

COSO Control Environment Principles Self-Assessment and 2023 Reports

COSO Control Environment Principles Self-Assessment:

The following Control Environment structures and policies existed at The City in 2023. Most of this information has been self-reported by various departments without demonstrable control testing. One area of focused testing, where control evidence was obtained, is included in the Areas of Focused Testing section of the report below. In addition, the follow-up on a prior year recommendation is included.

<i>COSO Principle 1: The organization demonstrates a commitment to integrity and ethical values</i>	<i>Self- Assessed & Present?</i> YES
Structures and Policies in Place	Primary Accountability
<p>The City has a vision statement, common purpose and behaviours that clearly reflects the essential qualities The City looks for, recognizes, and develops in staff and leaders.</p> <ul style="list-style-type: none"> The 4Cs are the essential qualities of The City: Character, Competence, Commitment, and Collaboration. 	<ul style="list-style-type: none"> Chief Administrative Officer’s Office
<p>The City's Code of Conduct is a common reference for standards of behaviour to help City employees fulfill their role as public servants responsibly and with integrity. It contributes to appropriate behaviours and effective controls; refer to the Code of Conduct Annual Report for further details.</p>	<ul style="list-style-type: none"> Chief Administrator’s Office Human Resources
<p>There is a Code of Conduct for Elected Officials, Bylaw 26M2018, that establishes the rules of conduct that a member of Council must follow in the discharge of their office.</p>	<ul style="list-style-type: none"> Integrity and Ethics Office
<p>City Council has a Code of Conduct for Public Members Appointed to Council Established Boards, Commissions and Committees.</p> <ul style="list-style-type: none"> This Code of Conduct provides minimum standards of behaviour expected of all Citizen Members appointed to Council Established Boards, Commissions and Committees. 	<ul style="list-style-type: none"> City Clerk’s Office
<p>The City has a Whistle-blower Program. The City Auditor and the Chief Administrative Officer are responsible for the development, implementation and maintenance of an effective Whistle-blower Program. Refer to the Whistle-blower quarterly reports for further details.</p>	<ul style="list-style-type: none"> City Auditor’s Office Chief Administrative Officer’s Office
<p>The City has an Integrity Commissioner with a mandate of receiving, investigating, adjudicating and reporting on allegations of misconduct by Members of Council and an Ethics Advisor with a mandate to provide legal and ethical advice to Members of Council and to assist the Integrity Commissioner in resolving issues when requested.</p>	<ul style="list-style-type: none"> Integrity and Ethics Office

<i>COSO Principle 1: The organization demonstrates a commitment to integrity and ethical values (continued)</i>	Self- Assessed & Present? YES
Structures and Policies in Place	Primary Accountability
<p>The City has one Council Policy and two Administrative Policies that include commitment to integrity and ethical values as they relate to Procurement.</p> <ul style="list-style-type: none"> • The Public Value through Procurement Council policy includes The City’s intentional investment through procurement activities in economic, socio-cultural, environmental, and political outcomes valued by citizens and businesses in Calgary. • Administration's Procurement Policy includes The City’s Procurement practices and Procurement Governance Framework, which are in place to maintain the integrity of The City’s Procurement practices and activities. • Administration's Supplier Code of Conduct Policy sets out the principles applicable to any Supplier that wishes to establish and maintain a business relationship with The City. The policy confirms The City’s intention to do business with Suppliers that can demonstrate solid business integrity that aligns with The City’s corporate values and behaviours. • All Policies are on a regular review cycle. 	<ul style="list-style-type: none"> • Supply Management

