO) provides three primary services to the City of Calgary:

1) Internal Audit Services
The City Auditor's Office provides independent, objective assurance services designed to add value and improve The City's operations. We assist The City in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The City Auditor has the authority to carry out a full range of audits, with the exception of external financial audits. Audit areas include all City of Calgary operations, programs, processes and systems, as well as autonomous entities having an operating agreement with The City.

2) Advisory Services
Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control process without the internal auditor assuming management responsibility.

Upon completion of an advisory service, observations and suggested improvements (if any) are communicated in a Management Letter to the client(s). Management Letters are intended for management's consideration and are not provided to Audit Committee. However, advisory activities are disclosed to Audit Committee and Council as part of the City Auditor's quarterly status reports to Audit Committee.

3) Investigative Services

In 2007, City Council approved Council Policy CC026, *Whistle-Blower Policy* which was updated in May 2013. The policy assigns the City Auditor and the City Manager to develop, implement and maintain an effective Whistle-Blower Program. While joint responsibility exists for the program, the City Auditor is responsible to ensure that all allegations are reviewed and appropriately investigated.

Council Policy CC026, *Whistle-Blower Policy* requires the City Auditor to report annually to Council through the Audit Committee, information related to investigations conducted during the year. The City Auditor issues a separate Whistle-Blower Program Annual Report.

2.4 Professional Internal Audit Standards

The City Auditor's Office conducts its work in accordance with the International Standards for the Professional Practice of Internal Auditing (the Standards) and adheres to the Code of Ethics as promulgated by the Institute of Internal Auditors. The Standards address:

a) The Attributes of the audit function, including: Purpose, Authority and Responsibility; Independence and Objectivity; Proficiency and Due Professional Care; and a Quality Assurance and Improvement Program.

b) The Performance of the audit function, including: Managing the Internal Audit Function; Nature of Work; Engagement Planning; Performing the Engagement; Communicating Results; Monitoring Progress; and Resolution of Senior Management's Acceptance of Risks.

All members of the City Auditor's Office must comply with the Code of Ethics as prescribed in the Standards as well as with the Code of Ethics of their individual designations and professional associations. Each staff member annually signs a declaration confirming their adherence to these standards and codes. At present, these include: the Institute of Internal Auditors; the Canadian Institute of Chartered Accountants; the Society of Management Accountants; the Certified General Accountants Association; Information Systems Audit and Control Association; the Association of Certified Fraud Examiners, Project Management Institute, the North Carolina State Board of Certified Public Accountant Examiners, American Institute of Certified Public Accountants, and The City of Calgary.

2.5   Mission

In 2013 the mission was amended as follows:

"To assist Council in its oversight role by providing independent and objective assurance, advisory, and investigative services. Through a risk based approach we identify opportunities for Administration to improve their effectiveness to achieve objectives and commitments that serve Calgarians."

The City Auditor's Office also worked on setting a five year vision and office values which will be finalized in early 2014.

