KPMG

cutting through complexity

City of Calgary

Ethics Program Assessment

(as requested by the City Auditor's Office)

July 8, 2015

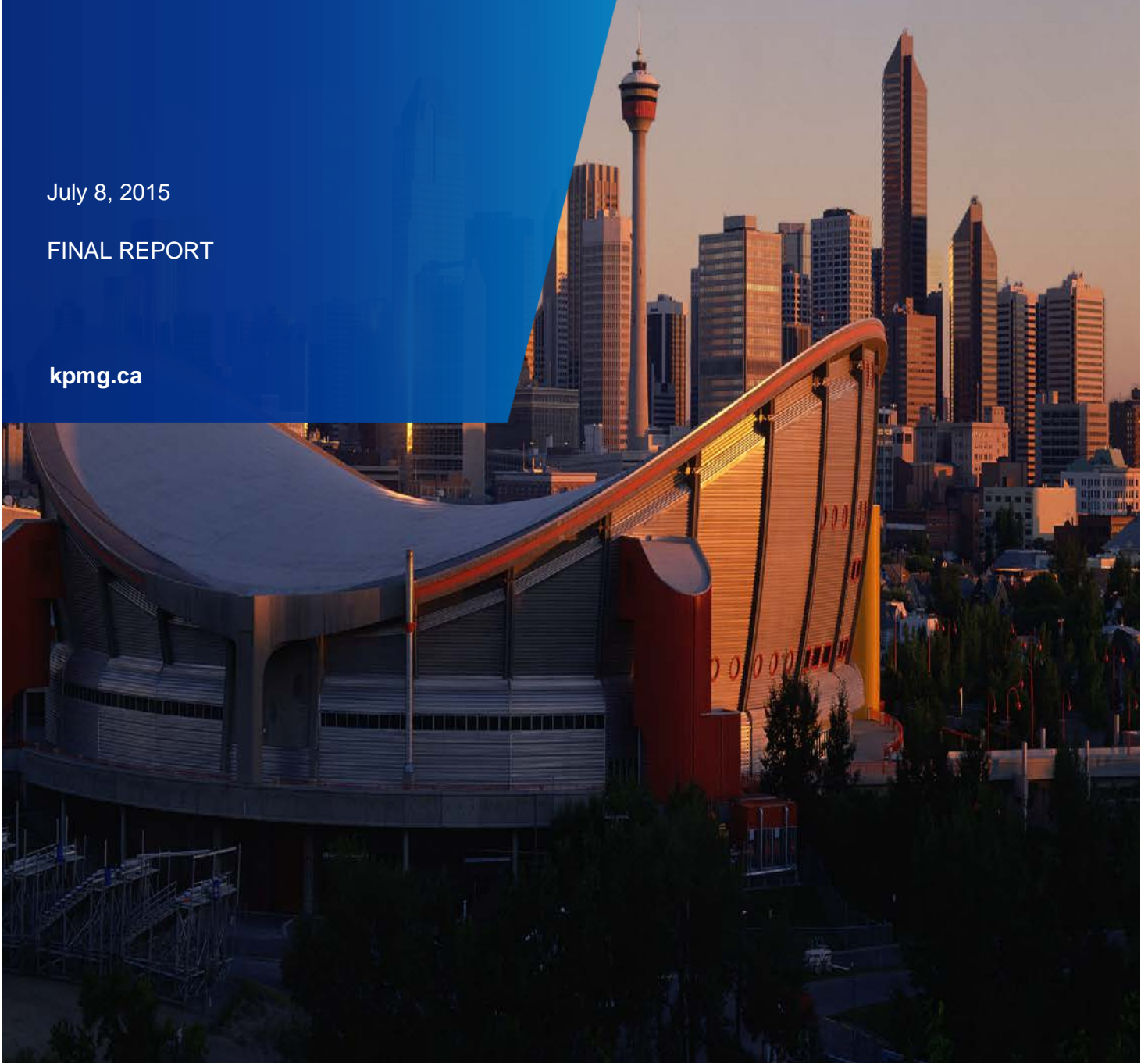FINAL REPORT

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1   Executive Summary

The City of Calgary (the "City") has implemented a Corporate 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.

The City Auditor's 2014 internal audit plan includes an assessment of The City's Corporate Ethics Program (the "Program") and the assessment commenced to determine if the City's Corporate Ethics Program is adequate and effective. The City Auditor's Office engaged KPMG LLP (the "KPMG") 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 Corporate Ethics program is implemented and operating as intended. KPMG was also requested to identify opportunities for improvement to the current Ethics Program and informally assess the City's Ethics Program against leading practices.

To meet the assessment's objective, the scope of KPMG's assessment focused on the following aspects of the City's Ethics Program:

- Communication and Policy Awareness

- Employee Training

- Policy Content

- Reported Incidents, Violations and Inquiries

- Reporting Mechanism and Required Reports

- Tone at the Top - Audit Committee, City Council and Executive (ALT)

KPMG's testing, which was comprised of document review, the conduct of interviews, and detailed testing in the scope areas above.

The results of our assessment as presented in our audit report is necessarily critical in nature and is designed to focus on those areas requiring the attention and action of management. That is not to say that strengths in the City's Ethic Program assessed do not exist. Indeed, many elements of good management and strengths of the Program were observed including the following:

- Existence of awareness materials for employees with multiple training opportunities for employees.

- Easily accessible Ethics program materials through City websites that contain comprehensive, detailed, and relevant policy content.

- Effective governance and management support for the programs.

- Initiatives to review, update, and improve Ethics Program content and related activities.

- An easily accessible and effective Whistle-blower program.

KPMG's assessment also identified some key observations / gaps in the current Ethics Program that we present in this report. The observations / gaps identified represent areas that the City needs to focus on in order to increase the effectiveness of its Ethics Program and achieve the Program's objectives.

Overall, KPMG identified 20 key observations related to the City's Code of Conduct and Whistle-blower programs. These observations have been grouped into categories that align with the previously identified assessment scope:

- **Communication and Policy Awareness** - Improvements noted in the areas of communication and awareness materials employees receive regarding the Corporate Ethics Program.

- **Employee Training** - Implementation of core training for employees on the Corporate Ethics Program.

- **Policy Content** - Key observations on the content of policies comprising the Corporate Ethics Program.

