Winnipeg

Business Plan

2007 to 2009

Audit Department

Leaders in building public trust in civic government

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A MESSAGE FROM THE CITY AUDITOR

I am pleased to present my Audit Department Business Plan for 2007 to 2009.

As the City Auditor, I am in the privileged position of being able to ask questions that matter to citizens outside of City Hall. I try to focus my audit activities on those areas that will provide answers to these questions. On the one hand, my Department can provide a valuable service by providing independent assurance on what is going well; on the other hand, we are able to alert City Councillors to potential problems that could undermine citizens' trust in civic government. We can also work with the Administration to identify opportunities to enhance the value of City services. With the prospect of new partnerships, there are exciting times ahead as well as challenges. I believe that our mutual focus for the next few years should be on 'getting it right' – achieving the appropriate balance between the quality and cost of services delivered to our citizens.

I am fortunate to be supported by an outstanding group of professionals in my department. I believe that the quality of work we have produced has provided evidence of their fine efforts. Pursuit of excellence is a critical value for my team. We recognize that our credibility is our most important asset. We will continue to make sure that our audit reports are relevant, fair, balanced and supportable. We will also provide corporate leadership by implementing best practices in our department and sharing these with the organization. We benchmark our internal processes to ensure that they meet the same standards of efficiency and cost effectiveness that we expect from our audit clients.

In this business plan, we will continue to ensure that our activities are aligned with the strategic priorities of City Council and to focus on answering those questions that are important to all Winnipeggers. In Audit, we often say that we are in the information business. We believe that our efforts to make information more transparent will help to build and maintain the confidence of our decision-makers and the citizens they represent.

I am very proud of the past accomplishments of my department and equally optimistic that the future holds more opportunities for all of us in the Audit Department to make a difference to the citizens we serve. I look forward to reporting back on the results of our work in the years to come.

Sincerely,



Shannon Hunt, CGA, CFE
City Auditor

OUR MANDATE

City of Winnipeg Charter

Sections 102 to 106 of the *City of Winnipeg Charter* establish the position and mandate of the City Auditor. In 1989, City Council made the decision to contract out the annual financial statement audit to a firm of chartered accountants while expanding the scope of responsibilities for the City Audit Department. The current audit mandate includes the following duties:

- *To examine and evaluate the adequacy of the City's systems of internal control, both financial and operational.*
- *To determine whether applicable sections of the City of Winnipeg Act, by-laws, regulations, orders of Council, and administrative directives have been complied with, as well as applicable federal and provincial legislation.*
- *To review the performance of operations to ensure money was expended with due regard to economy and efficiency.*
- *To review the results of programs to determine the benefits and whether the program met established objectives.*
- *To review whether satisfactory procedures were established to measure and report to Council on program effectiveness.*
- *To act as an internal consulting group to provide information and help to civic departments within the capabilities and resources of the Audit Department.*
- *To examine problem areas, within the capabilities of the Audit Department, which are brought to the Auditor's attention by taxpayers, department heads, employees, Council, Standing Committees of Council, members of Council and the Chief Administrative Officer.*

Independence and Objectivity

Independence has been called the cornerstone of legislative auditing. To be credible, we must maintain an independent position within the organization as well as bring an objective state of mind to all of our work. Mechanisms in place to promote independence and objectivity include:

- The City Auditor is appointed by City Council and can only be suspended or dismissed by virtue of a resolution supported by two-thirds of all members.
- The City Auditor is directly accountable to City Council through the Audit Committee. (See Appendix A for the Audit Committee composition and Terms of Reference.)
- The City Auditor is solely responsible for the staff and internal operations of the department within the budget approved by City Council.
- The City Auditor has broad and defined powers of access to information and City staff by virtue of the City Charter.
- Auditors are required to follow strict standards established by their professional associations and the department including the requirement to adhere to a Code of Ethics and Professional Conduct.
- Quality assurance practices have been implemented to ensure that Audit reports present information that is reliable, fair and balanced.