2.6   Office Organizational Structure

2013 Dept ID Organizational Structure

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                          City Auditor
                               |
   ┌──────────────┬────────────┼──────────────┬──────────────┐
Deputy City    Deputy City   Senior         Auditors
Auditor        Auditor       Auditors       (2)
(1)            (1)           (6)
   |              |
Whistle-Blower  Administrative
Manager         Assistant
(1)             (1)
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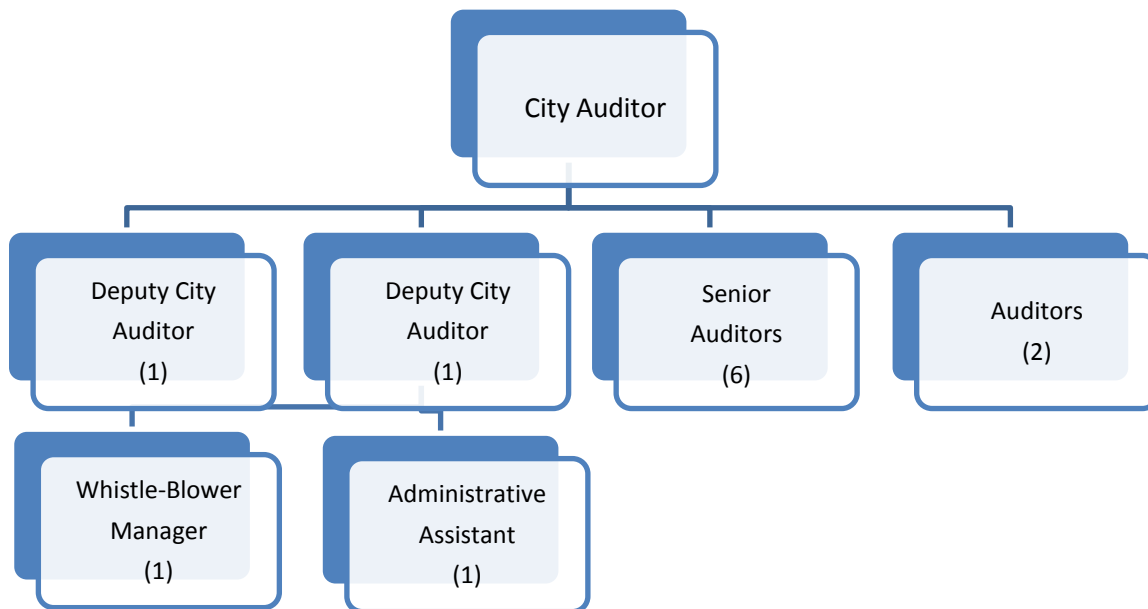
2.7   Office Move

In March 2013, the City Auditor's Office was relocated from the Municipal Building to the Andrew Davison Building.

3.0   2013 Office Goals & Performance Measures

3.1   2013 Office Goals

The City Auditor's Office prime mandate is the successful completion of the approved annual audit plan. To provide additional clarity on expectations the following six goals were established which will form the basis of success measures over the next five years:

Goal #1 - Create and deliver upon an annual audit plan to provide independent and objective assurance, advisory and investigative services to assist Council in their governance role.

Goal #2 - Build, establish, and retain an effective professional audit team that supports the requirements of the audit plan and acts with integrity.

Goal #3 - Build effective internal relationships and enhance the brand of the City Auditor's Office to support organizational improvement.

Goal #4 - Develop effective external networks with professional and community leaders to build credibility and maintain ethical and professional standards.

Goal #5 - Deliver and support an effective Whistleblower program.

Goal #6 - Conduct effective media relations to support communication on quality of City stewardship over public funds.

3.2   Performance Measures

On an annual basis performance measure are established to monitor the effectiveness and efficiency of the City Auditor's Office. During this year of transition we have measured our performance against seven targets as they were originally established in 2012. The results on these target measures reflect the professionalism and dedication of the team. The City Auditor's Office places high value on continual improvement and will establish new performance indicators in 2014, focused on those increased expectations and benchmarks.

Annual Audit Plan Completion – Target 75%
The Annual Audit Plan consists of a number of activities including operational audits, advisory activities, recommendation follow-up assessment and internal audit initiatives. The target measurement is based on full completion of 75% of the approved plan activities. For the purpose of measuring this target, an audit is considered complete once the draft observations are reported to the business unit, while all other activities are expected to be fully completed as proposed. Through dedicated effort, and despite staff shortages and turnover, the team was successful in exceeding expectations by completing the approved plan.

2013 Performance – 100% of the revised 2013 Annual Audit Plan.

Audit Productivity – Target 75% Auditor time on Projects
This is a measure of auditor productivity. Productive auditor time is direct time spent working on providing audit, advisory or investigative services. The balance of work time is categorized as non-project time and includes activities such as professional development, general meetings and office administration. As anticipated, overall productivity was lower reflecting the turnover of staff and the impact of the flood which created a necessary delay in continuation of audits. The team worked exceptionally well to complete the revised audit plan in Q4.