- **Reported Incidents, Violations and Inquiries** - Improvements in the process employed to detect and respond to incidents and violations of the Corporate Ethics Program.

- **Management Reporting and Oversight** - Key observations to formalize the internal reporting of information regarding the Corporate Ethics Program.

- **Tone at the Top** - Observations related to the leadership and accountability mechanisms governing the Corporate Ethics Program.

For each of the detailed observations that we have identified in Section 5 of our report, we have provided corresponding recommendations based on leading practice and our experience that the City may leverage to improve the effectiveness of its Ethics Program. We understand that 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.

Conclusion

Our assessment of the City's Ethics Program highlights that the issues and observations that have been identified with the City's Ethics Program results from the decentralized nature to which the Program has been developed over time within the organization. The decentralized model within the City in supporting the Ethics Program results in the key issues we have noted during our assessment in the areas of training and awareness, the consistent processing of incidents and reporting requirements, and in the overall accountability and responsibility over the Program.

For the City to have an effective Corporate Ethics Program and address the underlying issues and observations that have been identified in this assessment, we recommend that the City consider centralizing the model and structure of its Program through its City Manager's office. A centralized model for the Program will establish a stronger organizational view for Ethics Program that will support

accountability and responsibility for the Program and consistent approach in remediating the issues and observations identified so that the objectives of the Ethics Program can be achieve.

The assistance provided by the City of Calgary participants and the City's Council members during the assessment was greatly appreciated.

City of Calgary - Management Response Overview

To promote a culture of respectful, ethical and safe behaviour in the workplace articulating the expected conduct of all employees is a business imperative. The City's existing Code of Conduct and the City Manager's Contract with Council (also known as the Leadership Strategic Plan) reflect efforts to meet this business imperative. While all employees are expected to conduct themselves in accordance with the Code of Conduct, leaders play a critical role in modeling and applying it.

As KPMG has recognized, The City of Calgary is a leader in this area when compared to other municipalities. However, we agree with KPMG that more can be done to enhance our efforts. This is especially true as it relates to governance. Recognizing this, the Administrative Leadership Team (ALT) recently decided to place responsibility for governance of the Code of Conduct with the Chief Financial Officer, who in turn has charged Human Resources with responsibility for developing and implementing a coordinated and centralized approach. Following the report to Audit Committee, Human Resources will identify a lead resource, likely in Q3 of 2015- in order to fully scope and plan the work. Human Resources will work in partnership with the responsible policy owners to ensure successful coordination, and collective accountability for the Code of Conduct. Notwithstanding this, the City Manager will assume an Executive Sponsor role for the Code of Conduct; we believe this is consistent with KPMG's recommendation regarding the role of the City Manager. The path has been set.

There are no areas of disagreement within the report; in fact, there are many areas where Administration fully agrees with KPMG's recommendations. Administration is committed to ensuring the Code of Conduct contributes to a workplace that promotes respectful, ethical and safe behaviour.

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2   Background

The City's Code of Conduct and Whistle-blower programs promote a culture of respectful, ethical and safe behavior in the workplace with an objective to cultivate a work environment where employees say, do and act in a transparent manner, are accountable, and act in the public's best interest.

The Code of Conduct addresses a broad range of employee conduct issues that may create risk for the City. The City's Code of Conduct includes eight (8) policies[1]. Employees are responsible for adhering to all aspects of the different policies. 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 City established a Whistle-blower Program in 2007 that provides a mechanism for employees and citizens to report acts of waste and/or wrongdoing by City staff and assigns responsibility to the City Auditor's office to assess and investigate all reported allegations. The purpose of this policy is to ensure consistent, systematic, corporate-wide processes are in place for the prevention, detection, reporting and investigation of any suspected act of waste and/or wrongdoing.

Bylaw 48M2012 requires the Audit Committee to monitor the adequacy and effectiveness of corporate policies including Code of Conduct and conflict of interest. Therefore, for 2014, the City Auditor included an Ethics Program assessment in its internal audit Plan and in August 2014, engaged KPMG LLP to perform an assessment of the City's Ethics Program.

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[1] At the time of KPMG's fieldwork, the Code of Conduct consisted of 8 polices. The "Workplace Violence Policy" was adopted subsequent to our fieldwork.

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3 Assessment Objective, Scope and Approach

3.1 Objectives

The primary objective of this assessment is to assess the adequacy an effectiveness of the City's processes and controls that support a culture that promotes ethical behavior and integrity, and assists the City in achieving its strategic objectives and mitigating potential risks as it relates to the City's Corporate Ethics Program. KPMG was also requested to identify opportunities for improvement to the current Ethics Program and informally assess the City's Ethics Program against leading practices.

3.2 Scope

To achieve the assessment objective in determining the adequacy and effectiveness of the City's Corporate Ethics Program, the scope of the assessment consisted of the following:

- The City's Code of Conduct and Ethics policies and its contents with a comparison to leading practices.

- Processes and controls at the City, including:

    - Governance structure around senior management, internal audit and the City's Council that support The City's Corporate Ethics Program.

    - Tone at the top, including creating and maintaining an ethical culture to reinforce the City's values of integrity and ethics.

    - Code of Conduct & Ethics policies and Whistle-blower Policy.

    - Communication and training related to the Code of Conduct & Ethics Policies and Whistle-blower Policy.

    - Monitoring of breaches of the Code of Conduct & Ethics Policies.

    - Procedures for reported violations of Code of Conduct & Ethics Policies.

    - Ongoing monitoring and review process of policy and procedure effectiveness; and Code of Conduct & Ethics Policies and Whistle-blower Policy.

    - Information reporting requirements, including any key performance indicators to Senior Management and the City's Council regarding the Code of Conduct & Ethics Policies and Whistle-blower Policy.

- Identification of process and control gaps between the strategic objectives and operational effectiveness of processes and controls.

Note: The scope of our assessment did not include formal benchmarking of the City's Ethics program to other Canadian Municipalities. However, we did perform an assessment of the City's Ethics program against relevant leading practices available per KPMG's methodology and experience gained through assisting similar organizations.

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3.3 Approach

We present below, our approach for the assessment.

Phase 1 - Planning

In the Planning phase, we established key logistical parameters for the assessment, verified expectations and responsibilities, obtained feedback and concurrence with the proposed planning approach and methodology, reviewed and agreed on the assessment program and procedures; confirmed roles and responsibilities, communication protocols, and agreed on the assessment work plan and anticipated timelines.