<i>COSO Principle 2: The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control</i>	Self- Assessed & Present? YES
Structures and Policies in Place	Primary Accountability
<p>In accordance with the Municipal Government Act, City Council functions as The City's body of directors. As a democratically elected body through the Local Authorities Election Act, it is independent from Administration.</p> <p>The City provides orientation training to City Council in accordance with s. 201.1 of the Municipal Government Act.</p>	<ul style="list-style-type: none"> • Law Department
<p>There are over 80 Boards, Commissions, and Committees in place to assist City Council in its governance role. Generally, Boards, Commissions, and Committees are given responsibility to perform a public function, have some degree of autonomy, make recommendations to Council and are accountable to Council.</p>	<ul style="list-style-type: none"> • City Clerk’s Office
<p>Audit Committee Bylaw 33M2020 provides Terms of Reference</p> <ul style="list-style-type: none"> • Public members must be financially literate possessing a set of skills, experience and knowledge of financial matters that support informed and effective decisions. • The Audit Committee identifies preferred skills for new public members, pursuant to Council policy CP2016-03. 	<ul style="list-style-type: none"> • Executive Assistant to Audit Committee

<p><i>COSO Principle 2: The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control (continued)</i></p>	<p>Self- Assessed & Present? YES</p>
<p>Structures and Policies in Place</p>	<p>Primary Accountability</p>
<p>The City Auditor's Office is fully independent of Administration and reports directly to the Audit Committee. It is responsible for auditing areas of The City's operations as identified in the Audit Plan approved by Audit Committee.</p> <ul style="list-style-type: none"> • Reports from these audits (including Administration's response to recommendations) are presented to Audit Committee and released to the public through the Audit Committee agenda. • On a quarterly basis, the Audit Committee receives a report from the City Auditor's Office reflecting the status of audit, advisory, and investigation activities performed over the interim period by the Office. These reports also provide an update on the status of Administration action on audit recommendations contained in previous audit reports. 	<ul style="list-style-type: none"> • City Auditor's Office

<p><i>COSO Principle 3: Management establishes with board oversight, structures, reporting lines, and appropriate authorities, and responsibilities in the pursuit of objectives</i></p>	<p>Self- Assessed & Present? YES</p>
<p>Structures and Policies in Place</p>	<p>Primary Accountability</p>
<p>The Chief Administrative Officer and Chief Financial Officer (CFO) provide representations in the annual report with regard to how their responsibilities are discharged. As part of this process, they rely on the cascading Management Representation Letters provided by each business unit by General Managers, Directors, Finance Managers and Finance Leads.</p>	<ul style="list-style-type: none"> • Chief Financial Officer
<p>The City of Calgary operates under a defined delegated authority structure. The Municipal Government Act (MGA) outlines Councilor's duties, the Mayor's duties, and the duties of the Chief Administrative Officer. It also provides for the delegation of some of these duties. Some duties are delegated by way of bylaw, while others are delegated by Administration.</p>	<ul style="list-style-type: none"> • Chief Administrative Officer's Office
<p>The City's organizational structure is defined and promotes accountability throughout the Corporation. Within Administration, the responsibility to manage people and budget, known as Dept ID Ownership, is delegated through a standard process.</p>	<ul style="list-style-type: none"> • Chief Administrative Officer's Office • Human Resources
<p>The Enterprise Suite Program (PeopleSoft), which includes clear identification of DeptID and Process Owners, has further clarified authority and accountability.</p> <ul style="list-style-type: none"> ○ The Human Capital Management (HCM) System is the application within the PeopleSoft Suite that relates most directly to The City's assignment of responsibilities and authorities. Automated workflows and approvals are inherent within the design of the PeopleSoft HCM and Financials and Supply Chain Management (FSCM) systems. 	<ul style="list-style-type: none"> • Human Resources • Information Technology