2013 Performance – 74% based on all staff employed during 2013 year.

Recommendations Agreed to be acted upon – Target 95%
This is a measure of the value provided through our audit services. To have the greatest impact our recommendations must be based on accurate and reliable analysis and clearly communicated to management to gain a commitment to take action. Management's agreement to take action in response to a recommendation is an indication of the effectiveness of our audit services.

2013 Performance – 100% agreement to recommendations raised.

Staff Development – Target 40 hrs/year per staff
This is a measure of the commitment of staff to complete professional training and the ability of the City Auditor's Office to balance both the need to support training as well as ensuring timely completion of the audit plan. Most of the professional certifications held by audit staff require a minimum of 40 hours of certified professional training. In many cases staff exceeded these hours through completion of training on their own personal time.

2013 Performance – Average of 40 hrs/year per staff.

Certifications – No Target - % of staff with audit certifications
This is a measure of the commitment of staff to obtain their Certified Internal Audit designation and/or their Certified Information Systems Auditor designation. Several staff have this designation as well as associated certifications in control self assessment and certified fraud examiner designations. This is in addition to various accounting designations and masters in business and other educational degrees.

2013 Performance – 80% of audit staff possess one or more professional audit designations.

Client Satisfaction – Target overall rating of 75%
At the conclusion of each audit, the audit client is surveyed to obtain feedback on our performance and to identify areas where we can improve. The survey consists of 12 criteria that define a successful audit. The client satisfaction rating is an average of the survey responses received in 2013.

<u>2013 Performance</u> – 92% indicating agreement and/or strong agreement

Actual to Budget Variance – Target +/- 10%
Financial management of budget expenditures is critical for any function within The City. Council approves the budget based on a commitment to provide a specified level of service for those funds. Approximately 90% of our budget consists of Salary and Benefit expenses.

City Auditor's Office Operating Budget Results[1]– Jan 1 to Dec 31, 2013

Budget	$2,230
Actual	$1,846
Variance	$384

<u>2013 Performance</u> – 17.22%.

The 2013 City Auditor's Office actual to budget variance was $384,000 (below budget expectations). We did not meet target expectations due to reduced staff complement during 2013 and therefore reduced salary expense.

4.0 2013 Audit Project Summaries

Bylaw 48M2012 requires the City Auditor to prepare an Annual Audit Plan for approval by Audit Committee. Audit Committee approved the revised 2013 Audit Plan on July 17, 2013. This section provides a summary of audit projects completed in 2013.

Copies of our public reports are available on the City Auditor's website: http://calgary.ca/auditor.

4.1 Technology Investment Governance Audit

The Audit Report was issued to the Administration on December 12, 2012. The report was presented at the January 24, 2013 Audit Committee meeting.

The objective of this audit was to assess the adequacy of technology investment governance structures, technology investment decisions and performance measurement.

The audit focused on the technology investment governance processes in place during 2011 and 2012. A sample of four large projects were selected and reviewed to determine the governance structures in place over these projects. In reviewing the sample of four projects we observed opportunities to enhance technology investment governance in the following areas:
1. Governance committees and technology decision rights;

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[1] Reported in $'000s.

2. Project intake, approvals and prioritization process;
3. Management of approved projects; and
4. The monitoring and reporting of technology costs, projects and information.

Five recommendations were made to further strengthen controls over Technology governance.

4.2 Police Information Check Unit Process Review

This report was issued to the Calgary Police Service on December 19, 2012. The report was presented at the February 21, 2013 Audit Committee meeting.

The audit objectives focused on the operation of the police information check process, and assessed whether:
1. Check results accurately reflected information in local and national police information systems, and provincial court records;
2. Checks were conducted in compliance with Criminal Records Act, Freedom of Information and Protection of Privacy (FOIP) Act, Youth Criminal Justice Act, Alberta Association of Chiefs of Police (AACP) guidelines, and RCMP Policy;
3. Police Information Check Unit were achieving their internal target of processing check applications within two weeks; and
4. Revenue arising from the police information check process was effectively controlled.

