

City Auditor's Office 2023 Annual Report



Calgary

City Auditor's Office

Message from the City Auditor

During the 2023-2026 budget cycle, the City Auditor's Office utilizes the "four Rs" as underpinning values: Responsiveness, Risk Reduction, Reliability, and Resilience. This report details our 2023 activities and achievements across all four values.

We are proud of our responsiveness to emerging risks across the City of Calgary. During 2023, we maintained our high level of responsiveness to Whistle-blower Program reports, responding to 93% of reports within one business day, and completing initial assessment of 75% of reports within 15 calendar days. We utilized available resources to not only complete 95% of the 2023 Audit Plan, but additionally to complete two high priority advisory projects.

In support of risk reduction, we identified 103 recommendations through the delivery of audit and advisory projects, and investigations. Our ongoing follow-up and monitoring to support timely implementation of 34 management action plans reduced high and medium risk exposures facing The City. In developing the 2024 Audit Plan, and Data Analytics Priority Areas of Focus we pioneered utilizing input from the City of Calgary ERM process, in addition to our usual input from City of Calgary leadership and members of Council and Audit Committee. During 2023, we continued to extend our Data Analytics Program. We delivered three continuous auditing projects which allowed us to provide assurance to Audit Committee and collaborate with Administration to support ongoing analysis of risk through detailed analysis of data sets.

Our work must be reliable and of the highest professional quality to both provide appropriate assurance to Audit Committee and add value to City of Calgary Administration. Our internal quality processes confirmed that our assurance activities continue to be delivered in conformance to the Institute of Internal Auditors (IIA) professional standards, and during 2023 we completed the implementation of the continuous improvement suggestions arising from the 2022 External Assessment conducted by the IIA.



Building team resilience has been a key focus of internal activity during 2023. Following five new appointments to positions in 2022, two new members joined our team in 2023 bringing the team to full strength. To support our team building, we attended learning and training delivered by internal and external experts as a group and took part in volunteer team building activities.





To further build resilience, we also focused on internal and external collaboration – sharing knowledge within our team, and with City of Calgary Administration: for example, inviting attendees from other business units to join our training on fraud awareness. We also focused on building resilience through underlying processes and governance structures.

The City Auditor supported Audit Committee in updating the bylaws which underpin the activities of the City Auditor's Office and Audit Committee, and led an update of the audit report format to better support clarity and efficiency in reporting to Audit Committee.

These are only a key handful of the activities we conducted during 2023. Further information and reports issued during 2023 are available at www.calgary.ca/auditor.

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

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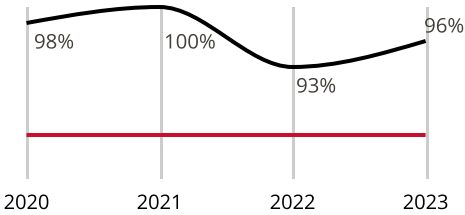
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1.0 One Calgary Accountability



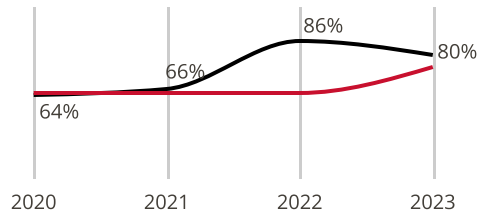
The City Auditor's Office tracks five performance measures that align to our guiding principles of Responsiveness, Risk Reduction, Reliability and Resilience. These measures will be utilized in the 2023-2026 Service Plans and Budget cycle to measure on-going performance.

Client Satisfaction Survey



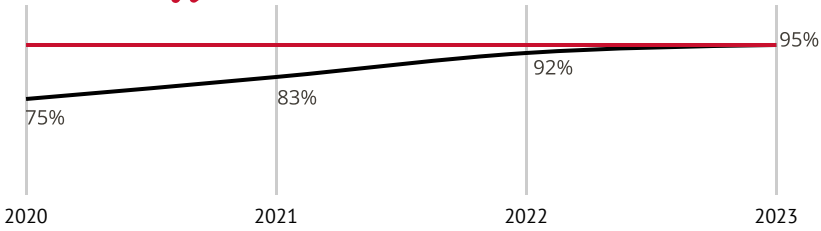
● Actual ● Target - 85%

% of Whistle-blower Program Investigations Open < 180 Days



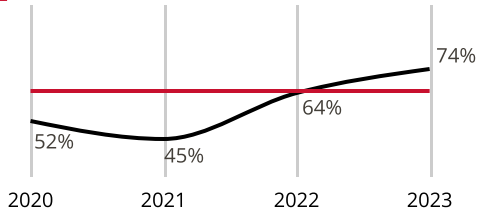
● Actual ● Target - 75% (2023)

Annual Audit Plan Completion



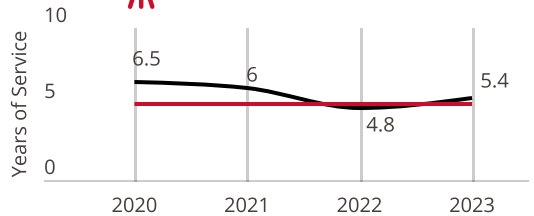
● Actual ● Target - 95%

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.

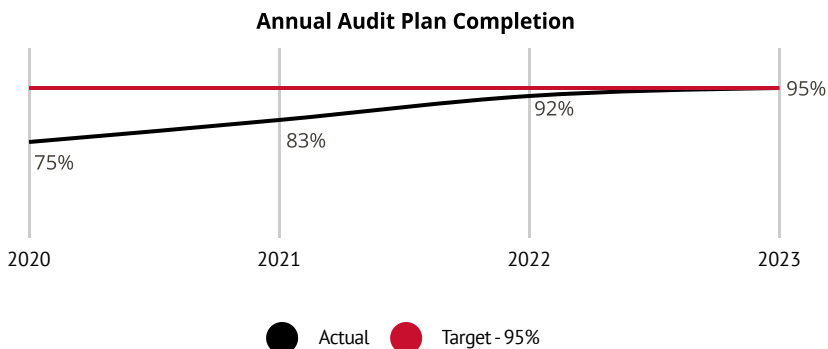
2.1 City Auditor's Office Mandate

The mandate of the City Auditor is to assist Council, through the Audit Committee, in its oversight of the Chief Administrative Officer's administration and accountability for stewardship over public funds and achievement of value for money in City operations. This mandate is delivered through the provision of independent and objective assurance, advisory and investigative services to add value to The City of Calgary and to enhance public trust.

