

City Auditor's Office

Led by: City Auditor's Office

Description:

The City Auditor's Office provides independent and objective assurance, advisory and investigative services to improve governance, risk management and control processes at The City of Calgary to enhance public trust. Council, through the establishment of the Audit Committee, mandated the roles and responsibilities of the City Auditor and the City Auditor's Office through Bylaw 48M2012-Schedule C, Bylaw 30M2004, the City Auditor's Office Charter AC2016-0247, and Whistle-blower Policy CC026. These Bylaws and Charter include requirements supporting professionalism, full administrative authority, unrestricted access to municipal records, appropriate level of audit coverage and annual plan approval.

Customers:

Direct: The Corporation (Council, through Audit Committee, and business units).
Indirect: Calgarians.

What is delivered to customers:

The City Auditor provides assurance to Council and Calgarians on Administration's effective risk mitigation by publicly reporting results of assurance, advisory and investigative activities, including recommendations. The City Auditor plans activities to support an appropriate level of assurance coverage over City Administration's operations.

Partners:

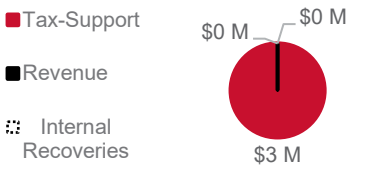

N/A

Service need (value proposition):

Council Bylaw 30M2004 established a City Auditor, independent of City Administration. The City Auditor's mandate is to assist Council in its oversight of Administration, stewardship over public funds and achievement of value for money. The City Auditor's Office fulfills this responsibility by conducting independent and objective reviews of City operations and making recommendations to assist Administration to effectively manage resources, systems and processes, and mitigate risk.

Under Council's Whistle-blower Policy CC026, The City Auditor is responsible for the execution of an effective Whistle-blower Program to support accountability and transparency to Calgarians. The Whistle-blower Program provides an independent, objective and confidential channel to report suspected acts of waste and/or wrongdoing, resulting in recommendations to Administration where appropriate.

Current state service value

| | | |
|-------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>95% Client Satisfaction Survey</p> <p>95% Annual Audit Plan Completion</p> | <p>45% Timely Action Plan Implementation</p> <p>35% Investigations Open Past 180 Days</p> | <p>2018 Budgeted Gross Operating Expenditures Funding Breakdown (\$ Millions)*</p>  <p><0.07% Investment in City Auditor's Office Assurance (CAO Budget/City Budget)</p> <p><small>* Gross operating budget and the service cost ratio may include internal recoveries that are also included in other services gross operating budget.</small></p> |
| <p>Connections to Citizen Priorities</p>  | | <p>What the service includes</p> <p>This service has no sub-services.</p> <p>Key Capital Investments</p> <p>Capital investment in the office space is required to address resource growth, alignment to corporate standards, end of life technology and asset lifecycle maintenance, and support resiliency, and efficient and effective service delivery.</p> |



What we've heard and service outlook

What we heard: Research & Engagement Results

The City Auditor's Office obtains internal stakeholder feedback at the conclusion of each audit performed. Survey questions focus on professionalism, effective delivery of the audit, and whether value-add was provided. Positive feedback has acknowledged the value of our collaborative approach and expertise. In addition, an independent quality assessment was performed by the Institute of Internal Auditors in early 2017, which included obtaining stakeholders' feedback from selected Administration and Audit Committee members. The survey reflected stakeholders' confidence in our role as a trusted advisor and the perception that we add value.

What Council has directed

Council, through Audit Committee, directs delivery of City Auditor's Office essential service defined as reliable public reporting on audit results; responsiveness to emerging risks; risk-based audit and advisory support; professional, confidential and objective support to the Whistle-blower Program; and quarterly reporting of Administration's accountability to implement corrective actions. This essential service, which enhances the efficiency and effectiveness of the use of public resources and improves risk management and control systems, supports Council Directives under a Well-Run City through:

- Public reports – two-way information flow with citizens (W1).
- Ongoing timely follow-up on administration's action plans – continuous process improvement (W2).
- Our overall work – City culture that embraces innovation, an appropriate risk appetite and lessons learned (W4).

What are we watching?