While conducting the risk assessment during the planning phase of the audit, we identified that strategic objectives had not been defined for the unit. As a result, we made three observations related to strategic direction.

We reviewed the check process and reviewed a sample of 72 checks. We also reviewed the cash handling and revenue monitoring practices. We identified three areas where there are opportunities for the unit to further enhance their operations, and raised four recommendations.

4.3 Calgary Transit Overtime Management Audit

This audit report was issued to the Administration on April 10, 2013. The report was presented at the April 18, 2013 Audit Committee meeting.

The objective of this audit was to evaluate Calgary Transit's management practices to plan, budget, assign and monitor overtime usage. We reviewed the three divisions within Calgary Transit that incurred the highest overtime expenses in 2011: Operators, Fleet and Facilities. For each selected division, we analyzed and summarized 2011 overtime expenses including dates, hours worked, as well as wages and salaries paid per employee.

We observed that overtime budgets for the Calgary Transit divisions are not prepared based on annual work plans. Current overtime budgets do not illustrate the level of

financial requirements needed to deliver required service levels. We observed four instances of potential non-compliance with government regulations, City of Calgary policies and business controls.

We made three recommendations to improve the overtime budgeting process.

4.4 Corporate Technology Security – IT Network Access Security

This audit report was issued to the Administration on May 7, 2013. The report was presented in camera at the May 16, 2013 Audit Committee meeting. The report is classified as Confidential due to security vulnerabilities to The City's Information Technology network discussed in the report.

The objective of the audit was to assess processes in place during 2012 to provide access security to The City's Information Technology network.

We made three recommendations to further strengthen controls over IT Network Security.

4.5 PeopleSoft Human Capital Management (HCM) Application Security

This audit report was issued to the Administration on May 8, 2013. The report was presented in camera at the May 16, 2013 Audit Committee meeting. The report is classified as Confidential due to security vulnerabilities impacting The City's HCM Application discussed in the report.

The objective of the audit was to evaluate the appropriateness of PeopleSoft HCM application layer security to protect confidentiality and integrity of information within the application. Areas examined included roles and responsibilities, access assigned to users, ability to ensure accountability for actions, user account administration practices and authentication.

We raised 15 recommendations to improve security controls.

4.6 Payroll Review and Approval Risk Review

This audit report was issued to the Administration on June 5, 2013. The report was presented at the June 20, 2013 Audit Committee meeting.

The objectives for this audit aligned with HR Pay Services overall objective of providing quality and timely payroll services. We chose to review two business units that met initial scoping criteria based on payroll dollars, number of employees, and the use of feeder[2] systems.

We concluded that there is appropriate organizational separation of duties between time and attendance tracking; keying; reviewing; and approving. Following our interviews,

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[2] A feeder system is a system that loads data directly into another system, in this case PeopleSoft.

walkthroughs and limited testing of internal controls, we assessed the residual risk to HR Pay Services meeting our audit objectives as low. We also determined that payroll controls have been adequately addressed in Fire and Roads to conclude the risk to these business units not meeting our audit objectives as low.

When conducting audit work we aim to focus our audit efforts on the areas with a residual risk of medium to high; therefore, we did not proceed with audit fieldwork as part of this review. However, through our review of the internal controls system we made observations relating to our audit objectives and we reported on these observations. The report provided positive assurance that payroll review and approval controls in HR Pay Services, Fire and Roads were operating adequately at the time of our review.

We raised three recommendations to further enhance existing controls.

4.7 IT Hardware Inventory Management Audit

This audit report was issued to the Administration on June 7, 2013. The report was presented at the June 20, 2013 Audit Committee meeting.

The audit focused on the management and safeguarding practices of IT hardware. The objective of this audit was to assess The City's IT hardware inventory management practices. The type of IT hardware reviewed in this audit included servers, laptops, desktops, monitors and printers that had been acquired, inventoried, reserved, deployed, in use, or disposed between January and June 2012.