2.2 Audit Services

The annual Audit Plan sets out the planned audit services to be delivered by the City Auditor's Office in the upcoming year. The City Auditor's Office tracks the percentage of the Audit Plan completed, based on the schedule established when the Audit Plan is approved. The 2023 Audit Plan was approved by Audit Committee at the November 2022 meeting, and during 2023 the City Auditor's Office delivered 95% of the approved Audit Plan. The City Auditor's Office utilized internal and external audit resources to support the delivery of nine audit projects. At December 31, 2023, five audits from the 2023 Audit Plan were in progress and will be finalized during the first half of 2024 as part of our continuous project delivery.

During 2023, the City Auditor's Office developed the 2024 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 resources. To further enhance responsiveness, the City Auditor's Office utilized The City's Principal Corporate Risks in the development of the audit plan. The 2024 Audit Plan includes ten audits, assuming a fully resourced audit team, and the incorporation of external subject matter expertise as necessary to deliver value-add assurance.



2.3 Advisory Services

The City Auditor's Office 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. Providing advisory services supports both The City's continuous improvement and risk mitigation, as well as our on-going collaborative relationship with Administration.

During 2023, we utilized resources to deliver two advisory projects on topics of high priority to The City:

- A review of The City's draft Recall Petition process; and
- A review of The City's New Community Growth Application Evaluation process.

Additionally, members of the City Auditor's Office provided:

- Input to The City's Infrastructure Calgary Steering Committee as an advisory member;
- Input to a business unit on prioritization of policy updates; and
- Information to a business unit utilizing data analytics.

2.4 Investigation Services - Whistle-blower Program



By the Numbers

WBP activity for the year ending December 31, 2023 (numbers in parentheses represent 2022 figures and are provided for comparative purposes only)

1 - Intake & Assessment

- 105 (95) new reports received representing;
- 203 (207) new allegations raised and assessed.

3 - Conclusion & Reporting

- 18 (19) investigations concluded.
- 43% (28%) substantiation rate.
- 4 (7) investigation files carried forward into 2024.

2- WBP Investigation

- 15 (18) new reports approved for further investigation.
- 7 (8) investigations carried forward from prior years.
- 28 (40) total allegations investigated.

4 - Recommendations & Closing

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

2.4 Investigation Services - Whistle-blower Program (continued)

With elevated 2021 reporting volume being firmly attributed to COVID-19, the number of reports submitted to the WBP in 2023 represent a return to normal volumes as were observed pre-pandemic.

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

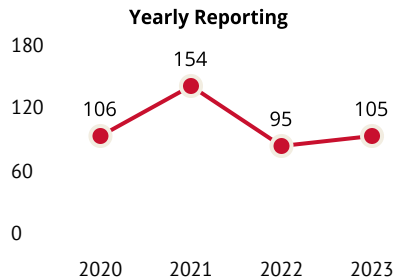
Consistent messaging to employees by Administration throughout 2023 reinforced employee behaviour expectations and actively encouraged employees to report suspected wrongdoing through all available reporting channels, including the WBP. Consistent reporting volumes year-over-year indicate general awareness of, and easy access to, the WBP by employees and Calgarians alike.

Due to the WBP being only one of multiple 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, their confidence that concerns raised will be objectively assessed, and investigated appropriately as merited.

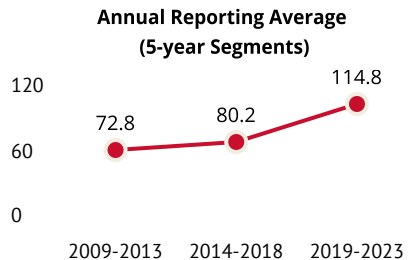
Historically, employees have accounted for 56% of all reports submitted to the WBP. In 2023, employees reported 51% of all concerns.

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

Reporting Employee

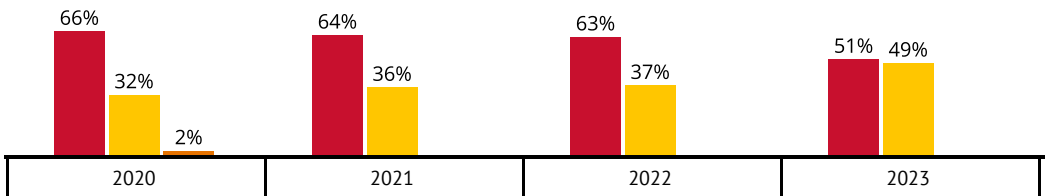


● Reporting Average



● Reporting Average

Who is reporting?



● Employees ● Non-employees ● Undetermined

Investigation Closing Rates

A key measure of responsiveness for the WBP is the timely completion of investigations. We acknowledge that for many individuals the issue reported has negatively impacted them personally or professionally for some time prior to reporting, and an incomplete investigation only prolongs their negative experience. The WBP considers an investigation open from the date a recommendation to investigate is approved by the City Auditor, through to the signing-off of an investigation report concluding on allegations raised.

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 reassessed and reprioritized based on their progress and risk exposure.

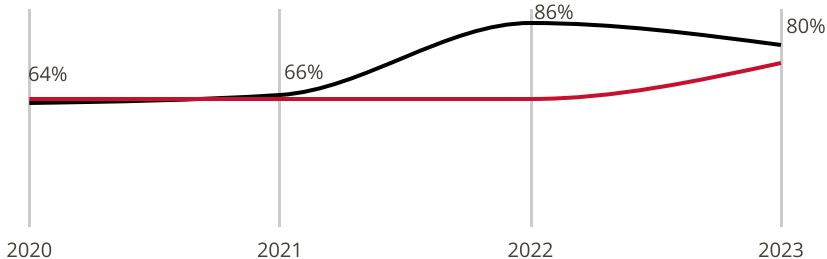
Closing rates are expected to fluctuate due to reporting volume and available investigative resources.