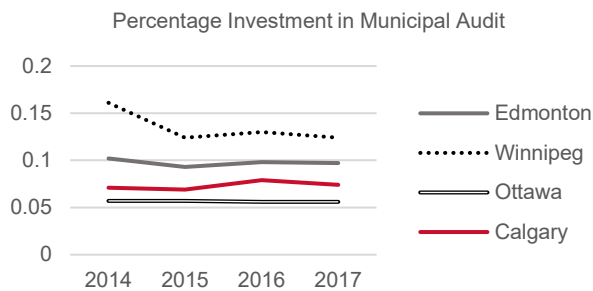
The 2018 North American Pulse of Internal Audit Report stated added value is provided when audit shops are agile in anticipating disruptive risks and opportunities, make full use of technology and innovation, and acquire and develop talent for tomorrow's risks. There are three significant risks that impact our ability to add value in the delivery of our mandate:

Service Risk – Our audit universe (all City services) is increasingly complex, which requires expert resources to efficiently and reliably assess risk mitigation and provide assurance.

Talent Risk – Attracting and retaining highly experienced and professional staff utilizing compensation that is less competitive in the current Calgary market is a concern.

Reputational Risk – Increased stakeholder demand for audit services and interest in the Whistle-blower Program heightens the requirement for oversight and diligence.

Benchmarking



Source: City Operating Budgets and City Auditor's Office Budgets (City websites)

Council established the audit function, which includes general requirements of the City Auditor's Office, including specific responsibilities for the Whistle-blower Program. An appropriate budget is required to ensure sufficient resources to provide a minimum level of essential service. Provincial Municipal Government Acts are silent on the investment in the municipal auditor function, except for Quebec, which through Bill 155, establishes a formula for cities of at least 100K citizens to be no less than \$500K plus a variable of .11% or .13% of operating budget where the budget is \$345M or greater.

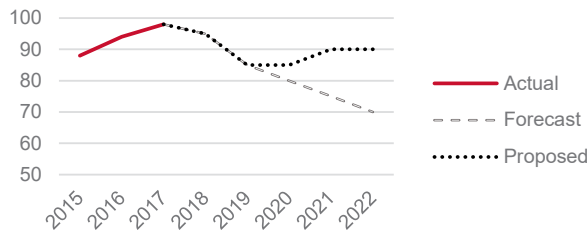
What matters to Calgarians

| VALUE DIMENSION | DESCRIPTION |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reduces risk | Audit, advisory and Whistle-blower recommendations cost effectively address risk and are implemented in a timely manner. |
| Reliability | Audit, advisory and investigative activities add value and are completed by skilled, experienced staff within expected timelines and level of quality. |
| Responsiveness | Ability to address emerging risks, Council and Administration requests, and timely action on Whistle-blower reports. |
| Resilient | The effectiveness of the City Auditor's Office to establish a structure and protocols, which reinforce adaptability and agility, to ensure the continued delivery of essential service. |

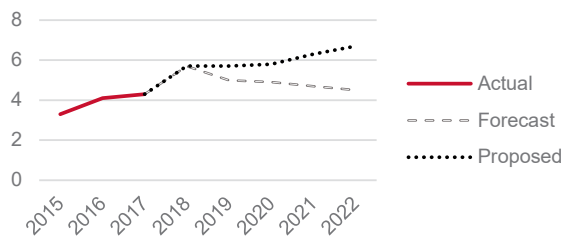


How is the Service performing? Where we are headed and where do we want to go?

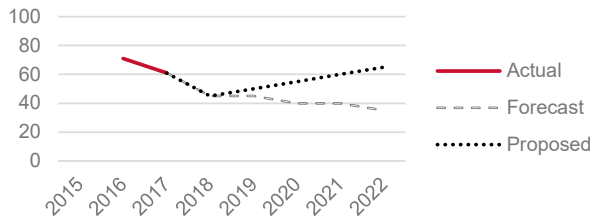
Client Satisfaction Survey (Percentage)



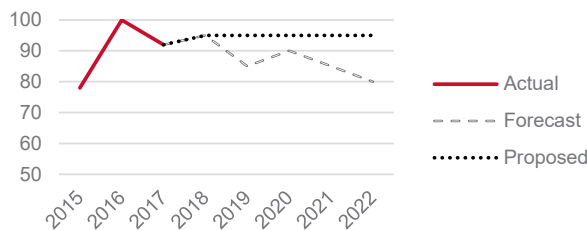
Average Years of Service (Average)