In reviewing the Information Technology Business Unit's (ITBU) hardware management practices we observed a lack of segregation of duties, supervisory review, and database monitoring that threatened the accuracy of the asset records. As well, we observed unrestricted and unmonitored access among authorized users to the asset records and process gaps regarding handling lost and stolen IT hardware.

In reviewing asset management practices of Business Units that independently purchased IT hardware assets, we observed instances where IT hardware assets were not recorded in the RIVAar database. Through discussion with management, we confirmed that processes to record assets and perform asset verification of the RIVAar database were incomplete.

We concluded that there are areas for improvement in order to provide assurance that the City's IT hardware assets are managed throughout the assets' lifecycle.

We raised 13 recommendations across two sections:
    1. Seven recommendations directed to the ITBU's hardware management practices; and
    2. Six recommendations regarding IT hardware asset management practices amongst The City's Business Units.

4.8   West LRT Audit

This audit report was issued to the Administration on July 17, 2013. The report was presented at the July 25, 2013 Audit Committee meeting.

The audit examined project budget setting and approval, funding approval, and expenditure management between January 1, 2007 and December 31, 2012. The audit had three objectives as follows:

1. To determine whether the project budget was managed effectively;
2. To determine whether the Design/Build[3] contract was effectively managed; and
3. To determine whether project funding was effectively managed.

We identified an opportunity for further information regarding budget requests to be provided to Council since we did not identify:

- Sufficient information presented to Council setting out what project scope was to be achieved for the amount of money requested; and
- Information setting out the basis of the cost estimation request leading to the budget request, or the anticipated level of confidence in the estimate and the associated contingency included in the request.

We did not identify detailed analysis of anticipated risks/benefits of the Design/Build approach, or analysis of alternative project delivery methods. We observed that The City conducted a competitive tender process for the Design/Build contract. We reviewed five of the largest contract payments to the Design/Build contractor. All five payments reviewed had supporting documentation.

We examined project funding management, and observed that all categories of expenditure were being monitored. We found that all budget adjustments were approved by Council.

We raised four recommendations to improve the City's Project Management Framework by enhancing information provided to Council for budget requests, the budget monitoring process and project lessons learned.

4.9   Calgary Convention Centre Authority – Governance Framework Audit

This audit report was issued to the Administration on August 30, 2013. The report was presented at the September 12, 2013 Audit Committee meeting.

The objective of this audit was to assess the governance relationship between The City and the Calgary Convention Centre Authority to provide assurance that there is a

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[3] Design/Build refers to a Project Delivery System in which a single entity provides the Owner with all services necessary to design and build the facility. The entity provides the Owner with a single point of responsibility for the work.

comprehensive governance framework that meets the needs of accountability and transparency.

The audit focused on the 2012 governance relationship between The City and the Authority and was limited to the ten principles for governance relationships included in the Framework of Principles for Governance Relationships approved by Council in July, 2012. The intention was not to assess compliance but to determine the current state of the governance framework and identify opportunities to improve overall governance.

Overall we determined that there are a number of opportunities to improve the current governance framework between Council and the Authority by aligning with the ten governance principles. Recommended improvements related specifically to accountabilities with respect to specific outcomes and roles and responsibilities; current reporting processes; and appointment of members to the Authority.

We raised three recommendations to Council and one to the Authority. Council approved the recommendations at their November 18, 2013 meeting.

5.0 Internal (Non-Audit) Project Summaries

5.1 Quality Assessment Review

The City Auditor's Office follows the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (*Standards*).

The *Standards* require an external quality assessment at least every five years. With the last external quality assessment in 2010, the next external quality assessment was not required to be completed until 2015. However, since audit practices were updated and revised after the 2010 assessment, the City Auditor's Office felt that an external quality assessment would provide Council assurance that The City's audit function met the Standards for the Professional Practice of Internal Auditing.

