CITY OF HAMILTON

CITY MANAGER'S OFFICE

TO: Chair and Members Audit, Finance and Administration Committee	**WARD(S) AFFECTED:** CITY WIDE
COMMITTEE DATE: December 9, 2013	
SUBJECT/REPORT NO: Corporate Culture, Values & Ethics for City Employees (CM13019) (City Wide)	
SUBMITTED BY: Chris Murray City Manager **SIGNATURE:**	**PREPARED BY:** Beth Goodger, Director of Corporate Initiatives 905-546-2424 ext. 5639

RECOMMENDATION

a)   That Internal Audit Report 2013-02 Corporate Ethics Review and recommendations attached as Appendix "A" to Report CM13019 be received;

b)   That the City Manager and Senior Management Team be directed to implement the Ethics Audit Management Action Plan attached as Appendix "B" to Report CM13019.

EXECUTIVE SUMMARY

Leadership & Governance is one of the City's Strategic Plan Priorities. Building organizational capacity to ensure the City has a skilled workforce and increasing employee engagement have both been identified as objectives in the Strategic Plan. Having an engaged workforce is critical to providing sensational services and building trust and confidence in government.

Council received a presentation in May on the Corporate Culture work that has been initiated and which serves as the foundation for moving the organization forward over the next five years. An important pillar to building trust in government is that of steadfast integrity, which is grounded in employee ethics.

In January Council also approved the Internal Auditor's work plan, which included the completion of an Ethics Review.   The Review is based on the Institute of Internal Auditors (IIA) Standard 1220.A1, which assesses the current state of an organization based on an ethics framework. This report provides the Auditor's recommendations in Appendix "A" to Report CM13019.

Overall, the Ethics Review is a snapshot of the organization's current state relative to various aspects of an ethics framework at the City of Hamilton. The Ethics Review showed many areas that demonstrated strong adherence to ethics and corporate values, however some areas require additional focus. A Management Action Plan in response to the recommendations attached as Appendix 'B" to report CM13019 addresses those areas identified in the Ethics Review. The Management Action Plan is based on continuing to move forward on the Corporate Culture work and reinforcing existing ethics policies and programs.

The focus on Corporate Culture and values is directly linked to employee performance. Attention in this area is important as it can improve such areas as morale, attendance, grievance levels, and the number of harassment and human rights complaints. The Corporate Culture work provides a framework to integrate supportive actions that can also have a positive influence on employee engagement, which is linked to performance.

Senior Management Team has set a timeframe of five (5) years for achieving the desired state for Corporate Culture. This timeframe is necessary because of the size of the City workforce, range of services we provide and number of work environments and locations. A key focus in the next year is supporting the organization's leadership to ensure they have the awareness, desire, knowledge and ability to lead the necessary changes.

The Corporate Culture and Ethics work is providing employees an opportunity to express their opinions on various aspects of their work and work environment, including values and ethics. Strong values and ethics are the foundation of a respectful, inclusive and healthy workplace.

Setting goals and establishing ways to track progress will be essential in monitoring progress. These measures will evolve as specific actions are developed. Work on Employee Engagement related actions, including Corporate Culture has been identified in the 2014 departmental business plans.

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Alternatives for Consideration – See Page 5

FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)

There are no financial, staffing or legal implications associated with the recommendations as the work is proposed to be integrated within existing activities.

HISTORICAL BACKGROUND (Chronology of events)

Organizational culture has a strong influence on employees' behaviour and attitudes. Senior Management Team (SMT) has defined corporate culture as:

"Underlying beliefs, values and assumptions held by members of an organization, and the practices and behaviours that exemplify and reinforce them."

In assessing how to best move forward in achieving the Strategic Action to improve employee engagement, Senior Management Team determined that articulating a desired culture for high performance was a critical starting point for any work that would be undertaken. Discussions began in mid-2012 and workshops to define the culture were initiated in November 2012. The Corporate Culture initiative was officially introduced to the organization's Extended Management Team (EMT) in May 2013 as a start of a five year journey to achieve the desired corporate culture. EMT includes all management staff from Managers through to front line supervisors as well as union leadership.

Five corporate culture pillars have been set as the desired culture for high performance for the City of Hamilton to be achieved by 2017.   They were developed through a series of discussions with employees where it was imagined taking a leave from your job at the City and returning in five years. What would you see that would be different than today? What would you see that has continued to improve and what would you see hasn't changed? Discussions created a strong desire to create Corporate Pillars with a common basis for the journey over the next five years and will influence our actions and work.

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Collective Ownership   *Steadfast Integrity*

Courageous Change   *Sensational Service*

Engaged Empowered Employees

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Example behaviours have been described for each of the culture pillars so employees have a starting point for what success sounds like, looks like and feels like.

Looks Like: When you see actions being taken, what will you be seeing?

Sounds like: When you hear conversations at the City, what will you be hearing?

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Feels Like: What will you be personally experiencing?

The examples are based on feedback received from EMT and have been translated into a poster that is being displayed in workplaces around the City. This poster is attached as Appendix "C" to report CM13019.   Development of individual, sectional, divisional and corporate actions are now underway.

In parallel to the work on the Corporate Culture initiative, Internal Audit began the development of a Corporate Ethics Review in February 2013. The review was set out in the 2013 Risk Based Internal Audit Work Plan for Internal Audit and is based on the Institute of Internal Auditors (IIA) Standard 2110.A1. This standard provides an ethics framework based on six attributes to assess the current and desired state of an organization. The attributes are as follows:

1. How effectively does the Code of conduct outline management's expectations regarding ethical behaviour?
2. How does the organization perceive management's commitment to compliance?
3. How aware are employees of the compliance program and its requirements?
4. Structure and Accountability - How effective is the structure for managing the program and enforcing accountability?
5. Process Automation and Integration - How effectively are compliance controls and processes standardized, integrated, and automated?
6. Goals and Metrics - How is success of the compliance program measured?

POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS

The City's Corporate Culture work will need to be reflected in City policies and procedures as they are reviewed over the next five years.

The Corporate Ethics Review evaluated various ethics-related activities and corresponding documentation including the Code of Conduct, Gifts & Hospitality Policy, and Whistleblower By-law. These policies are being reviewed in 2014 and this review will take into consideration the Internal Audit recommendations as outlined in the Management Action Plan.

RELEVANT CONSULTATION

The City Manager and Senior Management Team were consulted through the course of the Corporate Ethics Review completed by Internal Audit. This included a workshop on ethics program attributes.

City staff were given the opportunity to provide input through an employee ethics survey.

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ANALYSIS / RATIONALE FOR RECOMMENDATION
(include Performance Measurement/Benchmarking Data, if applicable)

The Internal Audit Report 2013-02 Corporate Ethics Review is attached as Appendix "A" to Report CM13019. This work has helped to articulate goals and actions that will fit within the Corporate Culture framework and the pillar of Steadfast Integrity – Building trust and demonstrating integrity in our work.

The Management Action Plan prepared by the City Manager and Senior Management Team is attached as Appendix 'B" to Report CM13019. The Action Plan has been developed based on four components, which address the 18 recommendations from Internal Audit:

- **Integration** - Integrating ethics in existing Corporate Culture work and people management practices, rather than creating a separate Employee Ethics program (Addresses Recommendations 1a, 1c, 2d, 3c, 5b, 5c)
- **Policy Review** - Review ethics related policies and update in 2014, including the policy for Council (Addresses Recommendations 1a, 1b, 1c, 2a, 2d, 3a, 3c, 5a, 5b, 5c)
- **Risk Assessment** - Establish processes for assessment of risks and then establish related metrics (Addresses Recommendations 2b, 2c, 2d, 3c)
- **Awareness, Training and Communications** - Establishing training tools, on-going training program and a communication strategy. A key action will be to ensure all employees receive training/information on the Code of Conduct Policy and sign off on it in 2014.

The Action Plan focuses on activities for 2014 with a target of full implementation in five years. Progress will be assessed on an annual basis.

ALTERNATIVES FOR CONSIDERATION
(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

A stand-alone Employee Ethics Program could be implemented as recommended by Internal Audit. This is not recommended in light of the efforts underway with the City's Corporate Culture Program which has "Steadfast Integrity" as a foundational pillar. Integration is being recommended as a stand-alone program would require either additional resources (staffing and/or financial) or delay of the efforts that are underway.

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ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:

This report and its recommendations align with all of the City's Strategic Priorities and directly contribute to achieving the objectives and actions under Priority #3, Leadership and Governance.

Strategic Priority #1
A Prosperous & Healthy Community

WE enhance our image, economy and well-being by demonstrating that Hamilton is a great place to live, work, play and learn.

An engaged workforce is essential to achieving the City's priority of a prosperous and healthy community.

Strategic Priority #2
Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

An engaged workforce is essential to delivering high quality services and ensuring customer satisfaction.

Strategic Priority #3
Leadership & Governance

WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.

The report and recommendations support Strategic Objectives 3.2 and 3.3:

3.2   Build organizational capacity to ensure the City has a skilled workforce that is capable and enabled to deliver its business objectives.

3.3   Improve employee engagement.

APPENDICES / SCHEDULES

Appendix "A" to Report CM13019 – Internal Audit Report 2013-02 – Corporate Ethics Review

Appendix "B" to Report CM13019 – Internal Audit Report 2013-02 – Corporate Ethics Review Management Action Plan

Appendix "C" to Report CM13019 – City of Hamilton Corporate Culture Pillars

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INTERNAL AUDIT REPORT 2013-02
CORPORATE ETHICS REVIEW

INTRODUCTION

Corporate or organizational ethics are sets of policies, practices and standards of conduct that employees use to guide their behaviour at work. These standards are partly based on core values such as honesty, respect and accountability but they also can be learned directly from the actions of others in the workplace. Ethics have a pervasive influence on the way business activities are structured and carried out.

Ethics are at the heart of the control environment. The Institute of Internal Auditor's (IIA) Standard 2110.A1 states "the internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs and activities." In order to comply with this standard, as part of the approved 2013 risk based Internal Audit Work Plan, Audit Services performed a review of corporate ethics and its accountability structure at the City of Hamilton.

LINKING ETHICS TO CORPORATE INITIATIVES

Ethics-related processes are directly related to the following service that was identified in the recent **Service Delivery Review** Report[1]:

- o Organizational Oversight (responsible Department is the City Manager's Office)
    - Provide overall leadership and direction to the Corporation (as per COH By-law 08-307).
    - This service is essential for the successful operation of the City.

Ethics-related processes are also a key part of the **Corporate Culture** initiative that is currently being rolled out across the City. An Employee Ethics Program directly links with one of the five culture pillars, namely "Steadfast Integrity". Ethics-related processes would fit appropriately into the future direction and corporate priorities of the City of Hamilton.

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[1] City of Hamilton. "*Service Profiles Summary*", (2012)p.178, http://www.hamilton.ca/ProjectsInitiatives/Service-Delivery.