Recognizing the complexity and risk exposure for each investigation, the WBP strives to close investigations within six months, 75% of the time, as aligned with our One Calgary accountability targets. In 2023 this target was raised from the previous 65% and the new target was met. Investigations completed within the six-month target during 2023 ranged from 14 to 127 calendar days.

"I really appreciate your help in this matter! Thank you for being so kind and offering me so much clarification on which avenues are available. It was incredibly nerve wracking to file this complaint, so just know, I appreciate your kindness very much."

Citizen Reporter

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



● Actual ● Target - 75% (2023)

Ongoing enhancements and efficiencies applied to WBP procedures continue to yield positive results in minimizing the overall impact with year over year improvement in the timely assessment and response to concerns reported. In 2023, this resulted in:

- No outstanding investigations aged greater than one year;
- A reduction in the investigation closing rate (average number of calendar days required to complete investigations) compared to 2022, representing seven years of consecutive efficiency completing investigations; and
- A reduction in the number of open investigations being carried forward into 2024 compared to the number carried into 2023 from 2022.

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

3.1 Audits Completed

During 2023, we issued nine audit reports and a further three continuous auditing project reports. Our audit reports included 48 recommendations, focused on mitigating high or medium risks to which Administration provided 66 action plans.

Real Estate & Development Services - Enhanced Rationalization Program Audit - AC2023-0049

As part of The City's strategic approach to managing City land, the Enhanced Rationalization (ER) program was approved with a budget of \$3.9M through One Calgary 2019-2022.

The ER program was launched with the goal to accelerate the land rationalization process and identify additional surplus lands, which would be available for sale to generate revenues to finance future land acquisitions, support other corporate initiatives and increase the tax base.



Why we did this

The objective of this audit was to assess the effectiveness of the ER program in supporting the management of City-owned land.

What we concluded

Overall, we determined that the ER program is generally effective in supporting the management of City-owned land. We recommended that ER refine the mandate and objectives and support them with a risk management strategy, and monitor the resources assigned to ER, as the program does not have the dedicated resources initially planned.

Why it matters

Effective land management supports delivery of City services to business and citizens.

The ER program supports the sale of surplus land to generate revenues to finance future land acquisitions, other corporate initiatives and an increase of the tax base.

Calgary Housing Company- Vendor Procurement and Management Audit - AC2023-0230

Calgary Housing Company (CHC) is a wholly owned subsidiary of The City that provides safe and affordable housing solutions for low and moderate income Calgarians in need of non-market rental housing.

In 2021, CHC paid \$38.2M to external 3rd party vendors in capital and operational maintenance and housing operations.

Why we did this

The objective of the audit was to assess the effectiveness of CHC's vendor procurement and management by reviewing the design and operating effectiveness of Procurement, Purchasing and Accounts Payable and Contract Management processes and controls.



What we concluded

CHC's competitive/non-competitive procurement and contract amendment processes were designed and operating effectively. Control improvements were required to enhance the effectiveness of the payment process to identify and correct inaccurate billing. In addition, the operational effectiveness of contract management processes related to vendor performance evaluations and contract renewals and extensions could be improved.

Why it matters

Effectively procuring and managing external 3rd party vendors is important given the significance of expenditures and the potential for financial loss and disruption to service delivery if properties are not properly maintained.

"We loved working with The City audit team and we are grateful for the excellent recommendations."

*Jana Tchinkova,
CHC Chief Finance & Risk Officer,
Calgary Housing*

Recruitment Processes Audit - AC2023-0444

The City is committed to building and sustaining an inclusive work environment — one that welcomes, supports, respects and values individuals for their unique experiences, perspectives, talents and contributions. Human Resources and the recruitment process are important aspects of supporting an inclusive work environment.

Equity, Diversity, Inclusion, and Belonging is an evolving topic as organizations are on a journey to make a more intentional effort to address social issues. As part of the journey to enhance diversity practices, organizations have had to reflect on their current diversity practices and identify continuous improvement opportunities to measure and monitor progress.



Why we did this

Recruitment is a key process that supports building a diverse organization. The objective of this audit was to assess the effectiveness of the alignment of recruitment processes with The City's diversity objectives by independently validating the recruitment processes at The City against recruitment categories of the 2021 Global Diversity, Equity, and Inclusion Benchmarks maturity model.

What we concluded

Our audit identified activities in the recruitment process that successfully supported diversity, and additional initiatives underway to support future enhanced maturity.

Our audit work identified recommendations to support the maturity of the recruitment process as it relates to diversity, related to:

- 1) Enhancing the Diversity and Inclusion in the Workplace Framework content;
- 2) Completion of the updated diversity related recruitment training; and
- 3) Implementing a recruitment competition file oversight process.

Why it matters

Utilizing the collective experiences, skills and perspectives of a diverse workforce is important to The City as it creates business value and supports The City's commitment to make life better for all Calgarians.

"I appreciate the patience and professionalism and diligence that was put into the report. It is a great initiative on the part of City Auditors. We hope there are future audit opportunities to anchor EDIB in Total Rewards, Pay Equity, job classification and evaluation, supply management, advancement and development (e.g., succession planning). Lots of opportunity for us to build inclusive systems and practices. Thank you once again"

*Adediwura Odiase,
Leader, Human Resources*

Code of Conduct Program Audit - AC2023-0537

The City has implemented a Code of Conduct Program that describes the expectations for employee conduct to enable employees to create and uphold a safe, healthy, and ethical workplace.

This aligns with The City's 4 Cs behaviours (Character, Commitment, Competence, and Collaboration).

Administration's Code of Conduct Program includes the updated Code of Conduct Policy, the Code of Conduct Standards, the Code of Conduct booklet, as well as nine supporting policies.

Why we did this

The objective of this audit was to assess the effectiveness of the City Administration's Code of Conduct Program in supporting an ethical workplace as well as to identify opportunities for improvement to the program and assess it against leading practices.