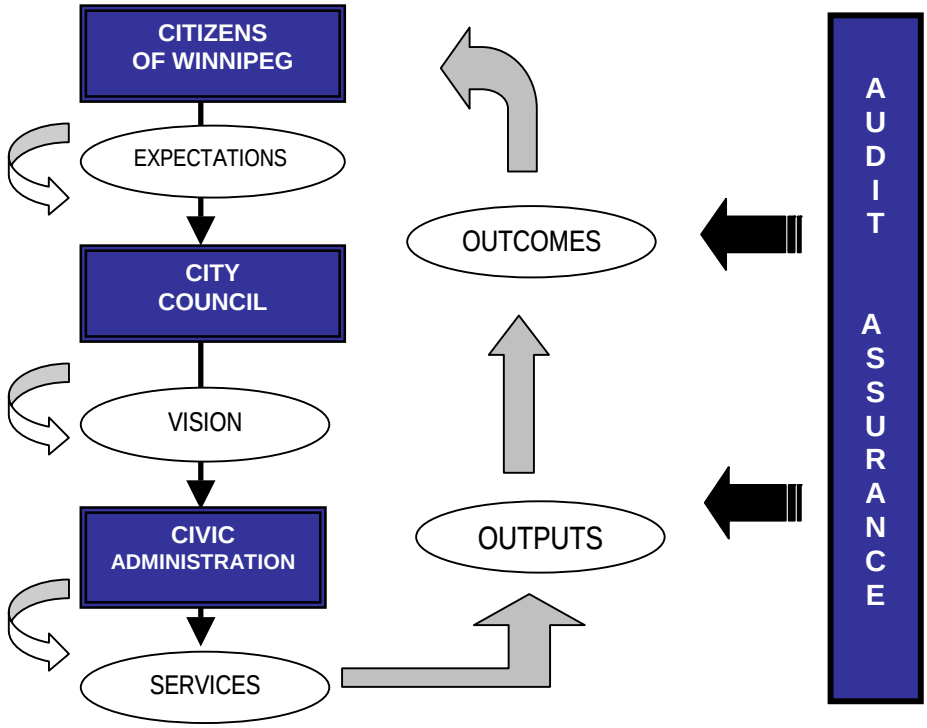
OUR SERVICE VALUE

Plan Winnipeg . . . 2020 Vision, the City's strategic plan, captures the community's vision, expectations and aspirations. City Council works with the Administration to translate the vision into strategy to shape the services delivered. The outputs each service provides in the short-term should contribute, over the longer term, to the outcomes envisioned in the plan. The citizens of Winnipeg perceive value in the services the City provides if those services are aligned with the community's vision and produce the desired outcomes. The ultimate measure of success lies in perceived improvements to the quality of life of Winnipeggers.

A key role of the Audit Department is to provide independent assurance on the performance of civic services in support of open, transparent and accountable government. Our primary client is City Council, through the Audit Committee. The value to Council is the ability to use credible information to make better decisions and to hold the Administration accountable. Our stakeholders are civic managers and citizens who are the recipients of our public reports.

The focus of audit assurance is becoming broader as the City's performance measurement model is maturing. Historically, the City has reported on financial performance and service inputs and outputs. Auditors have used this information to provide assurance on expenditures and the efficiency and cost-effectiveness of services. As departments develop better performance measures to demonstrate the effectiveness of their services, the Audit Department is in a position to provide broader assurance to Council that City services are, in fact, delivering the outcomes that were envisioned by *Plan Winnipeg*.

Audit Assurance Model



OUR MISSION, VISION AND VALUES

Our Mission

To support City Council and the Civic Administration in the achievement of organizational objectives by providing objective and independent information, advice and assurance with respect to governance, accountability, risk management and performance.

Our Vision

To be recognized as leaders in building public trust in civic government in support of our shared vision of a vibrant and healthy city.

Our Values

All of the members of our team share a common set of values which influence the manner in which we conduct our work and develop relationships with our client. These values are shown below:



OUR STRATEGIC GOALS AND KEY RISKS

Strategic Goals

- To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.

- To influence organizational outcomes and accountability by promoting good governance, effective risk management and controllership, and comprehensive and transparent performance information.

- To deliver high quality, cost-effective Audit services.

Key Risks

Credibility

Our public reports support the principle of open, transparent and accountable government. Our clients and stakeholders trust and rely on the assurance and advice that we provide. Our office must maintain high standards of competence and professionalism to ensure that our credibility is not compromised.

Independence and Objectivity

Anything that impedes the perception of independence or objectivity can undermine public confidence in the credibility of our work. In our advisory role, it is important that we balance collaboration with Administrative partners with our primary role of providing independent assurance on operations. We must also ensure that our reports are perceived as fair and balanced.

Relevance

Our recommendations will only be implemented if our clients perceive value in the results. We have to select projects that are based upon transparent and objective criteria and that are meaningful to our clients and stakeholders. We must also present high quality reports that clearly demonstrate the benefits to be realized from our recommended improvements.

Resources

Our audit universe is broad, complex, and diverse. To provide an appropriate level of assurance to Council on the civic services within our scope, as well as be able to resource our advisory and investigation roles, an adequate level of resources must be maintained. Current staffing levels are already significantly lower than comparable organizations, and a further reduction would jeopardize the ability of the department to achieve its mandate. The department must continue to satisfy Council that the value of audit services justifies its share of civic resources.

Capacity

The quality of our assurance and advice is dependent upon the knowledge, skills and ability of our staff. Staff turnover has made it difficult to retain appropriate competencies. The local market of qualified audit professionals to draw on is small, and new audit partners require extensive orientation. The department must rely on innovative partnerships, re-engineered audit processes and technological solutions to supplement staff resources and optimize audit coverage and productivity.