Phase 2 - Conduct

In the Conduct phase, we performed the testing of the City's Corporate Ethics program scope areas to identify key observations / gaps related to the City's Ethics program. This included:

- Review of existing documentation related to the City's Code of Conduct, Whistle-blower program and other policies - refer to Appendix A.

- Performed interviews with key stakeholders that were identified and agreed upon with the City's Auditor during the Planning phase - refer to Appendix B.

- Performed detailed testing per the agreed upon assessment program / procedures on the Code of Conduct and Whistle-blower program scope areas, and related processes and artifacts.

Note: Our original assessment plan included the execution of a survey of City of Calgary employees regarding the Ethics Program. During our engagement, a scope change was undertaken to not conduct the survey at this time due to timing and logistical constraints. Although the results of the employee survey has the potential to provide additional insights to the results of our assessment and/or additional detailed observations, given the type of observations we have noted in our assessment, we do not believe employee survey results would materially impact the observations we have identified in this report.

Phase 3 - Reporting

In the Reporting phase we compiled the results of the assessment, verified our preliminary observations with relevant City Management, prepared a draft internal assessment report that detailed the observations / findings and recommendations, which we confirmed with the City Auditor's office and with the City Manager, updated the draft report as required and finalized it.

Results of our assessment will be presented to the City's Audit Committee.

Assessment Follow-up

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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.

4 Summary Results

We present below an overview of our results for each of the scope areas assessed; and please refer to Section 5 of our report for further details.

4.1 Communication and Policy Awareness

Test	Objective
Test of Communication and Policy Awareness	To review the communication and awareness employees receive on the Corporate Ethics Program to ensure employees are educated about the policy to avoid breaches of the policy.
Summary Result	

Testing indicates there is evidence of Ethics Program awareness materials in City of Calgary buildings, that Code of Conduct and Whistle-blower information is readily accessible on City websites, and that management regularly uses existing communication channels to remind employees of the Code's existence and reinforce its importance.

Our assessment indicates that a communication and awareness program exists to inform employees of the Code of Conduct and the Whistle-blower programs; however, there is currently no requirement for formal acknowledgement or acceptance of the Code of Conduct.

4.2 Employee Training

Test	Objective
Test of Employee Training	To review the training employees receive on the Code of Conduct and Whistle-blower Policy, to ensure employees are educated and aware of these policies to avoid breaches.
Summary Result	

Testing indicates there are several Code of Conduct related training programs implemented at the City; however, a comprehensive and universally applied training program on the Code of Conduct does not currently exist. In addition, there is currently no evidence of Whistle-blower training provided.

4.3 Policy Content

Test	Objective
Test of Policy Content	To determine if City of Calgary policies exist for Code of Conduct and Whistle-blower that fully explain and provide adequate examples of expected behavior, explain the consequences of non-compliance, and provide simple procedures for reporting suspected violations.
Summary Result	

Testing indicates the Code of Conduct policies contain relevant, detailed, and comprehensive information regarding expected behavior on a wide range of ethics topics and explicitly outline the consequences of non-compliance. However, we noted areas of improvements required in the process and activities to maintain the policies that support the Code, and there is currently confusion in the applicability of the Code to Council and staff members.

Testing of the Whistle-blower policy establishes a program that allows both employees and citizens to easily, and anonymously report suspected wrongdoing and / or waste. The Whistle-blower policy also explicitly grants any reporter confidentiality and protection from retaliation.

Our assessment indicates the Code of Conduct and Whistle-blower program are generally accessible, comprehensive, and understandable.

4.4 Reported Incidents, Violations and Inquiries

Test	Objective
Test of Reported Incidents, Violations and Inquiries	To determine if violations and inquiries are followed up on according to the intent and wording of the Whistle-blower and Code of Conduct policies.
	To determine if inquiries and reported instances of breaches of the Code of Conduct and Whistle-blower policies are resolved and tracked for reporting purposes.
	To determine if external sources with reports and inquiries are tracked for reporting purposes.
Summary Result	

For each Whistle-blower incident, testing indicates each incident is investigated and resolved per the Whistle-blower policy. Each incident is also logged and tracked for reporting purposes.

Alleged violations of the Code of Conduct reported directly to Corporate Security are also tracked however they are not currently reported to City's management in a consistent or structured manner.

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> City Management presented evidence of accepting and resolving reports of Code of Conduct violations, however there was no evidence of an ongoing and consistent logging / tracking program related to these incidents.

4.5 Reporting Mechanism and Required Reports

Test	Objective
Test of Reporting Mechanism and Required Reports	To determine if reporting mechanisms within the Code of Conduct and Whistle-blower policies are understood by employees and being used whenever suspected breaches of the Code of Conduct or instances of wrongdoing occur.
	To determine if external parties have channels to register complaints about the behavior of City of Calgary employees and these channels are being used.
	To review the required reports to stakeholders such as the City Manager, Audit Committee, City Council.

Summary Result
Testing indicates the Whistle-blower reporting mechanism is effective and functioning as expected. Incidences / reports that are provided to the Whistle-blower Program Manager, are logged and investigated and tracked as expected. Incidences include items reported from external parties.
The Code of Conduct annual report presents qualitative information regarding the implementation of the overall program, however violations reported within the Business Units are not tracked and reported. Therefore, the current reporting framework does not provide direct information about the nature, number, or status of Code of Conduct violations occurring in the organization.

4.6 Tone at the Top - Audit Committee, City Council and Executive (ALT)

Test	Objective
Test of Tone at the Top - Audit Committee, City Council and Executive (ALT)	To determine if leadership and accountability on the part of the Audit Committee, City Council, and Executive (ALT) exists to establish and reinforce a zero tolerance environment of wrongdoing and Code of Conduct violations.

Summary Result

Testing indicates the City has established an effective governance structure that clearly describes the leadership role for both City Council and the Audit Committee with respect to the Code of Conduct and the Whistle-blower programs. The Audit Committee receives regular reporting regarding both the Code of Conduct and the Whistle-blower program and takes an active role in responding to appropriate incidents.