The City Auditor's Office conducted a competitive procurement to select an external review team, with assistance from The City's Supply Management team and a member of Audit Committee. Honkamp Kruger & Co. was the highest rated proponent and was selected to perform the review. The review was conducted during January 2013. The review concluded that the City Auditor's Office "Generally Conforms"[4] to the International Standards for the Professional Practice of Internal Auditing.

The review provided recommendations to address six observations. See Section 6.4 for an update on the recommendations.

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[4] The Institute of Internal Auditors defines "Generally Conforms" as an internal audit activity has a charter, policies, and processes that are judged to be in accordance with the *Standards* in all material respects, but some opportunities for improvements may exist.

5.2 City Auditor's Office Bylaw Review

Bylaw 30M2004 (City Auditor) and City Auditor Model (AC2004-09 Attachment 2) required updating to reflect existing practices, align to other City documentation including Bylaw 48M2012 (Audit Committee), and to conform to Standards set by the Institute of Internal Auditors.

We chose to update the Model at the same time we reviewed and updated the Bylaw to ensure consistency between the documentation. We transformed the Model into a City Auditor's Office Charter which allowed the Office to address the recommendation made by the 2013 Quality Assessment Review; fully conform to Standards; and ensure that there is an accurate and complete Council approved summary of the purpose and nature of the internal audit function. The Charter replaces the City Auditor Model.

The Bylaw as amended and Charter, approved by Council in January 2014, along with Bylaw 48M2012, will form the terms of reference governing the City Auditor's Office.

6.0   Emerging Issues – City Auditor Discretion

The 2013 Annual Audit Plan included an allocation of audit resources to be assigned by the City Auditor as issues arose that were unforeseen at the time the Annual Plan was approved. Following are activities where audit resources were utilized for this purpose.

Formal reports were not issued to Audit Committee regarding the advisory activities below.

6.1 Privacy Health Check Project

The City Auditor's Office worked in collaboration with the City Clerk's Office to create a Privacy Health Check questionnaire, aimed at supporting Business Unit FOIP activities. We provided the final questionnaire to City Clerks on April 10, 2013 and provided a memorandum on April 16, 2013 confirming our role in this collaborative project was complete. The City Clerk's Office piloted the completed questionnaire during Privacy Week in May 2013 with various City Business Units.

6.2 RFP External Auditor

In Q1 and Q2 2013, the Audit Sub-Committee on External Auditor Selection conducted a Request for Proposal (RFP) process to identify a preferred proponent as the City's External Auditor. A Deputy City Auditor supported this Sub-Committee through the RFP process. Following Audit Committee recommendation and Council approval, an External Auditor was appointed in May 2013.

6.3 Pay for Performance

We supported the Human Resources business unit providing advice on controls as the Pay for Performance process was incorporated into PeopleSoft HCM.

We provided a management letter to the business unit on August 15, 2013.

6.4 Quality Assessment Review Recommendation Response

The City Auditor agreed with the recommendations made by Honkamp to address six observations. (See Section 5.1) Actions plans were developed by the City Auditor in March 2013 and work was done throughout the year to put the action plans in place. At December 31, 2013 the work to address the recommendations was completed.

7.0 Recommendation Follow-Up

On a semi-annual basis, we provide a report to the Audit Committee and City Council on the adequacy, effectiveness, and timeliness of actions taken by the Administration to address our audit recommendations.

Management is responsible and accountable for addressing audit recommendations. It is the City Auditor's responsibility to monitor Management's progress on implementing the recommendations.

7.1 Audit Recommendation Follow-up - City Administration

On May 16, 2013 we reported on Management Actions on audit recommendations from prior year audits that they had committed to complete on or before September 30, 2012. This report included status updates on 67 recommendations of which 29 remained in-progress.

On December 12, 2013 we reported on Management Actions on audit recommendations from prior year audits that they had committed to complete on or before April 30, 2013. This report included status updates on 43 recommendations of which 4 remained in-progress.