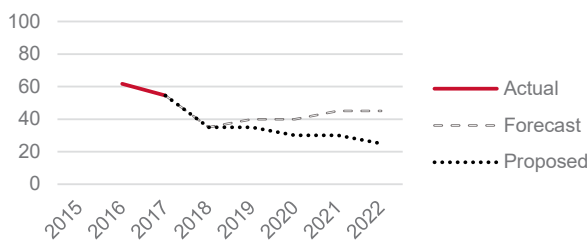
Recommendations Implemented by Action Plan Date (Percentage)



Annual Audit Plan Completed (Percentage)



Investigations Open Past 180 Days (Percentage)



Story behind the curve

Bylaw 30M2004 requires the City Auditor to submit a budget through Audit Committee for Council approval as required by Council budget guidelines. The City Auditor submitted a 2019-2022 budget proposal reflecting enhanced services on July 25, 2018. Audit Committee supported the proposal of an increase to base operating budget and one-time capital.

At current budget, The City Auditor's Office will be challenged in meeting or exceeding performance measures over time and the minimum level of essential service. A budget to enhance services will enable the office to maintain current results, improve the responsiveness and reliability of our assurance, advisory and investigative services, and support The City Auditor's Office resiliency to respond to changing strategies, increased complexity and emerging risks.

Client Satisfaction Survey – The City Auditor's Office requests internal stakeholder feedback at the conclusion of each audit project through a survey of 10 questions focused on how well the audit was carried out, the value added, and City Auditor's Office process improvements. In future years we plan to adjust the survey to capture feedback on advisory services and value provided.

Average Years of Service – The average years of service is specific to years of service in The City Auditor's Office. A measure of 5 years or higher reflects the need for staff to have in-depth knowledge of The City to consistently deliver according to internal standards and provide value-added advice.

Recommendations Implemented by Action Plan Date – The City Auditor's Office tracks whether Administration's action plans to address recommendations are implemented on a timely basis. This is a measure of the value provided by The City Auditor's Office to hold Administration accountable to mitigate risk and support a Well-Run City through continuous improvement.

Annual Audit Plan Completed – The City Auditor's Office provides a two-year Annual Audit Plan to Audit Committee for approval. The two-year plan supports coverage of high risk activities across Administration's Business Units over an appropriate coverage period. Completion below 95 per cent could jeopardize the assurance provided to Audit Committee.

Whistle-blower Investigations Open Past 180 Days – This is a measure of the responsiveness of the Whistle-blower Program, which is dependent on sufficient investigation resources. Achievement of 35 per cent or less recognizes each investigation has its own complexity.



What do we propose to do?

What we propose to continue doing

| STRATEGY |
|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Utilize a risk-based approach to develop an annual two-year audit plan, which maximizes use of available resources. |
| Execute the two-year plan ensuring conformance with professional and internal standards, utilizing a collaborative approach. |
| Support an independent and confidential Whistle-blower Program through timely response to reported concerns. |
| Report quarterly on results of ongoing timely follow-up on Administration action plans in response to audit recommendations. |
| Provide advisory support to emerging risks where possible, based on available resources. |
| Focus on continuous improvement of services through utilization of best practices, software tools and technology to support a lean operation. |
| |

Why?

The City Auditor's Office is committed to provide an appropriate level of essential service reflective of our values of risk reduction, reliability, responsiveness and resilience.

What we propose to do less of

| STRATEGY |
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Why?

Since Council mandated the requirements of the City Auditor's Office through Bylaw, Charter and Policy, there is an expectation to maintain a level of essential service within resources provided. As a result, we do not propose to do less.

What we propose to do more of or include as a new offering

| STRATEGY |
|-----------------------------------------------------------------------------------------------------------------------------------------------|
| Increase the minimum level of essential service by improving the City Auditor's Office assurance coverage, responsiveness and resilience. |
| Improve audit efficiency through increased resource investment in data analytics, continuous monitoring and desktop auditing. |
| Increase risk-based audit, advisory and investigative responsiveness through reallocation of non-audit functions to a new dedicated resource. |
| |
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Why?