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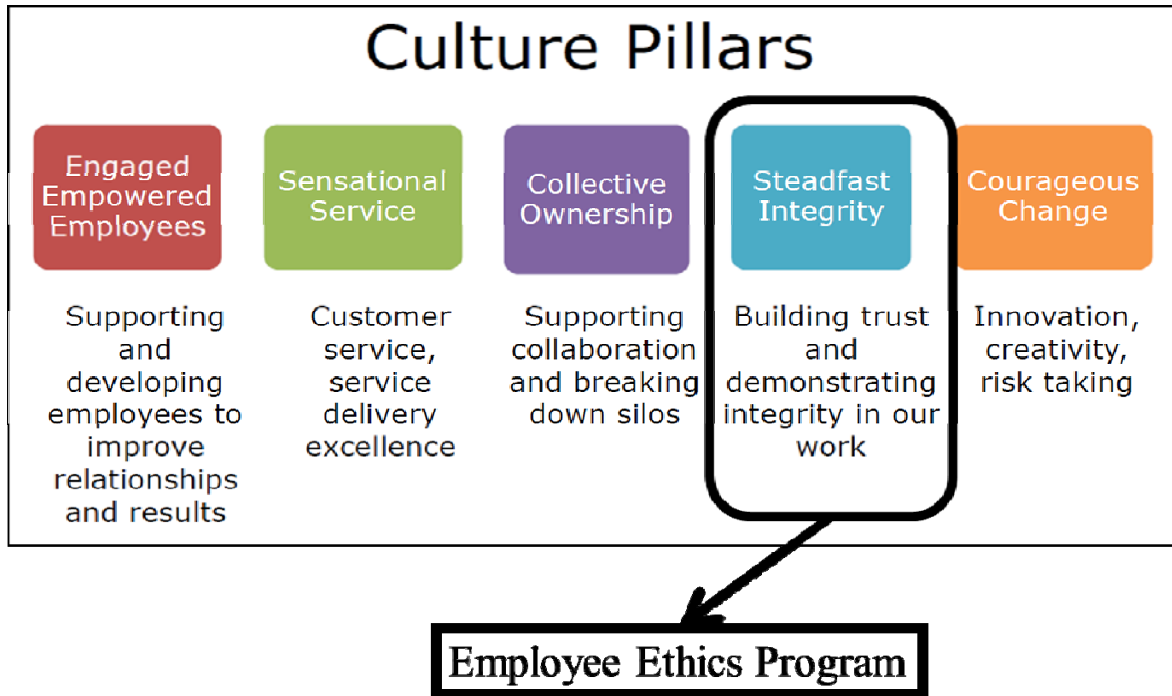
BENEFITS OF AN ETHICS PROGRAM

In addition to advancing corporate initiatives, an ethics program has many other important benefits which include:

- Empowering the organization to focus on prevention rather than detection. Preventative controls can be more effective than simply detecting and handling incidents after they occur.

- Assisting with loss reduction and protection of City assets. This is accomplished through the reporting and investigation of potential misconduct, fraud and other internal control issues.

- Supporting employee retention and engagement. A majority of employees that experience retaliation for reporting misconduct plan to leave their employer.
  Source: 2011 National Business Ethics Survey

- Enabling some recovery of misappropriated assets to occur. This can happen through fraud investigations, as required.

- Promoting a strong public image. The organization can demonstrate that the City is taking a proactive and responsible approach to workplace ethics.

All in all, formal attention to workplace ethics is the right thing to do.

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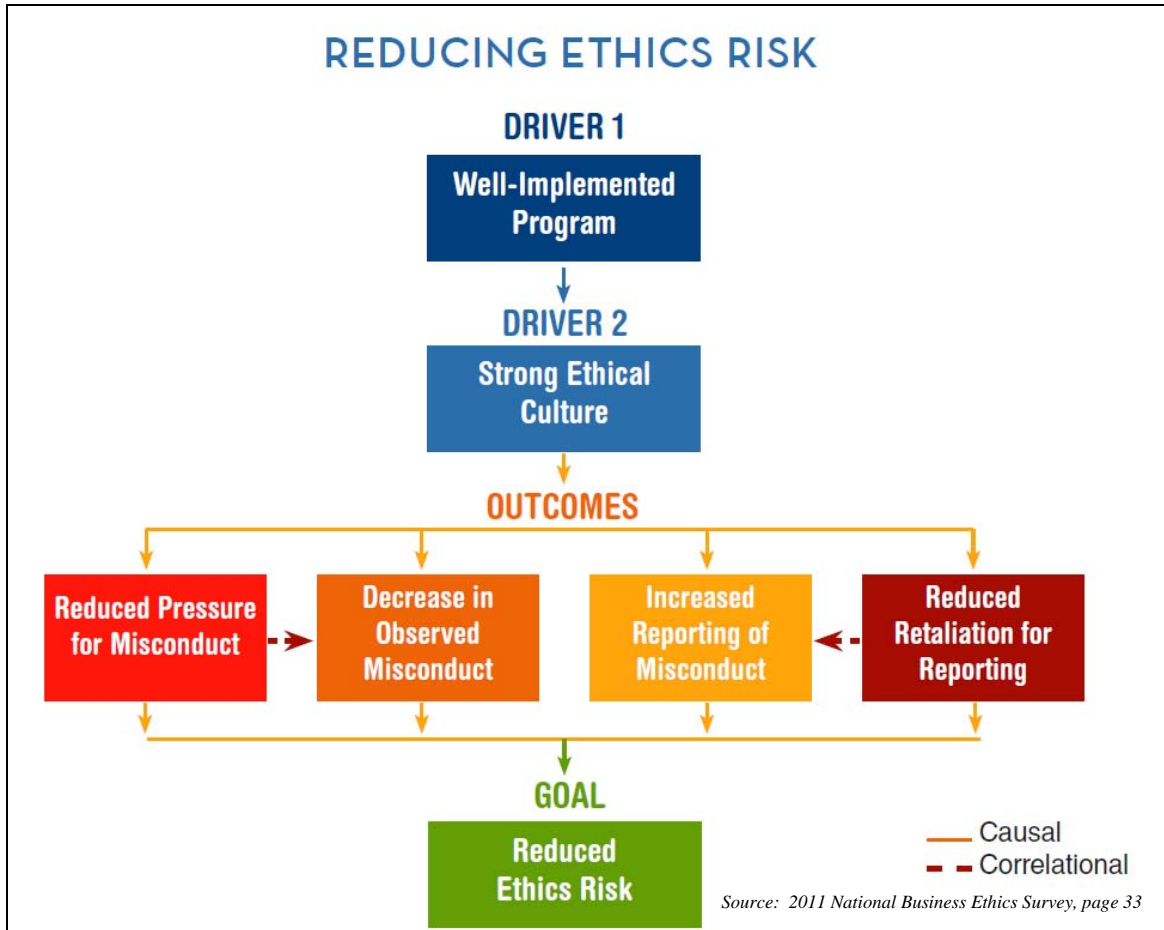
METHODOLOGY