OUR SERVICE LINES

Advisory Services

Activities carried out under this service line are proactive and concerned with *getting it right the first time.* As resources permit, we deliver this discretionary service through

- Educational initiatives
- Research activities
- Consulting services

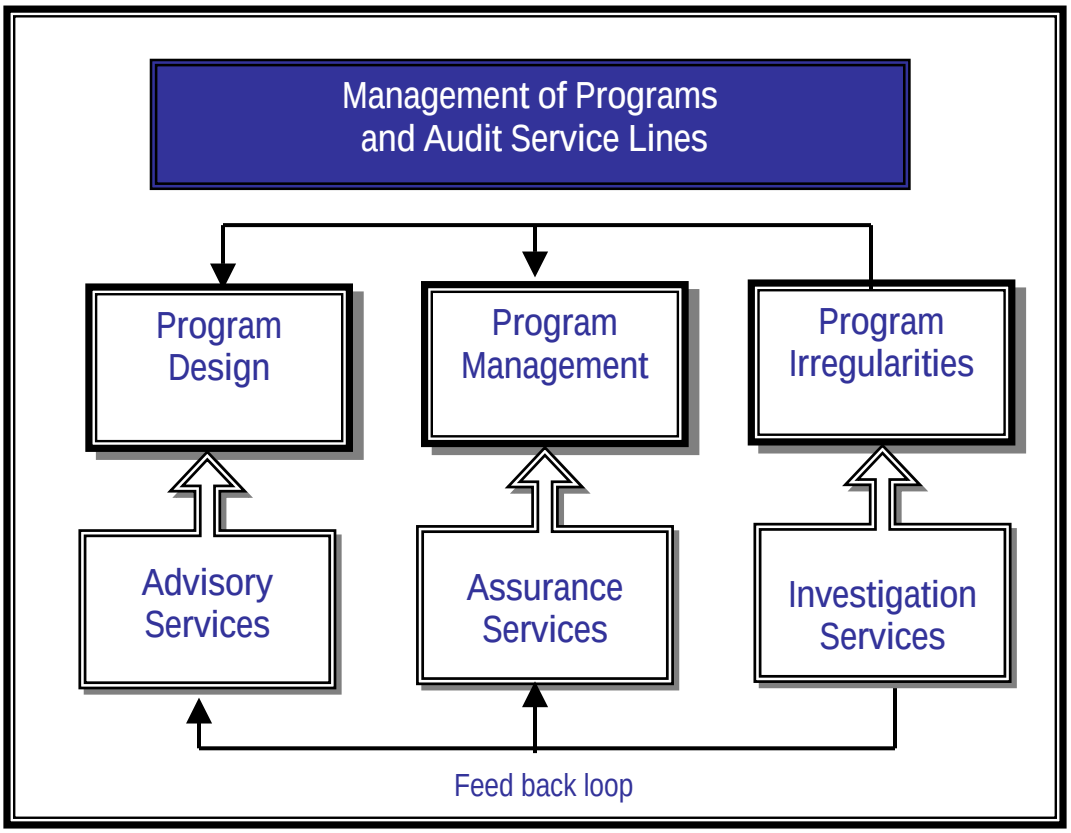
Assurance Services

Assurance services are defined as *independent professional services that improve the quality of information or its context for decision makers*. Assurance can be provided on both financial and non-financial performance, or it can be provided with respect to the strength of risk management strategies and controls. Assurance services provided by the department include

- Performance audits
- Compliance audits
- Business Process Audits
- Due Diligence Reviews