Council's expectation of minimum level of service provided by the City Auditor's Office is directly aligned with the expanding level of City Services. The City Auditor's Office must be resilient to meet Council's increased requirements. An operating base investment of \$350K and one-time capital investment of \$630K will increase resiliency, ensure delivery of approved mandate, and support good governance and the trust implicit within the Citizen Priority of a Well-Run City.



What Operating Budget do we need to achieve these results and strategies?

For Council Approval

| SERVICE PERFORMANCE RESULTS FOR 2019-2022 | CURRENT | TREND |
|--------------------------------------------------------------|---------|-------|
| Client Satisfaction Survey (Percentage) | 95 | ↔ |
| Average Years of Service (Average) | 5.7 | ↑ |
| Recommendations Implemented by Action Plan Date (Percentage) | 45 | ↑ |
| Annual Audit Plan Completed (Percentage) | 95 | ↔ |
| Investigations Open Past 180 Days (Percentage) | 35 | ↓ |

Breakdown of net operating budget (\$000s)

| | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------------------|-------|-------|-------|-------|
| Previous Year's Budget | 2,914 | 3,065 | 3,266 | 3,267 |
| Less Previous Year one Time | - | - | - | - |
| Base | 2,914 | 3,065 | 3,266 | 3,267 |
| Revenue Changes | - | - | - | - |
| Internal Recovery Changes | - | - | - | - |
| Inflation | 1 | 1 | 1 | 1 |
| Operating Impact of Previously Approved Capital | - | - | - | - |
| Operating Impact of New Capital (Incremental) | - | - | - | - |
| Efficiencies | - | - | - | - |
| Service Reductions | - | - | - | - |
| Service Increases | 150 | 200 | - | - |
| One Time | - | - | - | - |
| Realignments | - | - | - | - |
| Total | 3,065 | 3,266 | 3,267 | 3,268 |

Total Operating Budget (\$000s) for Approval

| | 2018 Budget | 2019 | | | 2020 | | | 2021 | | | 2022 | | |
|-------------|-------------|-------|----------|-------|-------|----------|-------|-------|----------|-------|-------|----------|-------|
| | At Mar 31 | Base | One-Time | Total | Base | One-Time | Total | Base | One-Time | Total | Base | One-Time | Total |
| Expenditure | 2,914 | 3,065 | - | 3,065 | 3,266 | - | 3,266 | 3,267 | - | 3,267 | 3,268 | - | 3,268 |
| Recoveries | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Revenue | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Net | 2,914 | 3,065 | - | 3,065 | 3,266 | - | 3,266 | 3,267 | - | 3,267 | 3,268 | - | 3,268 |



Recommended Capital Investment to Support Service Delivery

For Council Approval

Capital Budget for Council Approval

| ACTIVITY | DESCRIPTION | 2019 REQUEST (\$000s) | 2020 REQUEST (\$000s) | 2021 REQUEST (\$000s) | 2022 REQUEST (\$000s) | 2023+ REQUEST (\$000s) | Total REQUEST (\$000s) |
|----------------------------------------|-----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Annual Investment Program(s) | | - | - | - | - | - | - |
| | | | | | | | |
| | | | | | | | |
| Project(s) | | 140 | - | - | - | - | 140 |
| 481150 | Upgrade Meeting Rooms | 140 | - | - | - | - | 140 |
| | | | | | | | |
| Program(s) | | - | - | - | - | - | - |
| | | | | | | | |
| | | | | | | | |
| Sub-Total (New Budget Requests) | | 140 | - | - | - | - | 140 |
| Previously Approved Budget Remaining | | - | - | - | - | - | - |
| Total Capital Investment | | 140 | - | - | - | - | 140 |

Explanation of Capital Budget Requests

Project(s)

Activity 481150: Upgrade Meeting Rooms

New Budget Request of \$140 thousand to upgrade the existing City Auditor's Office meeting rooms to address end of life technology and create appropriate team meeting space aligned with City standards to deliver essential service.

Funding from Lifecycle Maintenance & Upgrade Reserve

Operating Impact of Capital: None