

UTILITY BILLING AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Utility Billing Audit Report to Administration on September 5, 2017. The report includes Administration's response to three recommendations raised by the City Auditor's Office to strengthen assurance the water utility billing is complete and accurate. Administration accepted all recommendations and has committed to the implementation of action plans no later than August 31, 2018. 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.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2017 SEPTEMBER 14:

That Council receive Report AC2017-0661 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 2017/2018 Annual Audit Plan was approved on November 10, 2016. 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 2017/2018 Annual Audit Plan. The objective of this audit was to assess the effectiveness of The City's controls over the completeness and accuracy of utility billing, conducted on behalf of The City by Enmax Encompass Inc. (ENMAX)¹. The audit focused on water billing, and the objective was achieved by assessing the design and operation of The City's controls that mitigate the risks that:

- Billable customers are not billed for consumption;
- Metered customers are significantly overcharged; and,
- Metered customers are significantly undercharged.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

The Business Units of Water Services and Water Resources (collectively known as the Water Utility) are responsible for managing the quality and delivery of Calgary's water supply. Although the responsibility for billing water consumers has been contracted to ENMAX, The City has overall accountability.

The audit determined the Water Utility's current controls and processes provide only partial effectiveness in supporting the Water Utility business objective that the water billing conducted by ENMAX is complete and accurate. Controls conducted by the Finance Department involving

¹ Enmax Encompass Inc. is part of the ENMAX group of companies.

UTILITY BILLING AUDIT

daily revenue follow-up and monthly revenue checks, and the annual rate change process are designed and operating effectively. However these processes are not designed to ensure accuracy or completeness of billing on an individual customer accounts basis.

Over the past two years, the Water Utility have developed new technological tools and processes relating to water billing. These advancements include automating data entry and transfer of meter account information to ENMAX and creating exception reports to allow the Water Utility to compare water billing data to information in The City's databases. While these new advancements provide improvements, further enhancements and implementation of additional controls are recommended. These recommendations include:

- Confirmation of data changes that will impact customers' water billing specific to:
 - Water billing for residential meters, both new installations and removals; and,
 - ENMAX's application of temporary bill adjustments to customers' billing.
- Implementation of an effective exception reporting process to support comparing water billing data to The City's databases; analyzing billing data in its entirety provides greater confidence that billing is complete.

The City's contractual agreement with ENMAX sets out service level expectations, including providing reports of water consumption irregularities and meter anomaly to the Water Utility. To date, the Water Utility has not received all reporting outlined in the contract agreement with ENMAX. Absent or incomplete reporting can result in delays in identifying inaccurate billing which can create delay in receipt of revenue, unexpected financial burden on customers, and reputational risk to The City.

Stakeholder Engagement, Research and Communication

This audit was conducted with Water Resources, Water Services, and Finance acting as the principal audit contacts within Administration.

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

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.

**City Auditor's Report to
Audit Committee
2017 September 14**

**ISC: UNRESTRICTED
AC2017-0661
Page 3 of 3**

UTILITY BILLING AUDIT

Revenue from billing for water and wastewater services is the largest non-tax related source of revenue to The City. In 2016, water, wastewater services and stormwater revenues were over \$662.3 million. The City has contracted responsibility for water billing to ENMAX, however, The City remains accountable to Calgarians that water is billed completely and accurately. Strengthening controls supports the Water Utility in their accountability to Calgarians, and provides The City with assurance that water billing is complete and accurate.

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

AC2017-0661 UTILITY BILLING AUDIT