Investigation Services

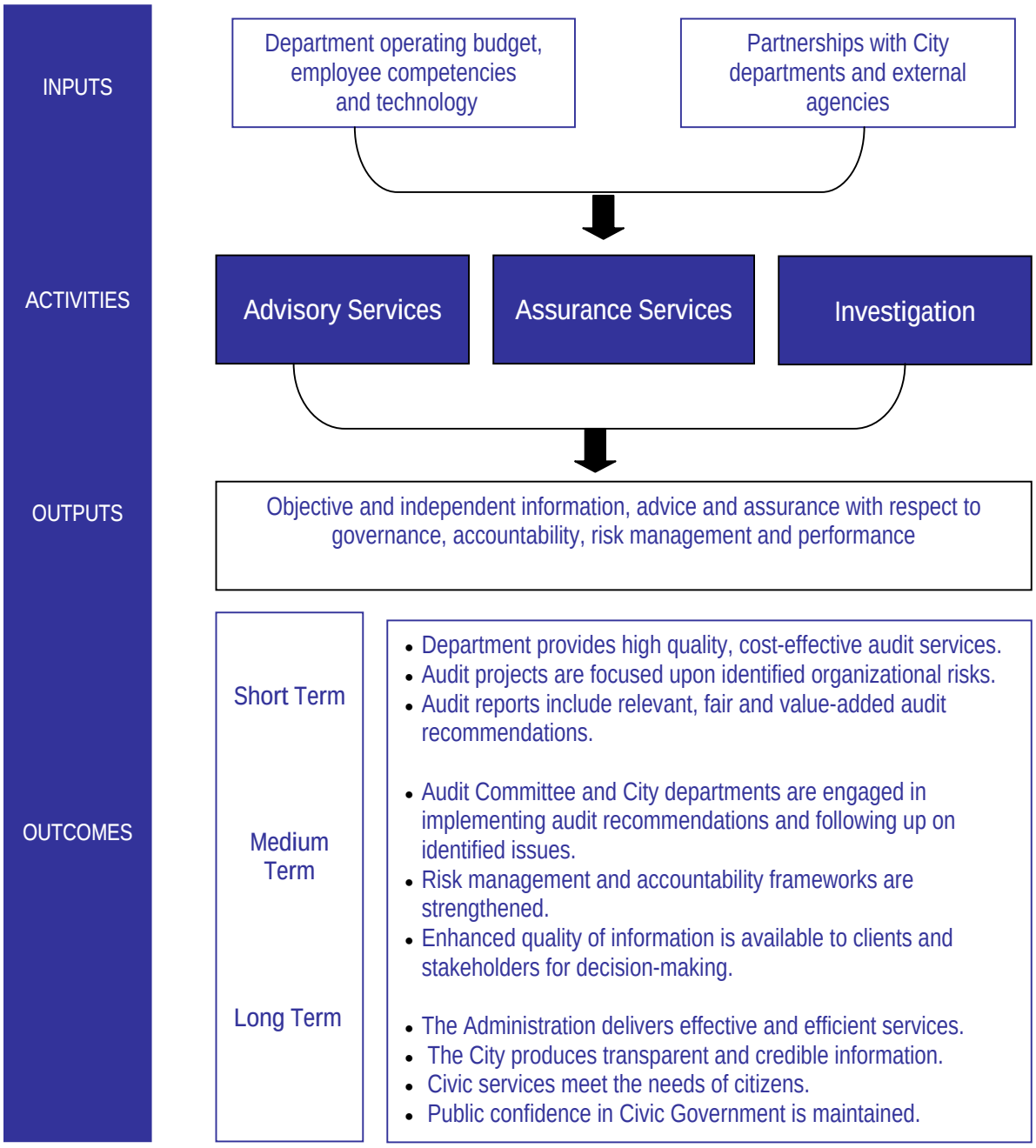
Under this service line, we conduct reviews in response to a request from an external party or as a result of information being brought to the attention of the City Auditor under the *City of Winnipeg Fraud, Theft or Related Irregularities Directive*. Reviews are typically limited in scope.



OUR INTENDED OUTCOMES

The Audit Department's *Logic Model* describes the linkages between our resources and our activities, our outputs and our desired outcomes. To achieve our vision, our work must ultimately contribute to delivering valued services that clearly meet the needs and expectations of our citizens and result in a high level of public confidence in civic government.

Audit Logic Model



OUR FINANCIAL RESOURCES

Financial Trend

AUDIT DEPARTMENT						
	2004 Budget	2005 Budget	2006 Budget	2007 Proposed	2008 Projection	2009 Projection
Salaries & Benefits	$ 791,068	$ 874,779	$ 879,352	$ 913,312	$ 930,268	$ 930,268
Services*	$ 116,386	$ 120,850	$ 116,675	$ 116,800	$ 116,925	$ 116,925
Materials, Parts & Supplies**	$ 7,250	$ 7,200	$ 9,750	$ 9,750	$ 9,750	$ 9,750
Assets***	$ 11,500	$ 13,155	$ 6,000	$ 12,500	$ 12,500	$ 12,500
Grants, Transfers & Other****	$ 44,502	$ 45,904	$ 53,749	$ 47,106	$ 47,266	$ 47,266
TOTAL BUDGET	$ 970,706	$1,031,782	$1,065,526	$1,099,468	$1,116,709	$1,116,709
TOTAL ACTUAL	$ 950,743	$1,027,383				

* Primarily includes Consulting, Allocated Department Costs, Telephone, Training and other services
** Primarily includes Stationary and Office Supplies
*** Primarily includes Offices Equipment and Office Furniture
***** Primarily includes Reserves and Facility Costs

Budget Analysis

Salaries and benefits represent the major portion of the Audit Department Budget. The staff complement of 10 was approved by Audit Committee in 2000. Over the years, the budget had been reduced through annual expenditure targets with the result that the approved staff complement was not funded. In 2004, the staff complement was re-confirmed and the 2005 budget was increased to the appropriate level at the recommendation of the Audit Committee. Since 2005, the budget has remained stable with increases due to inflation, salary increments and reimbursement of fees required through the WAPSO Collective Agreement and imposed increases in internal charges.

The Department has met budget challenges through initiatives such as re-organization to reduce administrative overhead, increased dependence on technology, co-sourcing arrangements, new audit methodologies, and allowing positions vacated through departure or secondment to remain open for a period of time. In 2006, our Research Analyst position was deleted and the incumbent transferred to a newly created Auditor position at a similar salary level. This increased resources dedicated to direct audit activities by about 10%. Currently, only one-half of one position is dedicated to administrative functions including finance, physical asset management, human resources, and clerical duties.