The following work was completed by the Audit Services Division.

A. Utilized the **IIA's Ethics Framework[2] to evaluate the City's ethics-related processes**. The Framework identifies six attributes for evaluating the current state of ethics programs and activities: Code of Ethics/Conduct, Culture and Consistency, Awareness, Structure and Accountability, Process Automation and Integration and Goals and Metrics.

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[2] Steven Linden, Angelina Chin, James Roth, David Zechnich, and Susan L. Rudolph, "*IPPF Practice Guide - Evaluating Ethics-Related Programs and Activities* ". The Institute of Internal Auditors. (2012)p.13-18.

B. Led an introductory **ethics session and a workshop session with the Senior Management Team (SMT)** to introduce the ethics attributes and to obtain feedback regarding SMT's desired target states for the six attributes over the next 3-5 years.

C. Developed and conducted **a voluntary corporate-wide employee ethics survey.** The survey consisted of a consent question, 23 ethics-related questions, seven demographic questions and an opportunity for additional comments by employees.

D. **Reviewed various ethics–related programs and activities** at the City (e.g. Code of Conduct for Employees, Whistleblower By-law, Gifts and Hospitality Policy, other investigations/activities carried out in Human Resources) to gain an understanding of these programs and the extent that they influence and guide employee behaviour.

E. **Made recommendations** to address the existing shortcomings in order for the City to move to the desired target states. Recommendations have been grouped by theme to assist management in the development of their Management Action Plan.

F. **Communicated** findings to the City Manager and SMT. A Management Action Plan was requested from the City Manager.

DISCLOSURE OF CONFLICT OF INTEREST

Some of the report recommendations below relate to the Whistleblower By-law. The Director of Audit Services is responsible for the handling and disposition of Whistleblower reports in the organization. While there may appear to be a conflict of interest, recommendations relevant to the Whistleblower By-law are nonetheless included in this report due to the fact that such a by-law is a key component of the organization's ethics-related activities.

EMPLOYEE ETHICS SURVEY RESULTS

The survey was sent to all City of Hamilton employees (excluding Police, Library and CityHousing Hamilton). The survey was conducted during March and April 2013 with 2,850 individuals responding to the survey. All types of employees were included in the survey (i.e. full-time, part-time, casual on-call, contract). The objective of the survey was to recognize where the City exhibited strong corporate ethics yet, at the same time, leverage opportunities for improvement that will help the City move forward.

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CORPORATE ETHICS REVIEW**

The survey was a success with a 45% employee response rate that is considered statistically valid within +/- 2 percentage points, 99 times out of 100. The survey responses reasonably represented the composition of employee, union, position and departmental demographics at the City of Hamilton.

Selected results and findings from the employee survey have been included throughout the report that follows under the appropriate headings.

Of the various statements in the survey, four received a favourable overall "strongly agree" or "agree" rating of over 80%.

- I know the City has a Code of Conduct.

- I understand what is expected of me under the Code of Conduct.

- I understand what is expected of others under the Code of Conduct.

- I believe the conduct of my staff is consistent with the City's Code of Conduct.

These are important foundational principles for future ethics work.

The following four statements received ratings of only 33-49% agreement.

- I know that concerns reported under the Code of Conduct are handled appropriately.

- I can report misconduct without fear of retaliation.

- I am required to review the Code of Conduct at least annually.

- I know that training is provided for the Code of Conduct.

This result was consistent across all job levels, although more prominent among non-management staff.

Overall impressions resulting from the survey also include:

- Perceptions surrounding behaviors and consistency with the Code of Conduct differ in some areas between frontline employees and senior management.

- Focus is required in order to improve how frontline workers feel in terms of speaking with their managers/supervisors and reporting ethical issues.

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INTERNAL AUDIT REPORT 2013-02
CORPORATE ETHICS REVIEW

1. GENERAL

OBSERVATIONS

A robust employee ethics program is important for an organization in order to appropriately identify and mitigate ethics-related risks and to provide guidance to employees about behavioural expectations in the organization. The City of Hamilton does not have a comprehensive organization-wide employee ethics program (including training and communication to employees).

There is a limited number of corporate processes that are directly related to ethics compliance processes and they lack rigour and structure. Regular monitoring of the existing corporate processes does not occur.

Although metrics for some related areas are tracked (primarily in Human Resources), there are no formal organizational goals or metrics that are directly related to ethics compliance.

RECOMMENDATIONS

a) *That a comprehensive organization-wide Employee Ethics Program be developed and implemented for all employees. It should be revised, as required, to keep the program current and relevant.*

In order to support the effective maintenance of such a program, it is recommended:

b) *That management develop, document and implement an ethics-related management oversight program as part of a comprehensive organization-wide Employee Ethics Program and that regular monitoring of the program (using a consistent test plan) be performed to verify the operating effectiveness of this management oversight.*

c) *That management develop, communicate and report ethics-related goals and appropriate metrics as part of a comprehensive organization-wide Employee Ethics Program.*

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INTERNAL AUDIT REPORT 2013-02
CORPORATE ETHICS REVIEW

2. RESPONSIBILITIES & RISK

OBSERVATIONS

There is no formal ethics-related monitoring and oversight at the City of Hamilton. Management has oversight and monitoring responsibilities with respect to employees but ethics is not part of the current employee performance management process.