The Institute of Internal Auditors also requires a periodic evaluation of the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

What we concluded

We utilized KPMG LLP to conduct this audit to incorporate subject matter expertise specific to Code of Conduct across large organizations. KPMG LLP assessed the effectiveness of City Administration's Code of Conduct Program in supporting an ethical workplace, and to identify opportunities for improvement. The assessment identified strengths as well as key observations to further improve the effectiveness of the Program. The assessment concluded that the Program is partially effective and identified ten recommendations to support fully achieving the Program's intended objectives.

Why it matters

The Code of Conduct is a common reference for standards of behaviour to help employees fulfill their role as public servants responsibly and with integrity. An effective Code of Conduct Program is key to support an ethical City of Calgary culture.

Code of Conduct



Public Spaces Delivery – Parks & Open Spaces Capital Project Management Audit - AC2023-0772

The Public Spaces Delivery business unit implements projects from detailed design through construction. The City's Corporate Project Management Framework (CPMF) provides project guidance and best practices for managing capital projects within The City. As the projects vary greatly in size, the Corporate Project Management Center has developed a project classification tool, which helps Project Managers classify their projects into one of three categories (Level 1, Level 2 & Level 3) based on the size and complexity of a project. We selected Parks & Open Spaces capital projects in our sample due to the high interest of citizens in these projects..



Why we did this

Public Spaces Delivery is a business unit under the Infrastructure Services (IS) department engaged in project management and delivery.

The objective of the audit was to assess the effectiveness of the capital project management and delivery processes.

This audit focused on Level 2 projects that represent a high proportion of Public Spaces Delivery project management activity (\$25 million allocated budget between 2020–2023).

What we concluded

Overall, we determined the capital project management and delivery processes were partially effective in two sample Parks and Open Spaces projects. Specifically, we found:

- The mandated elements of the CPMF were not fully utilized.
- There is an opportunity to utilize the CPMF-recommended (non-mandated) best practices to add value to the project management processes.

Why it matters

Effective capital project management and delivery processes are important given the materiality of the dollar value involved and the significance of public interest.

"I appreciate the attitude that the auditors brought in making things better, rather than trying to catch you doing things wrong, they were there to help us."

*Nico Bernard,
Manager, Parks & Open Spaces -
Public Spaces Delivery*

Green Line Risk Management Processes Audit - AC2023-0797

The Green Line Project is a major public transportation initiative aimed to expand The City's existing light rail transit (LRT) system. The Project is expected to enhance mobility, support economic growth, and contribute to a more sustainable transportation system in Calgary.

Complex, large-scale projects such as Green Line require a comprehensive risk management process to ensure effective planning, minimize potential disruptions, and mitigate risks that can lead to cost overruns, delays, or safety concerns. By systematically identifying, analyzing, and addressing potential risks, project managers can enhance the likelihood of project success and achieve the desired outcomes.



Why we did this

The complex nature of a mega infrastructure project, such as Green Line, involves significant construction and operational risks.

The objective of this audit was to assess the design and operating effectiveness of Green Line's risk management process. To ensure that any additional criteria relevant to mega projects were identified, the City Auditor's Office utilized the knowledge and experience of the City's Enterprise Risk Management team and an audit working group from the American Public Transportation Association.

What we concluded

The risk management process was designed effectively, and based on our sample, was operating as designed.

The Risk Management Framework incorporated processes to identify, analyze, mitigate, and monitor risks through tools such as the risk register, risk breakdown structure and risk software applications.

Why it matters

Effective risk management will be critical as the Project progresses, given that every large project will encounter risks that impact the delivery within schedule, cost, quality, and safety.

A robust risk management process will continue to help Green Line proactively develop mitigating strategies in a timely manner.

"The audit team did very professional job to ensure the audit is effective and serves its purpose. It was great experience to work with this team and get the audit done. Thank you!"

*Justin Wang,
Manager, Risk and Opportunity -
Green Line Operations*

Community Safety Partner Agency Liaison Initiative Audit - AC2023-0919

The Partner Agency Liaison (PAL) Team is a special group of Community Peace Officers established in 2010 to address encampments. The PAL Team partners with Alpha House in a front-line outreach capacity to connect Calgarians who are experiencing homelessness and rough sleeping to appropriate resource referrals.

Why we did this

The objective of this audit was to assess the effectiveness of the PAL Initiative to address encampments and mitigate safety, health and wellness risks by reviewing the design and operating effectiveness of processes and controls.



What we concluded

We analyzed key performance indicators (KPI) and observed reasonable achievement of expected response timelines with a decrease in 2022 reflecting increased numbers of encampments reported. To support evaluation of success of the unique working model and to guide future strategy, we recommended setting targets for existing KPI and creating KPI for outreach and proactive activities. We also identified opportunities to reduce the number of duplicate Service Requests (SR) and implement a process to follow up on overdue SR to support focusing more PAL Team time on outreach activities.

We concluded safety processes and controls were designed and operating effectively. Coordination with other agencies underpins effective response to encampments. The PAL Initiative has established structures that support coordination. We identified enhancements to processes to support more effective coordination to resolve issues, such as delays to encampment clean-up.

Why it matters

Effectively responding to encampments supports the safety of encampment occupants, the public, and City staff.

Waste Management Facility Cash Handling Audit - AC2023-1187

The City of Calgary has three active Waste Management Facilities where cash handling activities occur: Spyhill Landfill, East Calgary Landfill, and Shepard Landfill.

Why we did this

The objective of this audit was to assess the design and operating effectiveness of controls that support the complete and accurate collection and deposit of cash at The City's three Waste Management Facility sites and to identify opportunities for improvement.



The audit was completed by KPMG LLP on behalf of the City Auditor's Office.

What we concluded

The design and operation of controls during the period January 1, 2022 – March 31, 2023, were partially effective. There is a strong commitment from Waste & Recycling Services to enhance the effectiveness of existing processes in response to improvements identified to control design and operating effectiveness.

Why it matters

Effective cash management controls are key to support the complete and accurate collection and deposit of cash, and minimize potential losses due to errors, fraud, omissions, or other irregularities.