OUR HUMAN RESOURCES

Human Resource Requirements

One of the Audit Department's biggest strengths is our people. With only a small group of staff, we believe that we have a highly motivated, multi-disciplinary team that is dedicated to the pursuit of excellence and the achievement of our goals and objectives. The Audit Department has increasingly become a proactive partner in driving cultural and strategic change in this organization and this, in turn, has had a significant impact on the nature of our work. In recent years, the mandate of our department has evolved, and the magnitude of the projects we have undertaken has dramatically increased. The issues that we have been involved with have become more diverse, complex, strategic and political as well, prompting a greater need for creativity in terms of approach and solution development. Although generally accepted standards, guidelines and practices exist for the more traditional forms of auditing, the Audit Department has increasingly looked to more innovative ways to be a catalyst for organizational change. This, in turn, has required new competencies on the part of Audit staff. Auditors must now serve as strategists, commununicators, risk analysts, pragmatic problem solvers, facilitators, educators, and broad knowledge experts.

The value that the Audit Department provides to the organization critically depends upon the capabilities of our staff. Our effectiveness hinges on the staff's ability to *sell* new ideas and initiatives, and generate commitment from City Council or senior management to implement recommendations for improvement. Our credibility depends on the perception that our department as a whole is independent, and that our staff have competence, expertise, and integrity. Since our audit reports are public and attract media attention, staff have to be particularly skilled at ensuring that reports are balanced, unbiased, fair and well-supported. To encourage our staff, we will continue to ensure that they have the appropriate environment, tools and support to excel in the work that they do. We aim to promote accountability, high performance, and diversity. We encourage initiative and creativity through open communication and continuous learning, and we place a high value on integrity, respect and professionalism.

Professional Qualifications

All of our Audit staff hold professional designations through the following associations:

- the Canadian Institute of Chartered Accountants (CICA);
- the Certified General Accountants (CGA);
- the Certified Management Accountants (CMA);
- the Certified Fraud Examiners (CFE);
- the Institute of Internal Auditors (CIA);
- the Information Systems Audit & Control Association (ISACA); and
- the Society for Technical Communication (STC).

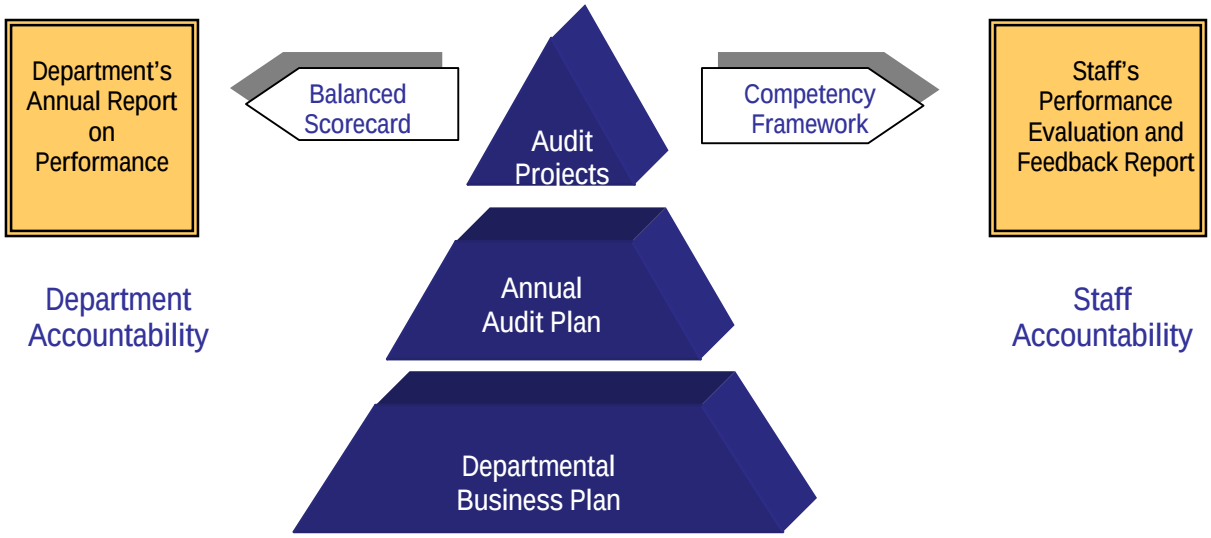
Organizational Structure

As a statutory officer, independent of the Administration, the City Auditor reports to City Council through the Audit Committee (Executive Policy Committee). In accordance with the City Charter, the City Auditor is responsible for staffing the department, subject to a budget approved by City Council. The department's complement of 10 full-time equivalent positions was approved in 2000 and confirmed in 2004. The organizational structure is provided in Appendix C. Profiles of our current team members are provided in Appendix D and contact information in Appendix E.

Integrated Performance Management Framework

To ensure that we maintain the standards expected by our clients and our profession, we have developed an *Integrated Performance Management Model* that that links our departmental *Business Plan* and *Audit Plan* to expectations for each staff member. We demonstrate our departmental accountability through our annual *Report on Performance* (based upon our *Balanced Scorecard*) and provide feedback to our staff through a *Performance Evaluation and Feedback Report* built on a customized *Competency Framework*. The components related to staff development and accountability are described below. The components related to departmental performance and accountability are discussed in a later section.