Ethics compliance risks are not known or understood. Risks were assessed specific to the revisions of the Code of Conduct for Employees in 2009 but an organization-wide ethics risk assessment has never been carried out.

Related findings from the Employee Ethics Survey:
(Note: all percentages refer to the percentage of survey respondents)

- 70% of respondents believe that the conduct of senior management is consistent with the City's Code of Conduct.
    - o There is an opportunity for senior management to improve their positive influence on employees (i.e. tone at the top).

- 80% of all responding employees believe that the conduct of their co-workers is consistent with the Code of Conduct.

- 25.7% of respondents indicated they have perceived pressures to compromise their ethics and values. The survey did not ask which ethics and values (personal or corporate) had to be compromised. More investigation is required to understand how employees' personal ethics and values align with corporate ethics and values.
    - o Training for management and employees about appropriate workplace behaviour needs to be improved to address the gaps within the City's corporate culture.

RECOMMENDATIONS

a) *That the ethics oversight, monitoring and investigative responsibilities of senior management be defined.*

b) *That the organization's ethics/compliance risks and related scenarios be assessed and documented.*

c) *That metrics be established for all key risk areas.*

d) *That job descriptions and interviews formally cover ethical conduct.*

CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-02
CORPORATE ETHICS REVIEW

3. CODE OF CONDUCT

OBSERVATIONS

The Code of Conduct was last reviewed and revised in 2009. There have been several corporate changes (e.g. structure, mission statement and corporate values/priorities) since that time which are not reflected in the latest version of the Code.

The revised Code of Conduct has not been communicated to all employees consistently. This impacts the level of employee understanding of the Code of Conduct for Employees and its requirements.

The Code of Conduct is not included in the "Employee Orientation & Information" section of the City of Hamilton's website.

Ethics are not integrated into the employee performance management process (including employee goals).

- Non-union employees: Some of the language included in the current Performance Appraisal document is ethics-related. However, the Code of Conduct for Employees is not specifically included as part of an employee's annual Performance Appraisal.

- Unionized employees: There is no mention of any ethics-related language pertaining to appropriate employee behaviour in the current Performance Appraisal document for unionized employees. The Code of Conduct for Employees is not included as part of an employee's annual Performance Appraisal.

RECOMMENDATIONS

a) That the Code of Conduct for Employees be reviewed annually and revised as required. Legal Services should be included in the review process.

b) That all employees be required to sign-off on the Code of Conduct for Employees and to complete annual questionnaires that evaluate understanding of the Code.

c) That compliance with the Code of Conduct for Employees be integrated into the performance appraisal document for all employees.

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CORPORATE ETHICS REVIEW

4. TRAINING

OBSERVATIONS

Although the "Gifts and Hospitality Policy" (as part of the Code of Conduct) details the City's expectations in regard to reporting gifts or hospitality on disclosure forms, not all employees are providing adequate details. The expected use or review of the form is not indicated nor requested. Existing documentation does not support management's expectation regarding receipt of gifts and hospitality.

Related findings from the Employee Ethics Survey:
(Note: all percentages refer to the percentage of survey respondents)

- 58.9% of employees were unsure of or disagreed with the statement "I know that concerns reported under the Code of Conduct are handled appropriately".
    - o Corporate culture needs to support the reporting and investigation of breaches of the Code of Conduct for Employees.

- 50% of respondents feel they can and are able to report misconduct without fear of retaliation.
    - o The Whistleblower program is meant to protect employees from retaliation and reprisal in the case of reporting unethical behaviour.
    - o Management training and communication of the Whistleblower program across the organization on a regular basis will assist in helping to increase this percentage.

- 35.1% of employees do not know where to locate the text of the Code of Conduct for Employees.

RECOMMENDATIONS

a) ***That mandatory training for employees be provided at least every three years for ethics-related processes.***

b) ***That training be provided to both management and employees regarding the expectations for reporting and monitoring under the Gifts and Hospitality Policy.***

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5. <u>REPORTING</u>

<u>OBSERVATIONS</u>

A Fraud and Waste Hotline provides an outlet where complaints or allegations about wrongdoing involving City resources can be made by both employees and the general public. Both anonymous and identifiable reporting can be accommodated in a Fraud and Waste Hotline. There is currently no Fraud and Waste Hotline at the City of Hamilton through which external stakeholders can report suspected ethics non-compliance events.

Investigations of Code of Conduct breaches are highly de-centralized throughout the organization which could lead to the varied and inconsistent application of corporate policies, procedures and documentation standards as well as disciplinary actions.

There is no formalized tracking system for the disposition of reports received under the Whistleblower program. Whistleblower program metrics are not tracked and reported. Quarterly reporting is not currently occurring as required per the By-law.

Related findings from the Employee Ethics Survey:
(Note: all percentages refer to the percentage of survey respondents)
- 39.2% of employees do not know or are unsure how to report a breach of the Code of Conduct.
    - o Training should address the process for reporting a Code of Conduct for Employees breach.