Testing also indicates that City senior management are generally aware of their responsibility to monitor compliance with the Code of Conduct, to take action to correct employee conduct when necessary, and to be a model for the high ethical standards set by the Code of Conduct for all employees.

There is evidence in the City's strategic plan of a high-level commitment to promoting a healthy and safe work environment; however, there is no specific reference to the Code of Conduct or ethics. City management does not currently have access to detailed reports or information regarding Code of Conduct violations that are reported within their Business Unit.

In addition, we have noted that City senior management are not currently required to acknowledge and sign off on the Code of Conduct that is considered leading practice.

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5 Detailed Observations and Recommendations

KPMG's assessment of the City's Ethics Program identified observations on the City's current Code of Conduct and Whistle-blower Program process and activities. Our assessment identified a number of strengths when assessed against leading practice but also key areas of improvement that the City should consider to achieve its objective with its Ethics Program.

We present below the detailed observations and associated recommendations along with the City Management's current response and action.

5.1 Code of Conduct

5.1.1 Communication and Policy Awareness

Observation 1

Employees are not currently required to physically or electronically "sign off" to acknowledge their understanding and adherence to the Code of Conduct. Testing indicates that leading practice and other similar organizations require their employees acknowledge their Code of Conduct (or similar ethics program) when they begin employment and/or renew their sign off at regular intervals.

Risk/Impact

Employees may not be aware of or understand their role and responsibilities as outlined in the Code.

Recommendation

We recommend that, at a minimum, all new employees be required to "sign off" on the Code when they begin employment. In the future, existing employees should receive an annual communication reminding them of their Code responsibilities (including a link to the most recent Code policies) along with a requirement to renew their acknowledgement and acceptance of the Code.

Management Response

Action Plan	Responsibility
Partially Agree To date, The City has been successful in addressing labour challenges regarding its approach to implementing the Code of Conduct and holding employees accountable for their behavior; despite not having employee sign-off. Notwithstanding this, Administration acknowledges KPMG's view that employee	Responsible: Director of HR on behalf of City Manager and Chief Financial Officer. Timing: June 30, 2017

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| sign-off is a best practice. To this end, Administration will review other similar organizations' processes for consideration. In particular, how they address sign-off for highly dispersed (field) and non-wired employees

Administration will also review how these organizations address all employee sign-off with unions, as well as, arbitration and legal challenges.

Action:

Upon review of such information, Administration will consider the application and/or implication of securing sign-off for all new employees, while having regard for potential union/labour issues. Administration will also continue its communication strategy for the Code of Conduct with the possibility of enhancing it following a review of other similar organizations. | |

5.1.2 Employee Training

Observation 2

Currently, Code of Conduct awareness training is available as part of the City of Calgary Orientation (CoCo) program for new employees. The session consists of a 30-minute discussion of representative scenarios for each of the 8[2] policies comprising the Code. Employees are generally expected to attend CoCo training however it is not mandatory for all new staff.

There are examples of other optional awareness and training materials related to the Code and individual policies available for employees if they are interested, however, currently there is no required training course covering the overall Code of Conduct.

Testing indicates improvement would be beneficial in Manager / Supervisor knowledge in the interpretation and application of the Code in daily situations at the City.

The Code of Conduct policy (HR-LR-005) includes a summary for each policy in the Code of Conduct. The categories covered include – Policy Summary, Key Requirements, and Examples of What to Avoid. However, it does not include a "user guide" or "FAQ" with "real life scenarios" to assist employees understand their responsibilities.

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[2] This assessment was completed before the 9th policy (Workplace Violence) was adopted.

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Testing indicates that awareness material on the Code is present in several locations. However, it is not currently highly visible to support awareness of these policies and program throughout the organization.

Risk/Impact

City Staff including Managers / Supervisors may not currently have the appropriate knowledge and understanding to meet the expectations of the Code and to guide other employees with Code related questions / issues. In addition, City employees may not be aware of any changes made to the Code and its policies when they are updated.

Recommendation

Consider developing and implementing a Code training program that includes:

- A stand-alone induction course on the Code of Conduct for new employees and for the specific employees that hold accountability and leadership responsibilities related to it. Include "final exam" testing as part of the course to confirm employee's basic knowledge of their responsibilities.

- Update annually or every 2 years – a refresh course to reflect changes to the Code which is required for all employees.

- Training material for the induction and refresh course should include specific case studies or examples that are provided in support of the Code policies and requirements.

- Establish a tracking mechanism to ensure all employees and relevant contractors complete the training.

We recommend a review of the current documentation to support the Code to determine if further guidelines or updates are required in order to provide further clarification on application.

Review the location of all Code material and information to ensure it is easily accessible to all employees and contractors.

Management Response

Action Plan	Responsibility
Partially agree. Administration agrees that with the diversity of the policies in the Code, training should include specific examples and case material to support learning. Recent communication campaigns have included such material. Individual policy owners support the application of the Code, including providing training on their specific policy. Administration agrees that it is desirable for policy owners to consider associated documentation and guidelines when	Responsible: Director of HR to coordinate with individual policy owners. Timing: Begin in Q2 2016 and incorporate changes to training and relevant code materials and implement a tracking mechanism by December 31, 2017.

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reviewing the policy at the scheduled interval. All Code policies and related awareness videos are readily available and easily accessible to all employees with on-line access (wired). Non-wired employees, contractors and members of the public can access material on-line through Calgary.ca. Action: Administration will complete a review of: 1) training needs and approaches; 2) tracking mechanism; and ease of access to the Code and related amendments.	

Observation 3

Currently, the Audit Committee and Council members do not receive, nor are they required to receive, training regarding the content of the Code of Conduct.

Risk/Impact

Audit Committee and Council members may not be fully informed about the nature and content of the Code of Conduct, which may impact their ability to provide effective oversight with respect to the Code.

Recommendation

Consider establishing Code of Conduct awareness training for all AC member as part of their orientation process so they are aware of the Code requirements for City employees. In addition, the Code awareness training should be recommended training for other members of Council.

Management Response

Action Plan	Responsibility
Agree. Action: Administration will discuss training needs with Council.	Responsible: Audit Committee, with the Executive Assistant as lead. Timing: March 31, 2016

5.1.3   Policy

Observation 4

Testing indicates that there is currently a lack of clarity whether Councilors and their staffers are to comply with the Code of Conduct. The existence of a separate Ethical Conduct Policy adopted by Council also contributes to the uncertainty by referencing some but not all of the City's Code of Conduct policies.