INTEGRATED PERFORMANCE MANAGEMENT MODEL



Staff Competency Framework

In 1999, the Audit Department developed a *Competency Framework* as one piece of an *Integrated Performance Management Model*. The intent of the framework was to define the competencies required to promote excellence at each staff level and for the department as a whole. The focus was on the future, developing a competency base that would move the department towards the achievement of its shared vision and strategic goals and each individual towards realization of his/her personal goals. In 2005, the City introduced a *Leadership Competency Model* to define leadership excellence within the context of the City. At a staff retreat, we reviewed the model and articulated the leadership competencies for the positions in our department. We will update our framework to reflect these new competencies.

Performance Evaluation & Feedback Report

The *Performance Evaluation and Feedback Report* is a second component of our departmental *Integrated Performance Management Mode*l. It was built on the belief that performance management is a dynamic, evolving process of personal evaluation coupled with 360° feedback from clients, management and peers. The report documents the results expected and achieved during the period and assesses the personal competencies that contributed to the performance. The *Performance Evaluation and Feedback Report* serves as the basis for decisions on merit increases, assignment selection and professional development opportunities. Information from the report contributes to the continuous development of the staff member, the broadening of the departmental competency base and the overall effectiveness of the Audit Department. At the strategic level, the accumulation of results from all members of the Audit Department provides the basis for the City Auditor's *Annual Report on Performance* to Audit Committee and Council.

Professional Development and Succession Planning

A third component of our integrated Performance Management Model is our *Professional Development Plan* which is created annually based upon needs identified through the performance evaluation process. To build and sustain our capability, we encourage our staff to seek certification with, and membership in, a diverse group of professional associations. Through these relationships, we are able to benchmark our performance, share best practices and foster our reputation as innovators. Our associations include membership in key organizations that set the standards for our profession. We also recognize that we can play a leadership role in our professional community by accepting professional commitments with the various associations. Raising our profile also provides benefits for our on-going recruitment efforts. Many of our staff serve as board members or directors of a professional association or have served as speakers, trainers or participants in seminars or conferences. Associations we have served or supported include

- the Association of Local Government Auditors (ALGA) and the Canadian affiliate (CALGA);
- the Institute of Internal Auditors (IIA);
- the Canadian Comprehensive Auditing Foundation (CCAF);
- the Institute of Public Administration of Canada (IPAC);
- the Financial Management Institute (FMI);
- the Canadian Evaluation Society (CES); and
- the Conference Board of Canada Executive Network.

Through the use of our tools and re-structuring of the positions in the department, we have facilitated our ability to plan for career progression. Succession planning will be a key focus over the next couple of years to prepare for the completion of the City's Auditor's mandate.

Partnering for Success

While the department utilizes the organizational structure for the purposes of position classification and internal reporting relationships, staffing decisions are adjusted when a position is vacated, based upon the competencies required to implement our *Annual Audit Plan*. The department promotes a philosophy of partnering with the Administration and/or the Private Sector to acquire the right skills at the right time to deliver our results. We believe that it is not cost-effective to attempt to retain permanent staff with specialized skills that may only be utilized infrequently. Where it appears to be in the best interests of our clients, projects may be contracted out or co-sourced with a professional Audit firm. The City's major firms are asked to provide an *Expression of Interest* and costing information to use to develop a Standing Agreement to facilitate this purpose.

Communications

In keeping with our vision, we believe in open and on-going communications both within our department and externally with our clients and stakeholders. The audit process has well-established protocols and our audit reports are made public once they have been tabled at Council. (See Appendix B.) All of our audit reports, business plans, audit plans and annual reports are posted on our Audit Department website which is kept current.

We also communicate frequently with other jurisdictions to benchmark City services and have on-going relationships with other Audit organizations and professional associations as previously noted.

OUR PHYSICAL RESOURCES

Physical Asset Management

Our physical assets include:

- Office space in a building owned by the City
- Office furniture
- Office equipment
- Computer hardware, software and servers

We are charged an internal service fee for our accommodations and technology support. Our physical space is suitable for our purposes, and our furniture is in good condition. We have allocated funds in our budget for the planned maintenance and renewal of our office equipment. A reserve account has been established to allow for upgrading our information technology as needed.

Information Technology

We are committed to providing innovative and efficient audit services through the use of technology. All staff have been provided with personal computers; the Department also retains laptop computers for use in the field. Typical applications used by the Department include:

- Research
- Data extraction
- Data analysis
- Spreadsheet development
- Audit report preparation and presentation
- Audit process management
- Planning, budgeting and performance reporting
- Time tracking and service costing
- Workshop facilitation with anonymous voting technology
- Communication through our Audit Department Website

The Department also relies on shared directories and corporate applications such as Peoplesoft for administrative functions.

This year, we have an opportunity to enhance the efficiency and effectiveness of our audit processes by acquiring a leading audit management software product that was recently implemented by the Office of the Auditor General of Manitoba. We will be able to leverage the knowledge of their staff to implement our own product. We have identified funding for consulting assistance and licensing fees within our existing budget.

