

CALGARY HOUSING COMPANY ASSET MANAGEMENT AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Calgary Housing Company Asset Management Audit Report to Administration on October 5, 2015. The report includes Administration's response to 11 recommendations raised by the City Auditor's Office to build on asset management. Administration provided action plans with commitment dates no later than December 30, 2017. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2015 Annual Audit Plan was approved on November 6, 2014. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2015 Annual Audit Plan. Calgary Housing Company (CHC) owns and operates 1,771 housing units with a tangible asset value of \$92M and a mortgage payable of \$21M at December 31, 2014. As an owner operator, CHC is responsible for the management of all aspects of the housing portfolio, including asset management.

The objective of this audit was to assess the effectiveness of CHC's asset management program for CHC-owned properties.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

CHC identified aging assets as one of its critical risks. In 2016, over 55% of CHC-owned properties will be over 35 years old. CHC properties have a defined service life and must be managed in such a way that the full service life is reached at the lowest cost. Risks associated with failing to implement an effective asset management program include resident safety and quality of life issues from building disrepair, cost increases from delays in critical maintenance or replacement, and ineffective allocation of resources.

We assessed the effectiveness of CHC's asset management program for CHC-owned properties based on leading practices in asset management including the ISO 55000 series¹ and The City's Corporate Asset Management Program. Overall we determined CHC is in the

¹ ISO 55000, ISO55001, and ISO55002 are international standards covering management of any asset type, yet recognizing the particular applicability to the management of physical assets.

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early stages of asset management program implementation for CHC-owned properties and provided recommendations to further advance overall effectiveness.

The Board of Directors designated implementation of a long-term real estate strategy as an organizational priority. The strategy included developing an asset management plan for regularly acquiring, assessing, maintaining and disposing/repurposing properties, and reporting progress to the Board. Since 2012, staff dedicated to asset management were hired and work was undertaken to create a comprehensive Asset Registry and assess and rank building conditions to prioritize lifecycle investment and identify opportunities for redevelopment or divestiture.

We acknowledge there has been an increased focus on asset management at CHC, however, we noted there is no formal governance framework in place for asset management at the organization level. We recommend CHC put a governance framework in place for its asset management program starting with a Strategic Asset Management Plan outlining asset management objectives that are aligned with CHC's organizational objectives. We also recommend policies and procedures be designed to ensure that asset management activities are fully integrated and aligned with CHC's overall strategic plan and responsibilities and accountabilities for all staff involved in asset management be defined.

Although the focus of the audit was on asset management for CHC-owned assets, we identified potential safety, reputational and financial risks associated with City-owned and Provincially-owned properties given the age of the assets. These assets makeup 75% of the total assets managed by CHC, the majority of which are over 35 years old. As the property manager, CHC's responsibilities with respect to asset management are not clearly defined or documented. We recommend that CHC seek to clarify and document responsibilities for assets managed on behalf of The City and the Province to mitigate risks associated with asset failure.

Stakeholder Engagement, Research and Communication

This audit was conducted with the Manager, Infrastructure and Asset Management acting as the principal audit contact within Administration. Additional support and cooperation was provided by staff in The City's Asset and Project Management division.

Strategic Alignment

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

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

N/A

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Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. The audit was undertaken due to the risk that aging assets are not effectively managed to ensure full service life is reached at the lowest cost.

REASONS FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

ATTACHMENT

AC2015-0762 Calgary Housing Company Asset Management Audit