<u>RECOMMENDATIONS</u>

a) *That a standardized protocol for gathering information for reports of suspected ethics non-compliance events be developed and implemented across the organization.*

b) *That a mechanism for external stakeholders to report suspected ethics non-compliance events be investigated and implemented. This is more commonly known as a Fraud & Waste Hotline.*

c) *That a tracking system for the disposition of reports received under the Whistleblower program be implemented and the associated metrics be reported quarterly as required per the By-law.*

6. COMMUNICATIONS

OBSERVATIONS

Related findings from the Employee Ethics Survey:
(Note: all percentages refer to the percentage of survey respondents)

- A gap exists between the percentage of employees that are aware of the Code of Conduct for Employees (94.5%) and those that have actually read the Code (78.0%).

- 34.9% of employees indicated they cannot explain the Code of Conduct to others.

- 67.1% of respondents are not aware that training is provided for the Code of Conduct for Employees.

RECOMMENDATIONS

a) *That an internal communications program for ethics be developed and implemented. Employees should be periodically evaluated to verify that there is widespread employee awareness of the program and of key ethics staff.*

b) *That ethics-related information be prominently displayed in work areas and easily accessible to stakeholders on both the City's intranet and external website.*

c) *That supervisors and managers be required to include ethics and the Code of Conduct as a regular agenda item at staff meetings to encourage and empower employees to report non-compliance issues to management without fear of retaliation.*

CONCLUSION

A strong ethical culture within a corporation is important in safeguarding assets. It increases employee pride. Workplace ethics is integral in fostering increased productivity and teamwork among employees. It helps in aligning the values of the corporation with those of the employees. Ethical conduct in the workplace encourages a culture of decision making based on sound judgement. It also enhances accountability and transparency, earning respect and cultivating a strong image in the public domain.

CITY OF HAMILTON
INTERNAL AUDIT REPORT 2013-02 – CORPORATE ETHICS REVIEW
MANAGEMENT ACTION PLAN

Introduction:

The City Manager and Senior Management Team have developed this management action plan in response to the Internal Audit recommendations relating to the Corporate Ethics Review.

There are 18 recommendations in 6 categories:

1. *General – 3 recommendations*

2. *Responsibilities & Risk – 4 recommendations*

3. *Code of Conduct – 3 recommendations*

4. *Training – 2 recommendations*

5. *Reporting – 3 recommendations*

6. *Communications – 3 recommendations*

*Management Responses have been provided for each recommendation and is provided in **Section I**. An overall Management Action Plan has been developed to address the recommendations, rather than individual responses. This was done because many of the actions address multiple recommendations. The overall objective of the Plan is to achieve compliance and culture shift within the organization over a five year period.*

*The Management Action Plan is provided in **Section II** and can be summarized as follows:*

A. ***Integration*** *- Integrating ethics in existing corporate culture work and people management practices, rather than creating a separate Employee Ethics program (Addresses Recommendations 1a, 1c, 2d, 3c, 5b, 5c)*

B. ***Policy Review*** *- Review ethics related policies and update in 2014, including the policy for Council (Addresses Recommendations 1a, 1b, 1c, 2a, 2d, 3a, 3c, 5a, 5b, 5c)*

C. ***Risk Assessment*** *- Establish processes for assessment of risks and then establish related metrics (Addresses Recommendations 2b, 2c, 2d, 3c)*

D. ***Awareness, Training and Communications - E****stablishing training tools, ongoing training program and communication strategy. A key action will be to ensure all employees receive training/information on the Code of Conduct Policy and sign off on it in 2014. (Addresses recommendations 3a, 3b, 4a,4b, 6a, 6b, 6c)*

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INTERNAL AUDIT REPORT 2013-02 – CORPORATE ETHICS REVIEW
MANAGEMENT ACTION PLAN

SECTION I - MANAGEMENT RESPONSE TO CORPORATE ETHICS REVIEW RECOMMENDATIONS

1. GENERAL

> **1. a)** **That a comprehensive organization-wide Employee Ethics Program be developed and implemented for all employees. It should be revised, as required, to keep the program current and relevant.**

Management Response:

Do not agree that a stand-alone "Employee Ethics Program" is required, but agree that additional efforts are required.

It is proposed that the Ethics Audit Recommendations be addressed by integrating them into existing management systems, grounded by the Code of Conduct Policy.

General framing of ethics will be done with respect to values, culture, organizational behaviour, performance, accountability, citizen based service delivery, the public service value chain and building trust and confidence in government.

Framework of the ethics work will be merged into the corporate culture program, as one component of the overall culture benchmark under the pillar of Steadfast Integrity.

> **1. b)** **That management develop, document and implement an ethics-related management oversight program as part of a comprehensive organization-wide Employee Ethics Program and that regular monitoring of the program (using a consistent test plan) be performed to verify the operating effectiveness of this management oversight.**

Management Response:

The existing Ethics policies outline roles and responsibilities that form the basis of an oversight program. This will be addressed as part of the review of the Ethics related policies to ensure that they are being followed.

> **1. c)** **That management develop, communicate and report ethics-related goals and appropriate metrics as part of a comprehensive organization-wide Employee Ethics Program.**

Management Response:

Agree that appropriate goals and metrics need to be established, communicated and reported. This will be assessed as part of the review of the Ethics policies as well as in the Corporate Culture program.

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INTERNAL AUDIT REPORT 2013-02 – CORPORATE ETHICS REVIEW
MANAGEMENT ACTION PLAN

2. RESPONSIBILITIES AND RISK

2. a) That the ethics oversight, monitoring and investigative responsibilities of Council and senior management be defined.

Management Response:

Responsibilities have been defined in the current policies. These responsibilities will assessed and updated as required at as part of the review of the Ethics policies.

2. b) That the organization's ethics/compliance risks and related scenarios be assessed and documented.

Management Response:

This is already occurring in various sections and agree that it needs to be completed for the entire organization.

2. c) That metrics be established for all key risk areas.

Management Response:

Agree that this needs to be done once the risk areas are assessed and identified.

2. d) That job descriptions and interviews formally cover ethical conduct.