OUR STRATEGIC CONTEXT

Plan Winnipeg Vision

While we review relevant *Plan Winnipeg. . . 2020 Vision* principles in the context of all projects we undertake, our overall goals are most consistent with the *Plan Winnipeg* policy objectives related to *'Government and the Economy'*: *"Winnipeggers expect good government – effective and efficient in its operations and principled in its actions. As ratepayers, they want the comfort of knowing that tax dollars are spent wisely."* Specifically, in reviewing public and internal services and making audit recommendations, we support the following *Plan Winnipeg* policy objectives:

- 2A – 01 *Commit to citizen engagement*
- 2B – 03 *Commit to responsive government*
- 2B – 04 *Provide sound municipal management*
- 2B – 05 *Meet high standards of service delivery*

Council Priorities

Citizens are demanding better customer service with less reliance placed on tax support. Senior levels of Government are introducing new legislative and regulatory requirements in areas such as the environment. Citizens continue to express concerns about the safety of their City, the economic climate, and the condition of City infrastructure and the Downtown. Council has committed to more affordable, efficient government in an environment of enhanced accountability, sustainability and transparency. To achieve both the goals captured in *Plan Winnipeg* and City Council's priorities, the Administration must balance quality service with financial constraints. To realize this balance, City staff are being challenged to maintain and enhance front line services, explore alternative service delivery methods such as Public Private Partnerships (P3s), reduce 'red tape' and internal service costs, and produce more complete performance information. Furthermore, these objectives have to be accomplished with fewer managers and an expected increase in staff retirements within the context of an increasingly competitive labour market.

Audit's Role

There is no doubt that these challenges have had, and will continue to have, a substantial impact on the organization and increased the risks associated with the delivery of City services. In this context, a strong, independent Audit function is particularly important to provide assurance to City Council and citizens that the required trade-offs are being made appropriately and that important quality of life goals such as safety, health and environmental sustainability are not being compromised to achieve financial targets. Public audit reports support City Council's commitment to enhanced accountability and transparency and provide information on the effectiveness, efficiency and economy of City services. The Audit Department also provides corporate leadership by implementing 'best practices' in its own operations.

Recent Achievements

In the past few years, we have paid particular attention to evaluating the extent to which the City has met its commitment to becoming more business-like in its operations. We have focused on providing assurance on value for money achieved in City services. We have reviewed the Administration's investment in alternative service delivery models as well as the management of its existing assets and infrastructure. We have continued to provide expertise in promoting relevant corporate initiatives and reviewed corporate business processes. We have also taken action to enhance the efficiency and cost-effectiveness of our own operations. (Appendix F provides a summary of key achievements over the past couple of years.)

OUR SERVICE STRATEGIES

We will continue to focus on Council priorities as well as our own strategic areas of interest in 2007 to 2009. We will place a particular emphasis on providing recommendations for improving the efficiency and cost-effectiveness of City services while ensuring that the achievement of service quality objectives has not been compromised. We believe that the City must focus on *getting it right* – achieving an appropriate balance between the quality and cost of service delivery. We will be alert to identifying opportunities to reduce red tape or to create partnerships with external service providers, and we will review the results of such efforts. We will also look at how well City departments are promoting a safe, healthy and sustainable environment for Winnipeggers. Since we consider ourselves, ultimately, to be in the information business, we will continue to promote improvements in the quality of performance reporting to decision-makers within the organization and to our citizens. We will also continue to provide *Quarterly Report Cards* on the status of prior audit recommendations to determine whether our reports have resulted in the improvements we proposed. We will be transparent in providing our own performance results. We will build on our post-project survey by developing a tool to obtain feedback on our services and the relevance and usefulness of our reports to City Councillors. We want to know if, in the opinion of those we serve, we have made a difference.

Our *Strategic Goals* describe our particular areas of interest as well as our broad deliverables. Our *Service Strategies* describe, in more detail, specific actions that we will take to achieve our goals. We will measure our progress in our *Balanced Scorecard* that is presented later.

Goal 1

To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.

Service Strategies

- Develop a three-year, risk-based Audit Plan in consultation with clients and stakeholders.
- Conduct selected audit projects in accordance with established criteria and professional standards.
- Ensure that the majority of audit resources are dedicated to assurance projects while reserving a portion of resources for advisory and investigation services.
- Present timely, balanced reports to Audit Committee and Council that include relevant, value-added recommendations for improving City services.

- Partner with the CAO to produce *Quarterly Report Cards* on the status of audit recommendations for Audit Committee.
- Continue to solicit client feedback through our post project survey to departments.
- Introduce a Councillor survey to measure the relevance and usefulness of audit reports to our primary clients.
- Enhance the perception of audit value by quantifying, where feasible, recommended potential cost savings/avoidance due to service efficiencies, reduction of ‘red tape’ or opportunities for revenue generation.

Goal 2

To influence organizational outcomes and accountability by promoting good governance, effective risk management and controllership, and comprehensive and transparent performance information.