Calgary Transit Rail System Lifecycle Asset Management Annual Investment Program Audit - AC2023-1188

Calgary Transit invests in the Rail System Lifecycle Asset Management (Rail System) Annual Investment Program (AIP) to enable proper maintenance and regular lifecycle management of aging and outdated Rail System Communications and Signals components.

Why we did this

The objective of this audit was to assess the effectiveness of the management of Calgary Transit's Rail System AIP by reviewing the design and operation of Rail System AIP processes and controls.



What we concluded

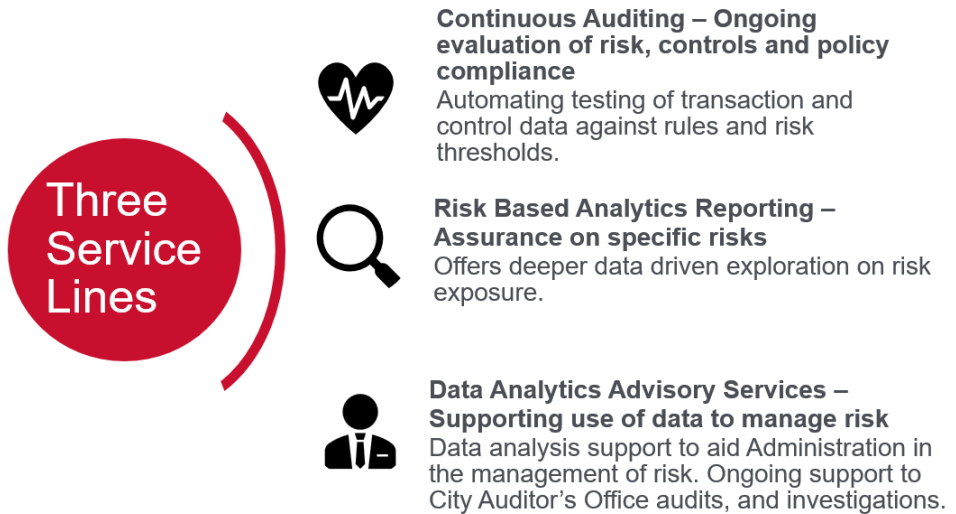
We assessed Rail System AIP processes in place supporting three levels of AIP activity: Rail System AIP management of budget allocation, planned spend, monitoring and budget analysis; Signals and Communications Systems workplan development and monitoring; and AIP project management, including project assignment, planning, execution, and monitoring.

We concluded the management of Calgary Transit's Rail System AIP was partially effective. Across all three levels, Calgary Transit has implemented processes and controls that form the basis of effective management of the AIP. To support fully effective management of the Rail System AIP, we raised six recommendations to enhance AIP budget allocation, planned spend and monitoring, and Systems and project planning and monitoring processes.

Why it matters

Effectively managing the Rail System AIP reduces the inherent risk of asset failure, supporting uninterrupted railway service and the safety of City staff and the public.

3.2 Data Analytics Program Update



Our continuous auditing and risk-based analytics projects are planned data analytics activities. Our planned 2023 Data Analytics Areas of Focus was presented to Audit Committee in November 2022, and we presented three projects to Audit Committee during 2023 covering Supplier Conflicts of Interest, Building Access Control and Manual Journal Entries.

Data Analytics Advisory Services were delivered to support audit projects, including the Real Estate & Development Services - Enhanced Rationalization Program, Calgary Housing Company- Vendor Procurement and Management, Calgary Transit Rail System Lifecycle Asset Management Annual Investment Program and Community Safety Partner Agency Liaison Initiative, 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.

"I just wanted to reach out directly and say that the Data Analytics team were amazing to work with. Their use of data analytics and technology for the audit was eye opening and I was extremely happy to see The City investing in talent and innovative new processes."

Alex Lee,
Security Systems Section Lead

Manual Journal Entries Continuous Auditing Project - AC2023-1146

Journals record financial entries in the general ledger, which is the master set of accounts that summarize all transactions occurring within The City. Journals record financial transactions, reclassifications, adjustments and corrections.

Why we did this

Data analysis results identified prioritized opportunities to improve both the efficiency and effectiveness of the manual journal entry process. This aligns with work begun by Finance as part of a continuous improvement initiative to standardize the journal entry process.

What we concluded

Based on the data reviewed, controls related to journal access represent the most significant opportunity to improve control effectiveness. Reducing volumes of entries by setting materiality thresholds represents a moderate improvement opportunity to improve control efficiency. Journal descriptions were generally effective as very few entries did not include an adequate description.

Why it matters

Effective journal entry controls help mitigate the risks of inaccurate financial reporting, fraud, and inefficiency.



Building Access Control Continuous Auditing Project - AC2023-0541

Building access control protects buildings and areas within them from unauthorized access through mechanisms including badges (usually an employee ID card) and badge readers.

Why we did this

Continuous auditing initial data analysis results identified areas where building access controls are generally effective and identified prioritized opportunities for improvement. This will support Administration in their planned work in this area helping The City maintain a safe and secure work environment.

What we concluded

Based on the data reviewed, controls related to accountability, access badge management and access removal are generally operating effectively, with minor or moderate opportunity for improvement. The most significant opportunities to improve control effectiveness relates to high-risk access both for sensitive areas and master key cards.



Why it matters

It contributes to preventing theft of data and physical assets, damage to property and protecting personal safety

Supplier Conflict of Interest Continuous Auditing Project - AC2023-0050

Supplier conflict of interest occurs when an employee is or appears to be influenced to make a biased decision that benefits them, their family, and friends.

Why we did this?

Continuous auditing is an efficient and cost-effective approach to monitor conflict of interest and associated risks in a timely manner.

What we concluded?

Continuous auditing results are a strong indicator that Administration has established adequate controls to manage the risk of conflict of interest between employees and suppliers.

Why it matters

Left unmitigated, conflicts of interest can lead to inflated prices, lower quality product, potential supplier unfair advantage, financial loss, and reputational damage.