Risk/Impact

Lack of clarity or understanding regarding the application of the City's Code of Conduct over Councilors and their staff creates confusion and inconsistency, which reduces the effectiveness on the objective of the Ethics program.

Recommendation

We recommend a review of all relevant policies and bylaws be undertaken in order to:

- Confirm if the Code of Conduct currently applies to members of Council and/or their staff. As part of this review, Council can consider the appropriateness of adopting any policies that do not currently apply to Councilors and/or their staff members.

- Clearly communicate and articulate which policies (including the Code of Conduct) apply to individuals employed outside of the City's Administration including any training requirements for Council members and staffers to support their responsibilities.

Management Response

Action Plan	Responsibility
Agree. The Code clearly states that it applies only to "all City employees and contract employees at The City". Councilors are subject to both the policies outlined in Council's Ethical Conduct Policy for Members of Council and to various other policies Councilors have adopted, some of which are Administration Policies that Council has agreed to become subject to or benefit from. Councilors may wish to review the Ethical Conduct Policy for Members of Council and the suite of Council policies that apply to them and to their staff to ensure that these policies are sufficient and clear. Action: 1) A recent Notice of Motion from Council directed Administration to review ways to provide HR support to staff of the Office of the Councilors. This work is underway and will include a review of the Code of Conduct for this group of staff 2) Administration will be pleased to assist Council in any review Council chooses to	Responsible: Audit Committee with the Executive Assistant as lead. Timing: Action 1- March 31, 2016 Action 2 – June 30, 2016 - TBD by Council.

undertake.	

Observation 5

The current Code of Conduct policies and supporting documents in some cases may not reflect current requirements (e.g., social media, "Bring Your Own Device"). Our testing indicates that concerns exist about overlap and contradictory elements between the various policies. Feedback received through our interviews also indicates that the number of policies in the Code of Conduct results in some Managers in some business units unable to identify all of the relevant policies.

Risk / Impact

A lengthy and complex Code of Conduct increases the risk that employees have difficulty understanding their responsibilities thereby making it less likely they will be able to comply effectively.

Recommendation

We recommend that an initiative be established to thoroughly review all of the relevant policies and related documents that support the Code, including other related / supporting policies, to: identify any conflicting requirements and to streamline the policies / documents where possible to increase understandability and reduce complexity.

In addition, the City should establish a process whereby the policies that make up and support the Code of Conduct be assessed on a periodic basis to ensure they continue to be relevant and meet the needs of the organizations' current environment.

Management Response

Action Plan	Responsibility
Agree. Administration agrees that on-going scheduled reviews of the Code's policies should address opportunities for streamlining, simplifying, clarifying and alignment. The Environmental Policy is the only one of the nine that is a Council policy and as such, the format is somewhat different. The summary of the policy in the Code itself describes very specific actions and behaviors that employees can and should take. Action: Administration will review the process and responsibility to identify and resolve any conflicts between policies in the Code or with supporting policies and documents.	Responsible: Director of HR to coordinate with individual policy owners. Timing: March 31, 2017

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Administration will review the complexity of the Code, with the objective of providing an understandable and effective Code.	

Observation 6

Testing indicates that many of the Code of Conduct policies currently lack explicit investigation processes. For example, the summary Code policy, Conflict of Interest, Substance Use, and Acceptable Use make no mention of an investigation or complaint resolution process. Respectful Workplace includes a link to an investigation process; however a high level summary is not integrated directly in the policy.

Risk/Impact

The lack of a defined process for investigating alleged Code of Conduct violations increases the risk that inconsistent or insufficient investigations are performed which may lead to issues not being appropriately or consistently addressed.

Recommendation

Consider adding a guideline to the overall Code of Conduct summary policy that articulates the principles and high-level process used to investigate all Code violations for all policies.

Management Response

Action Plan	Responsibility
Agree Administration will review its current investigation approach and matrix for applicability to the overall Code of Conduct and to ensure clarity and effectiveness.	Responsible: Director of Human Resources in consultation with policy owners. Timing: June 30,2017

Observation 7

Testing indicates that some Code of Conduct policies have not been reviewed at the appointed time (e.g., Code of Conduct HR-LR-005 – next revision due 2013/04/01, Conflict of Interest - 2013/03/01, Public Statements and Media Relations – 2010/10/31, Substance use – 2013/04/01).

Risk/Impact

Content in policies may not be current and consistent with current City Administration expectations for employees.

Recommendation

Establish a process that requires all policies to be reviewed and updated (if required) on an annual basis. Evidence of review should be retained and policies should reflect the new "next revision" date.

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Action Plan	Responsibility
Partially agree. While there is a schedule in place to review policies every three years, it is acknowledged that some policies may not have been reviewed on that schedule. While the current schedule will be followed, Administration agrees to review and update policies in a shorter time frame where appropriate. Administration agrees that synchronizing the updates so they are all done around the same time, would facilitate amendments to the overall Code as well as make communication more efficient. Action: Administration will review the effectiveness of the process for policy review and the procedure to record evidence of the review. The opportunity to leverage existing processes will be reviewed and is the preferred approach. Responsibilities for Code review will be included in the document of roles and responsibilities for the Code processes.	Responsible: Director of HR to coordinate with City Clerk's, and policy owners. Timing: September, 30, 2016

5.1.4   Reported Incidents, Violations and Inquiries

Observation 8

The Code of Conduct policies currently instruct employees to report alleged violations to different individuals and parts of the organization (e.g., managers / supervisors, HR, Corporate Security) and the Whistle-blower program is perceived as an additional option for employees to report alleged violations. These multiple options can create confusion and lead to a lack of clarity for employees.

Risk/Impact

The combination of various reporting options may contribute to employee uncertainty regarding the correct group / individual within the organization to report an alleged code violation or issue. This uncertainty may result in issues either not being reported or being reported to the wrong group / individual.

Recommendation

Unify the criteria for reporting alleged Code violations in all Code policies and the Whistle-blower program. Publish and communicate the unified reporting criteria for alleged violations in all Code policies, the Whistle-blower program literature, and in all future engagement campaigns related to the Code and the Whistle-blower program.