Copies of our recommendation follow-up reports issued to City Administration are available on the City Auditor's website: http://calgary.ca/auditor

As of December 31, 2013 we are tracking a total of 110 recommendations.

7.2 Audit Recommendation Follow-up – Calgary Police Services

In July 2013, we requested a status update on the recommendations in the Calgary Police Service Check Review (2012) report that management had committed to implement by June 30, 2013.

We reported our follow-up results in a Memorandum to the Chief of Police on November 6, 2013 and presented the results to the Police Commission on November 26, 2013. The status of this follow-up project was included in the 4th Quarter Report to Audit Committee.

7.3 Management Letter Recommendation Follow-up

While recommendations made in a Management Letter are not reported publically, we follow-up on the recommendations in a similar fashion as with audit recommendations. We issue a report on the follow-up status to the City Manager.

In January 2013, we conducted follow-up work with management in UEP on six Management Letter recommendations that had target completion dates on or before October 31, 2012. We provided a report to the City Manager on the status of these recommendations. We reported that one recommendation was fully addressed, while the five other recommendations remained in progress, with revised management completion dates of December 2013.

8.0 2014 Annual Audit Plan

Bylaw 348M2012 requires the City Auditor to prepare an Annual Audit Plan for approval by Audit Committee. The 2014 annual audit planning process was designed to focus available audit resources on areas where the risk to the achievement of The City's objective is high. Audit priorities were established using an objective process that assessed all identified areas and activities against a common set of criteria.

The 2014 Annual Audit Plan was approved by Audit Committee on December 12, 2013.

9.0 Whistle-Blower Program

9.1 Investigations

Council Policy CC026, *Whistle-Blower Policy* assigns the City Auditor and the City Manager to develop, implement and maintain an effective Whistle-Blower Program. While joint responsibility exists for the program, the City Auditor is assigned the responsibility to ensure all allegations are reviewed and appropriately investigated. The office has one dedicated staff assigned to investigations and, if required, other audit staff may provide assistance.

The policy also requires the City Auditor to report annually to Council through the Audit Committee, information related to investigations conducted during the year. The Whistle-Blower program received 54 reports in 2013. An overview of the program and outcomes are included in the Whistle-Blower Program Annual Report that will be presented at the February 20, 2014 Audit Committee meeting.

9.2 Whistle-Blower Policy Update

The review focused on Council Policy CC026, *Whistle-Blower Policy* effective May 28, 2007. The objective of this review was to review and update Council's Whistle-Blower Policy to ensure it reflects Council's current expectations as well as incorporates leading

edge practices for the prevention, detection, reporting and investigation of any suspected act of waste and/or wrongdoing.

The majority of Council members interviewed for the review (78%) felt that this policy should also apply to Members of Council and Council Staff. This addition to the policy was approved by Council on May 27, 2013.

10.0 Staff Expertise

10.1 Knowledge Management

The depth and breadth of knowledge and experience within the City Auditor's Office is critical to provide best of class internal audit services to the City of Calgary.

Audit staff members hold a number of degrees including the following:
- Masters in Public Administration
- Bachelor of Commerce
- Bachelor of Management
- Bachelor of Business Administration
- Bachelor of Arts
- Masters of Business Administration
- Masters of Accountancy
- Civil Engineering

Combined, the City Auditor's Office has over 104 years of Internal Audit experience gained from the municipal, provincial and federal levels of government, Oil and Gas, Information Technology, and Accounting and Financial Management industries. We also have combined 40 years of City experience.

10.2 Certifications & Designations

Audit staff members currently hold a number of designations as listed below:

- Certified Internal Auditor (CIA)
- Certification in Control Self-Assessment (CCSA)
- Certified Information Systems Auditor (CISA)
- Chartered Accountant (CA)(ACA)
- Certified General Accountant (CGA)
- Certified Management Accountant (CMA)
- Certified Public Accountant (CPA)
- Certified Fraud Examiner (CFE)
- Certified Associate in Project Management (CAPM)
- Professional Engineer (P. Eng.)
- Certified Information Security Manager (CISM)

In February, Evelyn Otte, Senior Auditor, successfully completed the Project Management Professional (PMP)® examination process, and has been awarded the Project Management Professional designation.