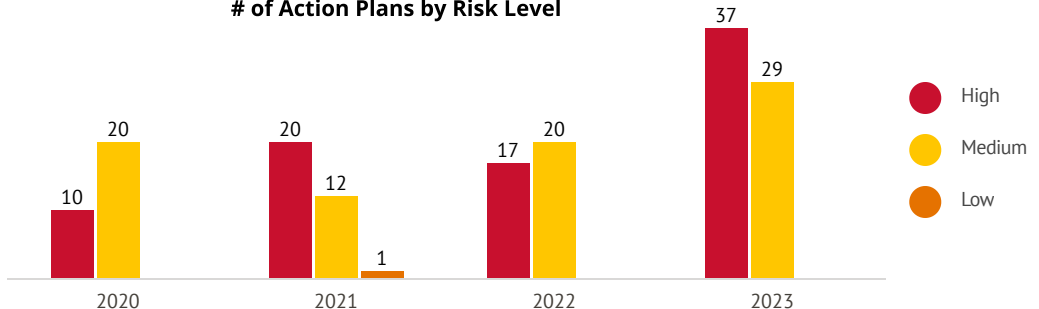


3.3 - Audit Recommendations

The City Auditor's Office 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, and root cause. We ask Administration to respond with defined action plans that mitigate business risks to an appropriate risk tolerance.

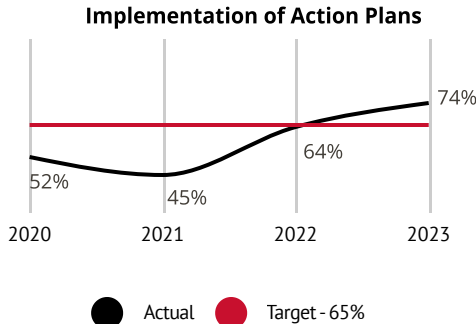
Our audit recommendations intentionally focus on high and medium residual risk exposure to help Administration prioritize resources on areas of greater importance and value. This approach reinforces the importance of effective risk management and decision-making utilizing a risk-based approach.

of Action Plans by Risk Level



3.4 Implemented Audit Recommendations

The City Auditor's Office 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. In 2022, there was improvement in timely implementation as the impact of the pandemic and the organizational realignment subsided. We will continue to monitor to identify whether the significant improvement in 2023 is part of a continuing trend.

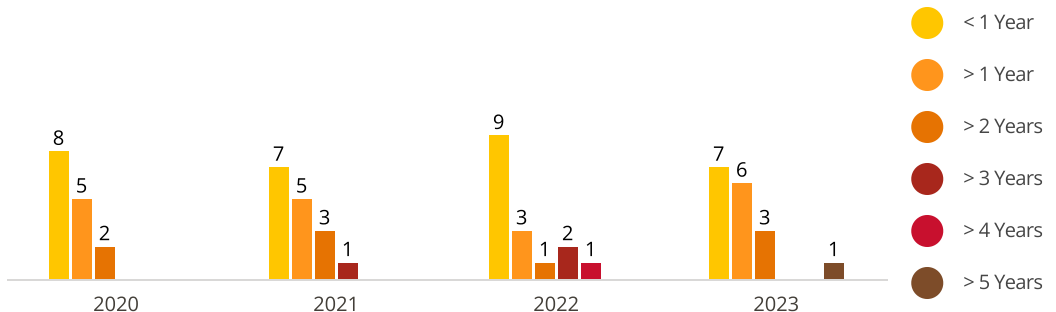


In 2023, Administration implemented 34 action plans, all of which were high (41%) and medium (59%) risk. At year-end, there were 72 outstanding action plans compared to 40 in 2022. Of these, 17 were considered overdue (16 in 2022) since Administration required more time to fully implement action plan commitments. Of the 17, 7 are high risk, 9 are medium risk and 1 is low risk.

Most overdue action plans (77%) were overdue by less than two years, which was consistent with 2022 (75%). The three action plans overdue by more than two to three years are medium risk and will be included in follow-up activities in Q1 and Q2 2024.

One action plan (AC2017-0590 Confidential) is overdue by more than five years. We communicated the ongoing high risk exposure to Audit Committee at the April 2022 meeting and will follow-up 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 wrongdoing, the WBP provides Administration with added value by identifying root causes of issues investigated. By recommending timely corrective actions, 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 the success of an employee reporting program and the WBP investigation team takes pride in presenting thoughtful and relevant recommendations to Administration.

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 89% of investigations concluded in 2023 and regular follow-up with Administration occurred to confirm their completion. Seventy-three percent of recommendations made by the WBP in 2023 were completed and considered closed at December 31. Many of the outstanding recommendations are related to investigations completed in later Q4 and are not considered high risk to the organization and the WBP will continue to monitor their completion status.

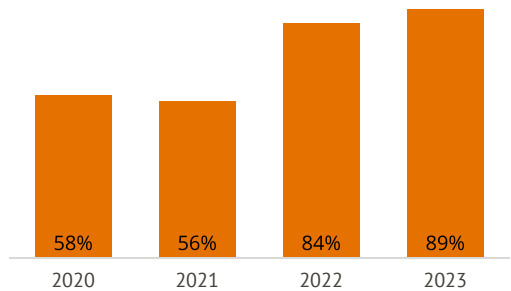
Occasionally, investigations identify broader, or systemic issues that reach beyond a specific division or business unit. These observations are appropriately raised with Administration and can result in organization-wide corrective action recommendations. A summary of each WBP investigation resulting in a recommendation by the WBP is disclosed on our webpage at: www.calgary.ca/whistle, 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 appropriate investigative action 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 of all individuals involved.

“Thank you for sending your summary report. I support the recommendations summarized and each one is being implemented. I appreciate you and your team’s work on this file.”

*Troy McLeod,
Director, Mobility*

Investigations Resulting in Corrective Action



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

4.1 Audit and Advisory Professional Standards

Reliability is a key attribute of all work performed by the City Auditor's Office. Audit Committee members, Council members, Administration, and citizens all must have confidence in the quality of work performed by the team, and trust that deliverables are complete, accurate, objective, and timely.

The City Auditor's Office conducts its audit and advisory activities in conformance with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Professional Standards) 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.

The results of our internal quality program activities during 2023 indicate that we continue to conform with IIA Professional Standards.