Management Response

Action Plan	Responsibility
Partially agree. The diverse subject matter of the Code of Conduct policies makes it challenging to have a single method or channel for reporting breaches or violations. Reporting a security or safety hazard, for example, may require immediate attention by qualified people. Where questions arise regarding the application of policies, employees are encouraged to raise this with their supervisor for discussion and resolution. Action: Administration will review the reporting processes outlined in various Administration policies and determine whether a generic reporting process should be created and will be pleased to assist Council in any review Councilors choose to undertake of the reporting process included in Council's Whistle-blower Policy. Administration agrees that employees may be unclear as to whether they should report alleged violations of policy through mechanisms included in Administration Policies versus the mechanism outlined in Council's Whistle-blower Policy.	Responsible: Director of HR on behalf of City Manager and Chief Financial Officer, and in partnership with City Auditor's Office Timing: March 31, 2017

Observation 9

Our testing identified a weakness in the current process and controls over disclosure requirements on potential conflict of interests. It is currently possible for a City of Calgary employee to bid on City of Calgary Request for Proposal (RFP) opportunities and not disclose their employment status with the City of Calgary as a requirement of their response.

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Risk/Impact

The City's reputation can be adversely impacted if the appearance of a conflict of interest arises.

Recommendation

Consider reviewing the bid process for City RFPs and/or projects and include a requirement for bidders to disclose their employment status (e.g., if they are a City of Calgary employee).

Management Response

Action Plan	Responsibility
Agree. Action: At the time that the bid documents come up for review, Administration will consider expanding the Bid Submission forms to clearly include identification of current and former employees. At that time, Administration will also consider enhancements to reference spouses/partners of employees.	Responsible: Manager, Supply Timing: June 30, 2016 Aligned with bid document review cycle.

5.1.5   Management Reporting and Oversight

Observation 10

Currently, City Administration does not have a process in place to collect and report on metrics related to Code of Conduct violations (alleged or substantiated) and investigations.

There is no integrated Code of Conduct violation tracking or reporting. Investigations conducted by Corporate Security are currently tracked but there is no formal reporting of metrics.

In addition, investigations performed by the various departments or groups at the City including Corporate Security are not integrated to provide a holistic view of the status of Code of Conduct compliance throughout the organization.

Risk/Impact

Lack of information or analysis of Code of Conduct violations / investigations in the organization may result in systemic issues not being addressed or focused on within the organization, which could negatively impact the City's reputation.

Recommendation

Develop a mechanism to monitor and report on Code of Conduct violations / investigations and report regularly to City Manager / Senior Management.

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The reporting process should include agreed upon metrics and activities required to establish regular meetings to brief the City Manager / Senior Management regarding status and activities with respect to Code of Conduct issues.

Management Response

Action Plan	Responsibility
Agree. Most policies under the Code have their own methods of reporting. The vast majority of policy breaches relating to certain policies (e.g. media, respectful workplace, use of technology, conflict of interest) are raised and resolved through discussion in the workplace between employee and supervisor and, depending on the severity, may not result in investigations or serious discipline. Administration agrees there may be value to consider outcome measures for individual policies, where reasonable and measurable, and for those to be reported as a composite picture of Code of Conduct performance or effectiveness. Action: Administration will explore the development of a mechanism to monitor and report on Code of Conduct violations / investigations and report regularly to the City Manager/ Senior Management.	Responsible: Director of HR to coordinate with policy owners. Timing: June 30, 2017

5.1.6 Tone at the Top

Observation 11

Testing indicates that there is currently confusion and lack of clarity regarding the individual or group that is responsible and accountable for promoting awareness and cultivating understanding of the Code of Conduct throughout the entire organization.

Risk/Impact

Lack of clarity in regards to roles and responsibilities over the Code and associated processes and activities related to it increases the risk that the necessary processes and activities required to support the effective implementation of the code do not occur.

Recommendation

Develop written documentation regarding the responsibilities of the City Manager's Office versus Human Resources for ongoing training / awareness of the Code of Conduct throughout the entire organization. Consider assigning a "Program Coordinator" role with defined responsibility for the overall development, implementation, maintenance, and awareness of the Code of Conduct.

Management Response

Action Plan	Responsibility
Agree. While the owner of the Code is identified as the City Manager's Office, the responsibilities of the CMO and the individual policy owners are not clearly delineated. Action: Administration will document clear roles and responsibilities for the Code processes. The ALT delegated responsibility for the centralized approach of the Code of Conduct to the CFO, who in turn has charged Human Resources with the responsibility for developing and implementing a coordinated and centralized approach. Notwithstanding this, the City Manager will still assume overall accountability and oversight of the Code of Conduct, as recommended by KPMG.	Responsible: Director of HR to coordinate with individual policy owners responsible for Policies in the Code of Conduct. Timing: March 31, 2016

Observation 12

Testing indicates that the City's performance management program does not currently require each individuals' role and responsibility related to the Code of Conduct, including any activities required to support the Code of Conduct (e.g., completing training requirements), be included in performance objectives.

Risk/Impact

The observation noted increases the risk that individuals do not understand their responsibilities as outlined in the Code of Conduct and/or are not held accountable for their ongoing responsibilities to implement the Code as part of their regular duties (e.g., making other employees aware of Code requirements, reporting Code violations, receiving and remediating Code related issues).

Recommendation

Review the City's current performance management program and consider updating it to include requirements related to the Code of Conduct as part of employee's baseline performance objectives.

Management Response

Action Plan	Responsibility
Agree. The Code should reflect corporate values, as should the performance evaluation system. Action: The corporate values have been updated by the City Manager to promote 'individual responsibility' and 'collective accountability'. In 2015 and 2016 Administration will revisit the individual performance evaluation process to ensure it reflects corporate values and, by extension, the values inherent in the Code.	Responsible: Director of HR on behalf of City Manager and Chief Financial Officer Timing: March 31, 2016

5.2   Whistle-blower Program

5.2.1   Communication and Policy Awareness

Observation 1

Testing noted that there is currently minimal evidence of awareness / training related to the Whistle-blower program.

Risk / Impact

Employees may not be aware of the options available to them to report wrongdoing / waste through the Whistle-blower program resulting in issues occurring within the organization that are not addressed.

Recommendation

Review the current approach to Whistle-blower awareness and training and consider enhancing any existing activities to increase the profile of the Whistle-blower program.

