

ETHICS PROGRAM ASSESSMENT

EXECUTIVE SUMMARY

To support the Audit Committee in its role to monitor the adequacy and effectiveness of corporate policies including code of conduct and conflict of interest, the City Auditor's Office included an audit of the City's Ethics Program in its 2014 Annual Plan. The CAO engaged KPMG LLP to conduct an assessment of the adequacy and effectiveness of the Ethics Program to promote a culture of respectful, ethical and safe behavior in the workplace. KPMG conducted the assessment and prepared the Ethics Program Assessment report, dated 8 July 2015 (ATTACHMENT). The report includes twenty key observations and recommendations related to the City's Code of Conduct¹ and Whistle-blower programs. The report also includes responses to these recommendations from Administration and the City Auditor's Office.

KPMG noted issues in the consistency of incident processing and reporting requirements, and in the overall accountability and responsibility over the Program. They concluded that the issues identified in their assessment result from the decentralized nature to which the City's Ethics Program (the Program) has been developed overtime. KPMG recommends centralizing the model and structure of the Program through the City Manager's Office. A centralized model for the Program will establish a stronger organizational view of the Program and help address the issues noted in the report.

The City Manager has agreed to assume accountability and oversight for the management responses and actions to address the observations and recommendations identified in this assessment. The City Auditor's Office will monitor the progress of actions taken by the City to address our audit recommendations and report to the Audit Committee on the adequacy, effectiveness and timeliness of implementation.

RECOMMENDATIONS:

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

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2015 JULY 16:

That Council receive this report for information, **after amendment to the Attachment, as follows:**

- **On Page 15, Management Response Table, last column, by deleting the words "Audit Committee, with Executive Assistant as lead", and by substituting with the words "City Clerks"; and**
- **On Page 16, Management Response Table, last column, by deleting the words "Audit Committee, with the Executive Assistant as lead", and by substituting with the words, "Director, Human Resources (with support by City Clerks Office)".**

¹ The Code of Conduct includes eight polices.

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Excerpt from the Minutes of the Regular Meeting of the Audit Committee Held 2015 July 16:

"DISTRIBUTION

At the request of Administration and with the concurrence of the Chair, the Legislative Assistant distributed copies of corrected Pages 15 and 16 to Attachment 1, contained in Report AC2015-0560 Ethics Program Assessment."

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 48M2012 (as amended) requires the Audit Committee to monitor the adequacy and effectiveness of corporate policies including code of conduct and conflict of interest.

BACKGROUND

The City Auditor's Office 2014 Annual Audit Plan included an assessment of The City's Ethics Program as part of effective governance. The City Auditor's Office engaged KPMG LLP in August 2014 to perform this assessment. The primary objective of the City's Ethics Program assessment is to provide the City with reasonable assurance that an effective management control framework to support the City's Ethics program is implemented and operating as intended. KPMG LLP was also requested to identify opportunities for improvement to the current Ethics Program and informally assess the City's Ethics Program against leading practices.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The City of Calgary has implemented an Ethics Program that is comprised of a Code of Conduct and Whistle-blower program to promote a culture of respectful, ethical and safe behavior in the workplace. The purpose of the Code of Conduct is to provide employees with a reference guide to key City policies that address risk areas an employee may encounter at work. The purpose of the Whistle-blower program and the associated policy is to detect and prevent suspected acts of waste and/or wrongdoing.

Stakeholder Engagement, Research and Communication

This audit was conducted with support and cooperation from representatives from Law, HR, City Manager's Office, Council, Mayor's Office, City Auditor's Office, Transportation, Corporate Services, Utilities and Environmental Protection, IT, and Audit Committee.

Strategic Alignment

This report assists the Audit Committee in its role to monitor the adequacy and effectiveness of corporate policies including code of conduct and conflict of interest.

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.

REASON 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

AC2015-0560 Ethics Program Assessment (Amended)