IIA Professional Standards require an external assessment to be conducted at least once every five years by an independent qualified reviewer. In 2022, an external assessment was completed by the IIA Quality Services and concluded that the City Auditor's Office "generally conforms" (the highest rating available) to IIA Standards. Results of interviews and surveys of key stakeholders indicate that the City Auditor's Office was highly valued by the Audit Committee and senior management. The assessment additionally identified three opportunities for continuous improvement. To address these opportunities, during 2022, the City Auditor's Office completed a maturity self-assessment, and during 2023, further aligned The City's ERM analysis into the development of the 2024 Audit Plan. We additionally developed an approach to assurance mapping to address the final opportunity which we are implementing in 2024 and subsequent years.

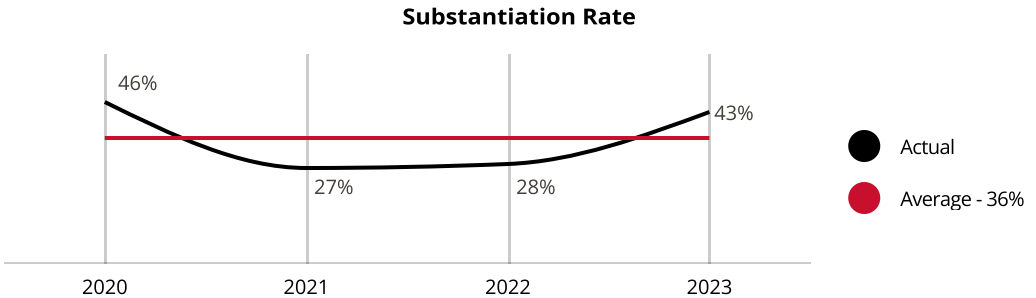
During 2023, we reviewed and updated our audit report format and will utilize the new template for audits reported in 2024. This continuous improvement activity's intent was to enhance the clarity and succinctness of the audit report communication.

In Q1 2023, the IIA released updated draft Professional Standards for commentary and feedback from audit professionals worldwide. The City Auditor's Office collated feedback from all members of our team on the draft Professional Standards and submitted commentary as a group. The finalized updated Professional Standards will be released in early 2024 and we will set aside time to review our processes following their finalization.

4.2 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. Fifty-eight percent (58%) of the matters assessed in 2023 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 2023 was 43%. 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 allegation 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 trends that require corrective action. All investigation activity is scrutinized to ensure thoroughness, objectivity and quality before an investigation can be considered concluded.

Sensitive Reports

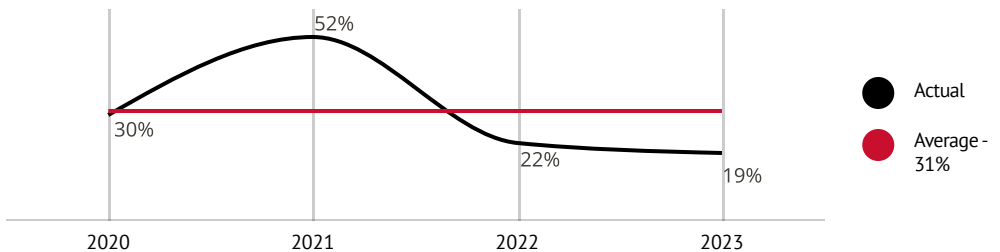
WBP procedures define a sensitive report as (a) a report with allegations involving any staff member of the City Auditor’s Office, (b) a report which questions the objectivity of either the City Auditor or the Manager, Whistle-blower Program. Sensitive reports are independently assessed by the Chair of Audit Committee, or their designate. Sensitive reports submitted online under the City Auditor’s Office category are automatically directed to the Chair, or designate, for confidential review, bypassing all 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, or designate, has confirmed that any sensitive reports received in 2023 have been 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 2023.

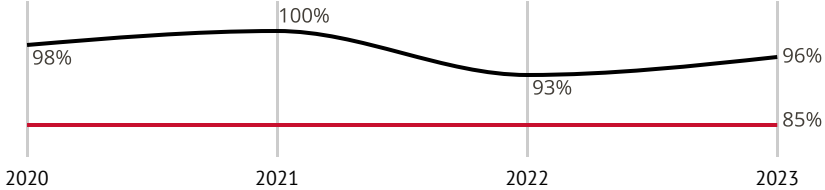
Reports Communicating Fear of Reprisal



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

4.3 Client Satisfaction Survey

The City Auditor’s Office requests Administration’s feedback at the conclusion of each audit or continuous auditing project through a survey of ten questions focused on audit delivery and audit value. Sixteen client surveys were received during 2023 covering twelve projects, with a response rate of 83% (2022 – 78%). Our overall rating received was 96%, which illustrates Administration’s value-add view of our work.



4.4 Professional Designations

The professional skills and knowledge of the City Auditor’s Office team are key in delivering value-add effective audits, advisory projects and investigations.

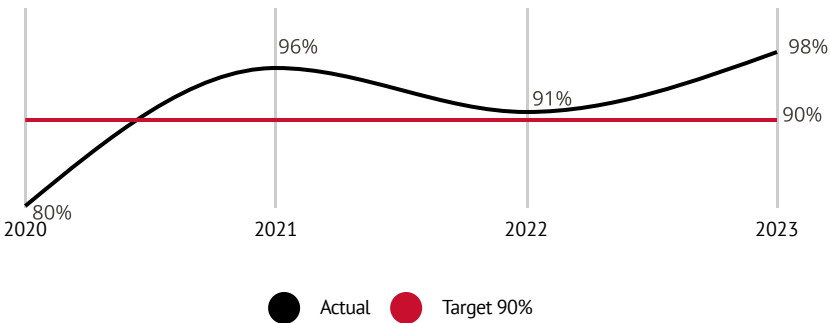
All staff conducting audits, advisory and whistle-blower investigations have at least one of the Certified Internal Auditor, Certified Information Systems Auditor, Certified Fraud Examiner or Certified Forensic Investigator designations.

Professional Designation Category	Number of Staff
Internal Audit	12
Fraud Investigations	3
Accounting	7
Risk Management	3
IT Audit	3
Project Management	2
Data Analytics	3

4.5 Staff Training

Our staff commitment to life-long learning helps to keep our team current on best practices, supports growth and development, and builds team resilience. Monitoring the completion of these plans helps us to track the value of staff training. During 2023, we completed 98% of our staff training plan, in excess of our 90% target.