Management Response

Action Plan	Responsibility
Response Agree: We recognize the benefit that additional training/communication can provide. Action:	Responsible: Whistle-blower Manager Timing: December 2015

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| We will provide HR with suggestions for changes to the COC training for their consideration. | |

5.2.2 Policy

Observation 2

Currently the Ethical Conduct policy articulates two options for Members of Council to report alleged violations of the policy (page 7 – Policy Breaches):

- "3. Members of Council may report alleged violations of this policy in a Personnel Item report to be brought to an In Camera Meeting of Council."; or

- "5. A Member of Council who believes a Member is in violation of this policy may report their concerns in accordance with The City's Whistle-Blower Policy".

Reports of alleged ethics violations related to City Council members can be reported through the City's Whistle-blower program and are all currently investigated by the City Auditor. Allegations of ethics violations related to Council members create a conflict of interest for the City Auditor because the City Auditor is hired by and reports to the Audit Committee, which is primarily comprised of Council Members. The City Auditor is responsible for investigations of the individuals whom the City Auditor reports to.

Risk/Impact

The potential conflict of interest creates a risk that issues reported through the Whistle-blower program are not investigated or addressed appropriately due to independence issues resulting in the objectives of the Whistle-blower program not being achieved.

Recommendation

Review the current practice of using the Whistle-blower program as a reporting and investigation mechanism for the Ethical Conduct policy (i.e., item #5) – consider the following[3]:

- Eliminate item #5 in the Ethical Conduct policy in order to address the conflict of interest issue which arises for the City Auditor when conducting investigations related to Council members.

- Create / identify a new and independent mechanism / process for the reporting and investigation of alleged violations by Council members (e.g., identify an arm's length third party capable of investigating allegations of misconduct by members of Council).

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[3] Subsequent to KPMG's fieldwork, City Council approved the creation of an "Integrity Commissioner" position in February 2015.

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Management Response

Action Plan	Responsibility
Agreed:	Responsible:
In progress	Administration and City Auditor.
Action:	Timing:
Council has agreed to the hiring of an Integrity Commissioner to handle complaints related to members of Council. At the Feb 9, 2015, Combined Council meeting, Council approved in principle the establishment of an Independent Integrity Commissioner position. Administration and the City Auditor's Office is to provide a report back to the Priorities and Finance Committee's 2015 April 21, meeting, following consultation with Members of Council for input, outlining a proposed terms of reference for an Integrity Commissioner and a proposed recruitment strategy for that position.	April 21, 2015

5.2.3   Reported Incidents, Violations and Inquiries

Observation 3

The current Whistle-blower policy and processes do not include criteria and guidance to define the basic information necessary to support an investigation. There are examples of reports (including anonymous reports) which do not contain sufficient information to initiate an investigation process.

Risk / Impact

The time and energy dedicated to processing Whistle-blower reports by the Program Manager may not be effective when inappropriate or incomplete reports are submitted.

Incomplete / insufficient reports related to valid issues may not be addressed or resolved appropriately resulting in the issue continuing to exist within the organization. This may lead to the perception that the Whistle-blower program is ineffective.

Recommendation

We recommend a review of the Whistle-blower policy and processes be completed and the following updates be made:

- Develop clear guidelines / minimum requirements for information that has to be provided to support the investigation process (e.g., mandatory fields / checklists, etc.).

- Develop a communications / awareness campaign that educates employees and the public on the types of issues / reports appropriate for the Whistle-blower program. This could be in the form of an FAQ attached to the Whistle-blower policy with examples of both appropriate and inappropriate reports, and/or other campaign initiatives.

Management Response

Action Plan	Responsibility
Agreed: The Whistle-blower Office has developed guidelines that a reporter should follow when submitting a report. These guidelines have been utilized when the information provided has not been sufficient. We acknowledge more information could be provided on our website to inform the reporter. Action: We will update the internal/external website to include criteria requirements. We recognize that internal procedures could be enhanced to clarify this decision-making. Updates will be made to our internal procedures manual.	Responsible: Whistle-blower Manager Timing: December 31, 2015

Observation 4

Currently, individuals who are notified they are the subject of an investigation are not consistently informed of the results of the investigation.

Risk/Impact

The communication of the results of completed Whistle-blower investigations to relevant individuals may not occur in a timely fashion.

Recommendation

When appropriate, consider updating the Whistle-blower communication process to include notification / status of investigations to relevant individuals.

Management Response

Action Plan	Responsibility
Agreed in principle. Action: The nature of WB Investigations requires a level of confidentiality. In cases where employees have been interviewed and a full investigation has been completed the employee will be informed of the outcome.	Responsible: Whistle-blower Manager Timing: Immediately

Observation 5

Currently, Reporters generally receive a notice acknowledging receipt of their report however there is no formal requirement to notify the Reporter that their report has been investigated or that the report was deemed "substantiated" (and therefore remediated) or "unsubstantiated" (and therefore no action taken).

Risk/Impact

The reputation of the Whistle-blower program may be adversely affected if Reporters are not made aware of the status / outcome of their report.

Recommendation

Consider updating the Whistle-blower process such that:

- The Reporter is notified if/when a full investigation is launched.

- The Reporter is notified of the generic outcome of the investigation (i.e., that it was substantiated or unsubstantiated and the matter is closed).

Management Response

Action Plan	Responsibility
Agreed. Action: Information will be provided through Clearview or an email when the report is received through either of these mechanisms.	Responsible: Whistle-blower Manager Timing: Immediately

Observation 6

Testing indicates that the Whistle-blower program has drafted an investigations procedures manual however, at the time of our assessment, the procedures have not yet been finalized.

Risk / Impact

The lack of defined procedures increases the risk of inconsistent and / or insufficient investigations being performed. This increases the risk that reported issues are not appropriately addressed.

Recommendation

Review and finalize the draft procedures then apply the prescribed investigation process to all future investigations to ensure all relevant steps are completed which will increase the consistency of future investigations.

Consider including a description of these steps on the Whistle-blower website as part of the training / awareness for all interested parties to review.

Management Response

Action Plan	Responsibility
Agreed. Action: Finalize the procedures manual. Communicate procedures to Administrative Leadership Team and update internal/external website as appropriate.	Responsible: Whistle-blower Manager Timing: December 31, 2015

Observation 7

The Whistle-blower program receives report items that are not in-scope but should be addressed by somebody in the City; however, there is no process to support the consistent reassignment or reallocation of these items.