<i>COSO Principle 4: The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives</i>	Self- Assessed & Present? YES
Structures and Policies in Place	Primary Accountability
<p>The City's Employment Policy sets forth The City's recruitment standards.</p> <ul style="list-style-type: none"> ○ The policy provides rules and processes to ensure that The City's recruitment, selection, appointment, and promotion processes are of a high quality. Applicants are selected for their relevant knowledge, skills, abilities, and experience, which may include lived experience. 	<ul style="list-style-type: none"> ● Human Resources
<p>The City's Compensation Policy sets forth The City's compensation policies, including guidelines for evaluating positions to determine the necessary classification and compensating them accordingly.</p> <ul style="list-style-type: none"> ○ For management-exempt positions, the Compensation Policy is supplemented by the Exempt Staff Policy. <p>The Compensation team regularly surveys the external market to ensure that The City is market competitive for exempt salary ranges and conduct scans of other jurisdictions with bargaining unit employees to ensure The City can attract and retain bargaining unit employees. The City also has the ability to implement 'out of schedule' rates where the market dictates for roles we have challenges recruiting into.</p>	<ul style="list-style-type: none"> ● Human Resources
<p>Human Resources delivers services related to Recruiting and Outreach, Equity, Diversity, Inclusion & Belonging, Workforce Planning (including succession management) and Leadership Development, Performance Management, Career Development and Mentorship.</p>	<ul style="list-style-type: none"> ● Human Resources
<p>Corporate Learning & Development (CLD) provides learning opportunities for employees and leaders related to employee and leader competencies; and organizational priorities (Rethink to Thrive, Culture Growth, EDIB etc.); and our 4Cs culture. Learning opportunities include open-enrollment courses for employees and leaders, and cohort-based programs – Emerging Leader Program (employees who aspire to be leaders); Strategic Leadership Program (managers) and Foundational Leadership Program (new leaders).</p> <p>All new Dept ID Owners receive information on how to access training on HCM and FSCM as part of the leader learning plan in Leader onboarding.</p>	<ul style="list-style-type: none"> ● Human Resources
<p>The City has group and speed mentoring components in The Emerging Leader Program. Peer support is built into the Foundational Leadership Program.</p>	<ul style="list-style-type: none"> ● Human Resources

COSO Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives	Self- Assessed & Present? YES
Structures and Policies in Place	Primary Accountability
The City's four-year service plans and budgets provides a roadmap to deliver on Council's Strategic Direction. It outlines the results that Calgarians will experience in the budget cycle, the community indicators and performance measures. The City monitors plans and budgets for each of The City's 61 services. Accountability for delivering on the plans and budgets is defined by the organizational structure and the service governance model which identifies a Service Director, Service Steward, Service Team Members and Service Coordinators accountable for each service.	<ul style="list-style-type: none"> • Corporate Planning and Performance • Finance
Performance reports (formerly called the Accountability Report) provide updates to Council and Calgarians on how The City is performing and delivering on our service plans and budgets. These reports are provided twice a year according to The City's Multi-Year Business Planning and Budgeting Council Policy (CFO004).	<ul style="list-style-type: none"> • Corporate Planning and Performance • Finance
There are performance development tools available to assist leaders with performance development plans and the sharing, setting, and monitoring of goals. Performance reviews can be conducted on an annual basis.	<ul style="list-style-type: none"> • Human Resources
Leaders are responsible for ensuring that employees are aware of their accountability for having in place appropriate internal controls and risk assessment practices. The City ensures compliance with collective agreements, policies, and other legislative requirements, and addresses challenges in collective agreements through collective bargaining. Challenges to discipline, for unionized employees, is through the grievance process.	<ul style="list-style-type: none"> • Human Resources
Senior managers across the organization are responsible for managing, monitoring, and updating the risks and internal controls in their areas. They acknowledge this responsibility as it pertains to risks and internal controls impacting the business unit's Financial Reporting when signing the annual Management Representation Letters.	<ul style="list-style-type: none"> • Finance
<p>The City is implementing a program for identifying, documenting, evaluating, and testing key internal controls over financial reporting. This is the third year of the phased implementation of this program. Annual reports on the program are provided to the Audit Committee and regular reporting is provided to senior management. This program enables Administration to:</p> <ul style="list-style-type: none"> ○ focus on continuous improvement and monitoring of processes and internal controls over financial reporting; and ○ provide increased assurance to the Audit Committee on the effectiveness of internal controls. 	<ul style="list-style-type: none"> • Finance

Areas of Focused Testing:

As approved by the Audit Committee on 2022 June 16 (AC2022-0597), Administration identified select areas of focus and validated the self-assessment with control evidence. The results are as follows:

2023 Testing:

<i>COSO Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives</i>		
Structures and Policies in Place	Results	Primary Accountability
Performance reports (formerly called the Accountability Report) provide updates to Council and Calgarians on how The City is performing and delivering on our service plans and budgets. These reports are provided twice a year according to The City's Multi-Year Business Planning and Budgeting Council Policy (CFO004).	Based on control testing, this control is designed and operating effectively.	<ul style="list-style-type: none"> • Corporate Planning & Performance

Prior Year Findings and Updates:

<i>COSO Principle 5: The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives</i>		
Structures and Policies in Place	Results (2022 Control Environment Assessment Report)	Primary Accountability
There are performance development tools available to assist leaders with performance development plans and the sharing, setting, and monitoring of goals. Performance reviews can be conducted on an annual basis.	<p>Findings and Observations</p> <p>Testing was performed on The City's employee performance development tool. Prior to 2020, performance development was performed manually via paper corporate forms and discussions. In 2020, a corporate-wide approach to performance development was implemented to better support leaders and employees with a consistent new process and system. An online performance development tool was implemented through the myHRconnect system.</p> <p>The performance development tool and program were assessed in this testing cycle. The performance development tool functioned as designed and implemented through sample testing. We noted that for the individuals that completed the process, that it was operating effectively.</p>	<ul style="list-style-type: none"> • Human Resources

	<p>However, the program's design was noted to be voluntary. Statistics of completion rates were reviewed and it was noted that total participation rates for all exempt staff were low (20.6% in 2021, 33.1% in 2022).</p> <p>For teams not using this tool, there may be discussions in support of performance reviews and pay for performance decisions; however, these discussions may or may not be formally documented and if formally documented, may not be consistent with The City's approach.</p> <p><u>Recommendation</u> As this process is voluntary, recommend removal from the COSO entity control list as it would not constitute a demonstrable control in its current design and implementation. In addition, recommend Human Resources to assess and discuss with ELT whether the performance development tool should be a mandatory requirement for all exempt staff, including senior management</p> <p><u>Management Response</u> HR Management agrees with the recommendation. HR will assess and seek a discussion with ELT by end Q4 2024.</p> <p><u>2024 Status Update</u> This recommendation is in progress and is anticipated to be completed by the end of this year.</p>	
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2023 Reports:

Examples where Audit Committee or Council received information in fiscal 2023 from various areas that address certain elements of the COSO control environment principles are as follows:

Area	Report	Committee	Report Purpose	COSO Principle #
People, Innovation and Collaboration Services	Code of Conduct Annual Update Briefing (March)	Audit Committee	This briefing provides Audit Committee with an annual update on management practices and processes related to The City of Calgary’s Administration Code of Conduct Program.	1
Community Services	Civic Partner Annual Audit Report (June)	Audit Committee	The Civic Partner Audit Report presents the results of an annual financial review that evaluates The City’s exposure to third party-risk based on Civic Partners’ audited financial statements and assigns a rating of low risk, elevated risk, or high risk. The review process is one component of a larger accountability framework that assesses the overall financial and organizational health of Civic Partners as set out in Council’s Investing in Partnerships Policy.	5
Law, Legislative Services and Security Chief Administrative Officer	Boards, Commissions and Committees (BCC) Annual Update (Various BCCs) (June) Alternatively, BCCs may have, as part of their terms of reference, a defined reporting structure to Council or Committee; these BCCs are not included in the BCC Annual Update Each year the Organizational Meeting of Council takes place, where appointments are made to BCCs	Council	This report provides an update on the key activities of 20 Boards, Commissions and Committees (“BCCs”), including a summary of their initiatives, projects or work completed, challenges encountered in fulfilling their mandate, and an outline of their work plans. Reporting to Council on annual BCC activities provides public transparency and insight into the important work of City of Calgary BCCs.	2,3,5