Management Response:

Agree that the interview and reference checking process should be shaped to explicitly include behavioural questions on corporate culture and ethics. The assessment of the organization's ethics/compliance risks and related scenarios (recommendation 2b) will also identify any job specific requirements. Training for hiring managers is also required.

3. CODE OF CONDUCT

It is recommended that:

3. a) That the Code of Conduct for Employees be reviewed annually and revised as required. Legal Services should be included in the review process.

Management Response:

The Code of Conduct Policy for employees is a Council approved policy and does not currently state the review frequency. Appropriate frequency to reflect current practices

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will be considered and addressed as part of the review of the policy, which is planned for 2014.

The Code of Conduct for employees was designed based on a five year formal review in which any policy changes would be incorporated and approved by Council. The employee policy is also reviewed annually by the Human Resources Policy & Review Group and involves Legal Services. Continuous review is done based on questions received from staff, which is used to determine if the policy needs to be reviewed and flags areas for revision when the formal review of the policy is undertaken. Tracking of policy grievances is also done and there have been none in the last 2 years. There is a procedure for Gifts and Hospitality, which is the responsibility of the General Managers to monitor and maintain.

3. b)	**That all employees be required to sign-off on the Code of Conduct for Employees and to complete annual questionnaires that ask probing questions regarding compliance with the Code.**

Management Response:

Agree that a process for employee sign-off is required, including development of a tracking system. Development, logistics and use of an annual questionnaire will be considered as part of policy review.

3. c)	**That compliance with the Code of Conduct for Employees be integrated into the performance appraisal document for all employees.**

Management Response:

The City's Performance Management process and review tools have been updated to reflect the City's Corporate Culture Pillars, and ethics can be addressed under the Steadfast Integrity pillar. Sign-off of the Code of Conduct Policy could be linked with the Annual Performance Review process since both are to be annual processes.

4. TRAINING

4. a)	**That mandatory training for employees is provided at least every three years for ethics-related processes.**

Management Response:

Agree training is required. Frequency of training will need to be assessed as tools are developed and risk assessments are completed.

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> **4. b)   That training be provided to both management and employees regarding the expectations for reporting and monitoring under the Gifts and Hospitality Policy.**

Management Response:

Agree. This training should be integrated with training outlined in recommendation 4.a).

5.   REPORTING

> **5. a)   That a standardized protocol for gathering information for reports of suspected ethics non-compliance events be developed and implemented across the organization.**

Management Response:

Agree that a consistent approach is preferred. This can be addressed through the development of a procedure for the Code of Conduct Policy, which determines how the reporting should occur and roles and responsibilities.

> **5. b)   That a mechanism for external stakeholders to report suspected ethics non-compliance events be investigated and implemented (i.e. Fraud & Waste Hotline).**

Management Response:

Given the other actions proposed and financial implications (either for internal staffing or a contracted service), management does not support investigation of this recommendation at this time. External stakeholders can and do utilize the current channels for reporting suspected ethics non-compliance events – City Manager's Office, Human Resources, senior management within departments, and members of Council.

> **5. c)   That a tracking system for the disposition of reports received under the Whistleblower program be implemented and the associated metrics be reported quarterly as required per the By-law.**

Management Response:

Requirements can be assessed as part of the review of the Policy.

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6.   COMMUNICATIONS

> **6. a)   That an internal communications program for ethics be developed and implemented. Employees should be periodically evaluated to verify that there is widespread employee awareness of the program and of key ethics staff.**

Management Response:

Agree that communications are required and this should be extended to all Policies. Internal communications is currently a gap for the organization and existing tools, such as the eNet are no longer effective. The number of work locations and diversity of work environments also presents a challenge for communications.

Periodic evaluation of employee awareness of the ethics program needs to be assessed to determine how it can be integrated with current processes.

> **6. b)   That ethics-related information is prominently displayed in work areas and is easily accessible to stakeholders on both the organization's intranet and external website.**

Management Response:

Agree that communication materials are required for both staff and the public. These are specifics tactics that would be determined through recommendation 6 a).

> **6. c)   That supervisors and managers be required to include ethics and the Code of Conduct as an agenda item at staff meetings.**

Management Response:

Agree that this would be a benefit. Every meeting may be too often for groups that meet frequently, so flexibility in implementing is recommended. Areas that do not have regular staff meetings can incorporate Ethics into annual training. Meetings should be convened whenever an ethics non-compliance issue arises in the workplace.

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SECTION II - MANAGEMENT ACTION PLAN

A. INTEGRATION

Over the next five years, the recommendations of the Corporate Ethics Review will be integrated into the existing Corporate Culture work and people management practices that are underway. Ethics policies are already in place for the City and can be reinforced through the Steadfast Integrity corporate culture pillar, as this will be emphasized as how work is done at the City. Integrating ethics with other people management practices and processes such as hiring, new employee orientation, job descriptions, performance management, regular staff meetings, and training ensures that employees are hired, monitored and supported to be highly ethical throughout their career at the City of Hamilton. The new employee orientation training already includes a segment on the Code of Conduct Policy.

2014 actions will be foundational in nature in emphasising and connecting ethics into the following:

Action	Target Completion Date
Integrate Ethics into Corporate Culture action plans that are being developed in 2014	End of 2014
Shape interview and reference checking process to include explicit behavioural questions on corporate culture and ethics. This includes support and training if required for hiring managers to hire and manage to this standard	End of 2014
Ensure all employees receive an update on the Code of Conduct Policy in 2014, using existing staff meetings / training sessions.	Extended Management Team – May 30, 2014 All employee by end of 2014
Incorporate ethics into the updated Annual Performance Management process starting with the roll-out in 2014	End of 2015

Actions for future years will be determined from 2014 actions. The overall objective is to ensure that ethics is fully integrated within 5 years.