Staff Training Plan Completion



● Actual ● Target 90%

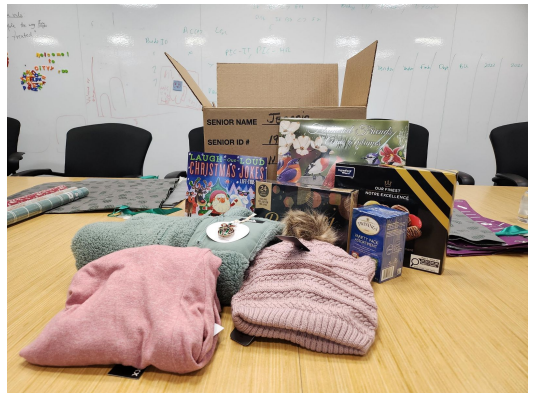
As a team with multiple new members, we used training to build our shared team experiences and knowledge during 2023. We collectively attended The City's Indigenous 101 course, and Experience Inclusion sessions. We also invited guest speakers from other City teams to our bi-weekly team meetings to share their latest initiatives to support our collective understanding of City priorities.

During 2023, our staff participated in professional training opportunities to enhance their skills and our team capacity. Team members were able to attend virtual conferences hosted by the IIA, Association of Certified Fraud Examiners, and the Association of Local Government Auditors, and share knowledge gained back with our team. Additionally, our staff completed "Think On Your Feet" training in 2023 to acquire skills to analyze, organize and present ideas in impromptu situations. Communicating the results of our activities to Audit Committee is a key part of our mandate.

Public sector organizations are not immune to fraud. To support fraud awareness, the City Auditor and Whistler-blower Program Manager worked with an external expert to design and deliver a day of training on fraud awareness specific to municipalities. Collaboration is a key principle underpinning the work of the City Auditor's Office, and in support of this principle we invited City leaders from ERM, Finance, and Supply Management to join our training and bring learning back to their teams.

4.6 Professional and Community Volunteer Activity

Volunteering both professionally and in our community is an important value in the City Auditor's Office. Professionally, the Audit Manager IT is a key volunteer member of the Association of Local Government Auditors Board. In the community, 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. The team also conducted a community clean up afternoon in the Eau Claire area, helping keep our local environment clean.



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 City Auditor's Office strives to provide the highest level of independent and objective assurance, advisory and investigative services within our Council-approved budget. Our approved 2023 annual budget includes costs associated with completing audit, advisory and investigative services.

Most of the City Auditor's Office budget represents salary and associated costs for the professional team. The City Auditor's Office 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 City Auditor's Office did not fully utilize the 2023 salary budget due to staff absences and position vacancies. However, we were able to leverage contract resources to support the completion of assurance services by engaging external contract resources to support the completion of reporting on the Code of Conduct audit, from our 2022 plan and the completion of the Waste Management Facility Cash Handling audit on our 2023 plan.

(\$'000's)	2020 Annual Budget	2020 Actual	2021 Annual Budget	2021 Actual	2022 Annual Budget	2022 Actual	2023 Annual Budget	2023 Actual	Variance
Salary	2,764	2,477	2,802	2,454	2,825	2,274	2,955	2,730	225
Tools & Technology	130	166	130	140	130	125	162	137	25
Training	56	20	56	21	56	38	63	57	6
Professional Memberships	18	19	17	16	17	15	19	17	2
Contracted Services	4	0	7	25	7	193	150	111	39
Employee Recognition	3	0	3	0	3	0	3	1	2
Office Operating Costs	49	46	47	36	48	53	48	43	5
Total	3,024	2,728	3,062	2,692	3,086	2,698	3,400	3,096	304

5.2 Business Continuity

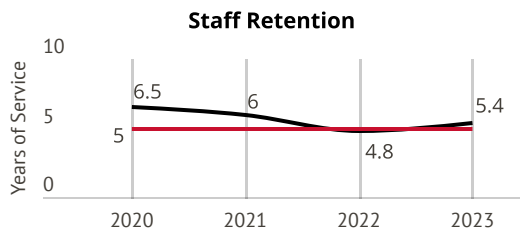
Business continuity ensures that services can be delivered without interruption in the event of a disruption caused by emergencies. Throughout 2023, we continued with internal processes to support on-going business continuity and service resilience, including:

- Annual update of the team Business Continuity Plan;
- Quarterly workplace safety inspections;
- Records management retention and disposition; and
- On-going review of utilization of IT software to best support efficient and resilient working practices.

We continue to use our contract with a professional services firm for contract auditors, providing us with additional audit resources, and supporting the resilience of service delivery if an unexpected absence arises.

5.3 Staff Engagement and Retention

Experienced, committed and knowledgeable staff are key to the delivery of value-add services. In early 2023, we were successful in recruiting and on-boarding a Senior Auditor and permanent Office Administrator which meant our team was fully staffed. During 2023, our focus has been on building our team collaboration, learning and culture.



We continued our focus on continuous learning and utilized learning opportunities to build team engagement, cohesion, and volunteering activities. We have enjoyed growing our team and building new connections this year: all members of the City Auditor’s Office are invited to contribute to a monthly anonymous survey of team mood and scores remained positive throughout the year. We participated in the bi-annual City of Calgary Employee Survey, and results for our team indicated on-going high levels of satisfaction. We have also enjoyed continuing our collaborative relationships with other City teams who contribute to The City’s governance, risk and controls. For example, we have continued to hold short joint working sessions with The City’s ERM team to share knowledge and ideas in relation to risk management activities without compromising our independence and objectivity.

5.4 Bylaw Updates

The City Auditor Bylaw 30M2004 (as amended) and Audit Committee Bylaw 33M2020 are foundational components of effective governance at the City. During 2023, the City Auditor supported the Audit Committee sub-committee with identifying proposed updates to both Bylaws that support on-going continuous improvement, clarity, and adherence to IIA Professional Standards.

Looking for more Information?

Visit our website at 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