Area	Report	Committee	Report Purpose	COSO Principle #
Corporate Planning and Financial Services	Mid-Year Performance Report (September 2023) 2023 Progress Update (April 2024)	Executive Committee	Information on key results and advancements on Council priorities in 2023 is an essential part of good governance. This is an annual look back on 2023 progress and an update looking ahead to 2024. The information is important for both accountability and as an input into Mid-Cycle Adjustments to the 2023-2026 Service Plans and Budgets.	5
Integrity and Ethics Office	Integrity and Ethics Office Annual Report (October)	Council	This report covers the period from May 1, 2022, to April 30, 2023, and summarizes the activities of the Integrity Commissioner and Ethics Advisor for City Council and Calgarians for the past year. The joint administrative work of the Ethics Advisor and Integrity Commissioner improves the transparency, accountability, policy and procedures under the Code of Conduct.	1
Community Services	Shareholder Alignment Review of Wholly-Owned Subsidiaries Update (December)	Audit Committee	The purpose of this report is to provide Council with a status update on the implementation of the key recommendations made in the 2021 Shareholder Alignment Review of Wholly-Owned Subsidiaries Report..	2,3
Chief Administrative Officer	Chief Administrative Officer's Quarterly Report Q2-Q4 2023	Council	The Chief Administrative Officer's quarterly report is a tool used by the Chief Administrative Officer to share information with Council and citizens about City services and work underway within the organization to support Council's direction and advance important initiatives. Q2 Report: Council previously noted an interest in seeing more operating metrics for the organization through these reports. The City Manager has chosen select metrics related to customer service and value for service for this edition of the quarterly report, which can be found in the presentation (Attachment 8). Q3/Q4 Report: The presentation in this edition of the quarterly report includes leadership updates from the Chief Administrative Officer and updates on key cross-corporate projects and initiatives, including a summary of results from the 2023 Corporate Employee Survey and the Speaking Up Survey of employees.	1,5
City Auditor's Office	Reports presented to Audit Committee during fiscal year 2023 are summarized in the City Auditor's Office 2023 Annual Report AC2024-0151.	Audit Committee/ Council	The mandate of the City Auditor's Office as per Bylaw 30M2004 (as amended) is to provide independent and objective assurance, advisory and investigative services to add value to The City of Calgary and enhance public trust.	Various, depending on the individual audit topics/specific reports to the Whistle-blower Program

Area	Report	Committee	Report Purpose	COSO Principle #
	<p>The Code of Conduct Program Audit (AC2023-0537) relates to COSO Principle 1. The Recruitment Processes Audit (AC2023-0444) relates to COSO Principle 4.</p> <p>The Waste Management Facility Cash Handling Audit (AC2023-1187) and the Manual Journal Entries Continuous Auditing Project (AC2023-1146) specifically focused on internal financial controls. In addition, other audits presented during fiscal year 2023 include analysis and recommendations that address different aspects of the control environment more widely across the City of Calgary i.e. operational controls.</p> <p>The Whistle-blower Program conducts quarterly public reporting of summaries of investigations resulting in recommendations for corrective action. Depending on the topic of the investigation, summaries may relate to the City of Calgary's internal controls and control environment.</p>		<p>Bylaw 33M2020 requires Audit Committee to receive directly from the City Auditor any individual audit report, including as applicable, Administration's response and correction action to be taken to specific audit recommendations, and forwards these to Council for information. The individual objective of each audit is stated in the audit report.</p> <p>Bylaw 33M2020 also requires that Audit Committee reviews and forwards to Council for information the City Auditor's Office quarterly and annual status reports which includes activity of the Whistle-blower Program.</p>	

Area	Report	Committee	Report Purpose	COSO Principle #
Civic Partners	<ul style="list-style-type: none"> • Calgary Municipal Land Corporation (June) • Calgary Convention Centre (June) • ENMAX Annual Report (July) • Calgary Arts Development Authority (September) • Calgary Housing Company (October) 	Audit Committee	These reports are in response to the Audit Committee’s request for a presentation on governance, financial and performance reporting, environmental, social and governance practices, risk management and talent and culture insights. Citizens are provided assurance that the Audit Committee has oversight of the City of Calgary’s civic partners.	2,3,4,5