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B. <u>POLICY REVIEW</u>

All ethics related policies will be reviewed and updated in 2014. Procedures, where they exist, will be reviewed and updated and new procedures developed as required.

Action	Target Completion Date
Review and update the Employee Code of Conduct Policy for Council approval. Review to set out a timeframe for regular review within the policy and assess roles and responsibilities of Senior Management and Council to ensure they are clear. The policy also needs to ensure that appropriate controls are set out to ensure compliance.	September 2014
External review of the Council Code of Conduct Policy to ensure consistency with the Employee Policy. Approval by Council in 2015.	Initiate in Q3 2014
Ensure all employees receive an update on the Code of Conduct Policy in 2014, using existing staff meetings / training sessions.	Extended Management Team – May 30, 2014 All employee by end of 2014
Review and update the Gifts and Hospitality Procedure	Q2 2014
Review and update the Whistleblower By-Law to ensure consistency with related policy. Review to include establishing related procedures and protocols for gathering reports of suspected non-compliance events.	End of 2014 and Council approval in 2015
Develop a procedure for the Code of Conduct Policy to assist with implementation of the policy, including a checklist. This will assist in defining roles and responsibilities of management and Council. The Procedure will also help to clarify how controls set out in the Policy are monitored and tracked. The procedure will also address the process for employee review and sign-off of the policy.	End of 2014
Tracking and Reporting – The review of the policies will consider appropriate metrics and reporting processes that demonstrate compliance with the appropriate policy	See above dates

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C. <u>RISK ASSESSMENT</u>

The Ethics Review has recommended that the organization's ethics/compliance risks and related scenarios be assessed, documented and metrics established. Implementation of these recommendations will take 2-3 years to fully implement across the organization in a consistent manner. It should be noted that ethics/compliance risks and assessment are already in place in many areas of the City, however, practices are not consistent.

Action	Target Completion Date
Develop an ethics/compliance risk assessment process so that a consistent approach can be followed by all departments. The development of the process will also consider requirements for training and tools such as checklists. The scope will include both work processes at process and project management practices how to incorporate checks and controls into these processes.	End of 2014
Complete the risk assessment and development of scenarios across the organization. The outcome of the assessment is to identify risk areas, appropriate controls and metrics to ensure ethics compliance.	End of 2015
Implementation	As developed in 2015 and ongoing
Review and Update job descriptions as required based on risk assessments.	2016 and ongoing

D. <u>AWARENESS, TRAINING AND COMMUNICATIONS</u>

Although the City has had ethics policies in place for a number of years, it is clear that additional work is needed to ensure all employees are aware of the policies, know how to implement them in the workplace and receive regular updates and reinforcement. This is a challenging task for the organization given the size of the organization, the variety of services provided, and number of work locations and environments. The Community also needs to be aware of the City's policies.

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The initial focus of the Action Plan is to ensure all employees have a face to face meeting about the Code of Conduct Policy and sign off on it in 2014. This will ensure all employees are aware and understand the policy as a starting point. Efforts will continue in subsequent years and be integrated with other employee engagement activities that are under development.

Action	Target Completion Date
Ensure that appropriate face to face interaction with ALL City employees receive face to face information on ethics and corporate culture in 2014. This will include expectations for reporting and monitoring under the Gifts and Hospitality Policy. The metric for 2014 is to confirm that all employees have read, understood and signed off on the Code of Conduct Policy.	End of 2014
Direct Managers and supervisors to Include Ethics as a topic at staff meetings/training on a regular basis, whenever an ethics non-compliance issues arises in the workplace, and at a minimum of once per year.	End of 2014
Develop training materials so they can be delivered in a brief manner in multiple formats and integrated into existing training and development activities where ever possible, eg. existing departmental training, existing Management Skills Development modules, Extended Management Team meetings, town hall meetings. Supervisor/Manager specific training will also be developed.	End of 2015
Review existing training programs to determine how ethics can be integrated.	2015
Review frequency of training as tools are developed and risk assessments are completed	2016
Review employee survey and engagement approaches to determine how to evaluate employee awareness of ethics policies	2014

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Action	Target Completion Date
Develop an internal communications strategy and tactics (eg. Posting information in workplaces, website, etc.) that can be used to communicate ethics information as well as other key information for employees for implementation in 2015. The plan and tactics will evolve over the next five years.	Q1 2015
Develop external communication materials so the community is aware of the City's policies and approach and what they can expect from the City.	End of 2015

November 2013

Corporate Culture Pillars

Hamilton

Engaged Empowered Employees

Looks like:
We treat employees equitably in a climate where people are rewarded and recognized and want to do their best.

Sounds like:
We invite input from people regularly, spending more time with our teams and less time in meetings.

Feels like:
We feel motivated and go the extra mile.

Sensational Service

Looks like:
We take a citizen-centred approach to providing exceptional service in a timely and responsive manner.

Sounds like:
We communicate in an open and transparent manner, especially when mistakes inevitably occur.

Feels like:
We feel pride in being a public servant and serving the community.

Courageous Change

Looks like:
We support and discuss innovative ideas and actions to improve how we do what we do.

Sounds like:
We hear acceptance and willingness to proceed with new ideas.

Feels like:
We handle risk and uncertainty with ease.

Steadfast Integrity

Looks like:
We are not afraid to take action when necessary.

Sounds like:
We are direct and truthful individuals working in a respectful manner.

Feels like:
We are trusted to perform.

Collective Ownership

Looks like:
We build relationships across departments/ divisions to achieve our objectives and bring the ideas of others forward.

Sounds like:
We raise good ideas with ease and have an eagerness to discuss and generate new ideas.

Feels like:
Each and all of us understand how what we do affects the work of others and the results we achieve.