Risk/Impact

If legitimate but out of scope concerns are reported through the Whistle-blower program but not otherwise dealt with, the City's reputation may be adversely impacted because the City missed an opportunity to deal with potential controversies before they escalate.

Recommendation

Consider appointing an ombudsman to assist with filtering and addressing the public issues reported that do not fall within Whistle-blower program but should be reviewed and dealt with.

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Management Response

Action Plan	Responsibility
Disagree. While this may be an appropriate channel for other municipalities, within the City of Calgary the City Manager's Office has capacity to address these types of concerns. As such the Whistle-Blower Office will continue to bring these types of report to the attention of the City Manager's Office for review and resolution.	Responsible: City Auditor, City Manager. Timing: Immediately

5.2.4   Management Reporting and Oversight

Observation 8

The Whistle-blower policy tasks the City Auditor with the responsibility to identify "underlying causes of procedural failure or control weaknesses" and making recommendations "to correct the situation and prevent further occurrences." Testing indicates the City Auditor pursues this goal through investigations and recommendations to Administration. Currently, meetings with Administration related to these matters are convened on an ad-hoc basis. Regularly scheduled opportunities do not exist for the City Auditor to meet with the City Manager / Senior Management to discuss matters related to the Whistle-blower program including the results of investigations that may have a significant impact on the operations or reputation of the City.

Risk / Impact

The effectiveness of the response to issues that may have a significant impact on the operations or reputation of the City may be aided by open and regular communication between the City Auditor and the City Manager / Senior Management.

Recommendation

Develop and implement a defined mechanism for the City Auditor to engage with the City Manager and other senior management regarding the Whistle-blower program (e.g., establish an "executive review team" that meets quarterly). The agenda for these meetings could include discussion of identified issues that significantly impact the organization, collaborative solution design for outstanding issues, outstanding investigations undertaken by administration, and ongoing reporting of metrics / trends.

Management Response

Action Plan	Responsibility
Partially Agree: Currently discussions on root cause and corrective action are discussed with the specific owner of the area impacted. Opportunity to discuss trends with Administrative Leadership Team (ALT) have been discussed, however, trending is not yet available. Once trending is available, these meetings will be scheduled with ALT on an as-needed basis, likely semi-annually. Action: Incorporate further categorization of WB reports and present trends to ALT on semi-annual basis.	Responsible: Whistle-blower Manager, and City Auditor. Timing: December 31, 2015

A   Appendix - City of Calgary Documentation

The following is a list of the documents provided to KPMG, which were reviewed as part of this assessment:

- City of Calgary External Website - Code of Conduct

- City of Calgary External Website - Whistle-blower

- City of Calgary Internal Website

    - Code of Conduct Guided e-Walk

    - Information for Supervisors

    - Respectful Workplace Info

    - Whistle-blower

- 2013 Year End Message - Brad Stevens

- Leader Forum Slides - Brad Stevens

- All Employee Message - City Manager - September 2012

- City of Calgary Respectful Workplace Course Outline - V3 June 24, 2014

- City of Calgary Orientation Session

    - Code of Conduct - Case Studies and Discussion Points

- Supervisors Checklist for New Employees

- City of Calgary - Health and Wellness Guide

- Labor Relations Module 1 - Leading In A Unionized Environment

- Labor Relations Module 2 – Accommodation, Substance Use and Absences

- Respect in the Workplace - Course Outline

- Reporting Security Incidents Presentation - Corporate Security 2014

- HR-LR-005 - Code of Conduct

- IM-IT-002 - Acceptable Use of City Technology Resources

- HR-LR-004 - Conflict of Interest

- UEP001 - Environmental Policy

- MP-001 - Public Statements and Media Relations

- HR-LR-001 - Respectful Workplace

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- Respectful Workplace Policy - Formal Complaint Procedures

- Respectful Workplace Policy - Complaint Procedures - Quick Guide for HR Advisors

- HR-TR-005 - Substance Use

- HS-ESM-001 - Occupational Health and Safety

- Government of Alberta - Freedom of Information and Protection of Privacy Act

- CC026 – Whistle-blower Policy (Revised June 2013)

- CC042 – Ethical Conduct Policy for Members of Council

- GN-040 - Workplace Violence Policy

- Whistle-blower Manual - City Auditor's Office (April 2, 2014)

- Whistle-blower Procedures - City Auditor's Office (September 24, 2014)

- City of Calgary - Social Media Guidelines

- Investigation Matrix – Security Division and Human Resources (April 23, 2012)

- Code of Conduct - Annual Report for 2013

- Code of Conduct - Annual Report for 2012

- Code of Conduct - Annual Report for 2011

- Whistle-blower - Annual Report for 2013

- Whistle-blower - Annual Report for 2012

- Whistle-blower - Annual Report for 2011

- City of Calgary - Bylaw 48M2012

- City of Calgary - Organization Chart

- City of Calgary - Annual Report - 2013

- City of Calgary - Annual Report - 2012

- Audit Committee - Orientation Agenda - January 20, 2014

- City of Calgary - Council Priorities

- City of Calgary - Action Plan Summary

- City of Calgary - Four Year Plan

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B   Appendix - Interviewees

The following interviews were conducted in our assessment.

Functions	Interviewee	Title
Law	Glenda Cole	General Counsel
Human Resources	Mark Lavallee	Director, Human Resources
City Manager's Office	Jeff Fielding	City Manager
Council	Richard Pootmans	Audit Committee, Chair and Counsellor
Mayor's Office	Chima Nkemdirim	Chief of Staff
City Auditor's Office	Jackie Di Salvo	Whistle-blower Program Manager
Law	Owen Key	Manager, Corporate Security
City Auditor's Office	Katharine Palmer	City Auditor
Transportation	Mac Logan	GM, Transportation
Corporate Services	Brad Stevens	GM, Corporate Services
Utilities and Environmental Protection	Rob Pritchard	GM, Utilities and Environmental Protection
Information Technology	Doug Hodgson	Director, Information Technology
Audit Committee	Bruce Day	Audit Committee, Citizen Member
City Manager's Office	Donny Hyrnyk	Director, City Manager's Office