One of our Senior Auditors who is currently working on obtaining his Certified Internal Auditor designation passed two of the three required exams in 2013 for this designation.

Two audit staff are currently working towards obtaining the new Canadian Chartered Professional Accountant (CPA) designation. During the year they passed three courses which are part of the CPA program.

10.3   Training and Development

Training is essential to ensure audit staff knowledge, tools and techniques are current. The City Auditor's Office requires staff to participate in professional development activities sufficient to remain in good standing with Internal Audit and other professional standards. Staff have a target to obtain 40 hours of professional development hours per year.

Appendix 1

2012 In-Progress (at Jan 2013)		
Project Title	**Status**	**Report Number & Audit Committee Presentation Date**
Transit Overtime Management	**Completed**	AC2013-0389 April 18, 2013
City Auditor Bylaw	**Completed**	AC2013-0830 December 12, 2013
Convention Centre Authority	**Completed**	AC2013-0654 September 12, 2013
Calgary Police Service Security Check Process	**Completed**	AC2013-0195 February 21, 2013
Payroll Review and Approval Process	**Completed**	AC2013-0526 June 20, 2013
IT Hardware Inventory Management	**Completed**	AC2013-0522 June 20, 2013
IT Network Access Security	**Completed**	AC2013-0447 (confidential) May 16, 2013
PeopleSoft Access Security	**Completed**	AC2013-0446 (confidential) May 16, 2013
Health & Safety Management	Removed from Audit Plan. Advisory support not required by Administration.	N/A
2013 Risk Assessed Priorities		
Recommendation Follow-up	Administration - **Completed** Calgary Police Service - **Completed** Management Letter- **Completed**	AC2013-0445 May 16, 2013 and AC2013-0787 December 12, 2013 AC2014-0087 January 23, 2014 Memo to the City Manager February 15, 2013

Audit Committee Orientation	**Completed**	Orientation sessions held in 2013 on March 21, April 18, May 16, & July 25
Advisory support to Council	**Completed**	May 2013
Quality Assessment Review	**Completed**	AC2013-0278 March 21, 2013
Payroll Review and Approval Process-Part 2	**In-Progress** Fieldwork and Draft Report Complete	Target: January 23, 2014
Facility Utilization	**In-Progress** Fieldwork and Draft Report Complete	Target: January 23, 2014
Privacy Health Check Process	**Completed**	Created a questionnaire in collaboration with the City Clerk's May 2013
West LRT	**Completed**	AC2013-0603 July 25, 2013
Public Safety Communications (PSC)	Cessation of audit work –on-going initiatives in PSC underway. Further audit or advisory work will be evaluated as part of the preparation of the 2015 Annual Audit Plan.	N/A
Business Continuity/Disaster Recovery Plans	Audit cancelled - advisory support to be provided to Administration regarding reviews of recent Business Continuity events.	N/A
Virtual Server Security	**In-Progress** Fieldwork Phase Completed. Currently in Report Phase.	Target: February 21, 2014

Attainable Homes Calgary	**In-Progress** Fieldwork Completed. Currently in Report Phase.	Target March 20, 2014
Integrated Risk Management	**In-Progress** Fieldwork Completed. Currently in Report Phase.	Target: March 20, 2014
Emerging Issues - City Auditor discretion: • RFP External Auditor	**Completed**	Supported Audit Committee – RFP Issued March 7, 2013
• Pay for Performance Advisory Project	**Completed**	Memo to Acting Director Human Resources August 15, 2013
• Quality Assessment Review Recommendation Response	**Completed**	January 23, 2013
Audit Committee/City Council Directed		
2014 Annual Audit Plan	**Completed**	AC2013-0785 December 12, 2013
Whistle-Blower Investigations	**On-going**	Annual report in Q1 2014