Service Strategies

- Review the Audit Committee *Terms of Reference* to ensure congruence with best practices in corporate governance.
- Educate clients and stakeholders on the identified areas of focus through the department's website, presentations, advisory services and research into best practices.
- Provide transparency of audit process and results through communication of formal protocols.

- Continue to conduct risk management workshops as part of the Corporate Education curriculum, performance audits, and at the request of Administrative departments.
- Quantify audit recommendations directed at the areas of focus and survey clients and stakeholders on perceived value.
- Publish an Annual Report that provides comprehensive performance information on Audit activities.

Goal 3

To deliver high quality, cost-effective Audit services.

Service Strategies

- Update the department's *Competency Framework, Succession Plan,* and *Performance Management Model* to ensure appropriate staff competencies are developed and retained.
- Promote a positive working environment for staff.
- Build on partnerships to supplement needed competencies and provide perspective. Explore secondment opportunities and a formal co-sourcing arrangement with Audit firm(s).
- Collaborate with the Administration to coordinate, conduct and communicate the results of investigations in conjunction with the new *City of Winnipeg Fraud, Theft or Related Irregularities* directive; explore a potential Fraud and Waste Hotline.

- Coordinate audit activities with the External Auditor to eliminate duplication in audit coverage.
- Use cost-sharing arrangements with customers to supplement resources for non-mandatory audit requests.
- Maintain an effective quality assurance regime to ensure that audits are conducted in accordance with professional standards and best practices and be ready for an external peer review by 2008.
- Continue to re-engineer audit processes by exploring automated tools to increase audit productivity.
- Review the costs/benefits of a new audit management system to improve efficiency and lower the cost of audit processes.

OUR PERFORMANCE RESULTS

Annual Report on Performance

Each year the Audit Department presents an Annual *Report on Performance* to Audit Committee and Council on its annual results and progress towards the achievement of its strategic goals. The department uses the 'Balanced Scorecard' model as our framework for performance measurement. The Balanced Scorecard is a performance management system that can be used to align vision and mission with customer requirements, manage and evaluate business strategy, and monitor operational performance and organizational capacity. In the Balanced Scorecard, vision, mission and strategy are decomposed into different perspectives as seen through the eyes of customers and other stakeholders, managers and process owners, and employees. Three different dimensions of organizational performance can be viewed: results (financial and customer), operations, and capacity. For each perspective, we have identified performance measures and targets and results for the two prior years.

Balanced Scorecard



Benchmarking our Services

The *Association of Local Government Auditors (ALGA)* is the professional group that represents local government audit organizations in both the United States and Canada. Based on bi-annual surveys of members, performance benchmarks are established for audit organizations by size. A medium audit organization (such as the City of Winnipeg) is defined as having 3 to 12 auditors and an annual spending range of $224,967 to $1,684,900. Results for 2004, the last year surveyed, are included in the *Balanced Scorecard* for each performance category for which benchmarks are available.

We are very proud to report that the City of Winnipeg Audit Department has been the recipient of two ALGA awards for best annual project in its category: the *Knighton Award* for the *Real Estate Management Audit* in 2000 and a *Special Project Award* for the *Integrated Risk Management Model* in 2004. We are the only city in Canada to have been so honoured.

Audit Department Balanced Scorecard

Our Goals

- *To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.*
- *To influence organizational outcomes and accountability by promoting good governance, effective risk management and controllership, and comprehensive and transparent performance information.*
- *To deliver high quality, cost-effective audit services.*

Strategies	Performance Measure	Actual 2004	Actual 2005	Industry * Benchmark	Annual Target
Customers & Stakeholders Perspective					
Deliver quality audit reports to clients and stakeholders	• Collaborative risk-based Audit Plan in place • # of Audit Committee meetings • # of reports issued to clients/stakeholders • Post project satisfaction rating (out of 5) • % of clients/stakeholders who rate the quality of audit reports as 'reliable and credible'	100% 5 9 4.7 new	100% 2 7 3.9 new	67% n/a n/a 4.2 n/a	100% 5 6 4.5 75%
Provide timely, value-added and relevant recommendations	• % of projects that met target date • Audit recommendations accepted • Audit recommendations implemented (3-5 years) • % of clients/stakeholders who rate audit reports as 'relevant' or 'very relevant' • % of clients/stakeholders who rate audit recommendations as 'value-added'	82% 99% 73% new new	68% 97% 80% new new	74% 88% 82% n/a n/a	80% 95% 82% 75% 75%
Educate clients and stakeholders on strategic areas of focus (governance, risk management & controllership, performance information)	• # of advisory projects • # of presentations and workshops • % of recommendations dealing with focus areas • % of clients/stakeholders who believe that audit recommendations improved focus areas	4 5 83% new	5 1 77% new	n/a n/a n/a n/a	2 2 75% 75%
Maintain focus on primary assurance role while dedicating some resources to advisory and investigative roles	• % direct hours dedicated to assurance • % direct hours dedicated to advisory • % direct hours dedicated to Investigations	68% 24% 8%	92% 6% 2%	n/a n/a n/a	80% 0-20% 0-20%

** Industry is represented by the Association of Local Government Auditors. The latest comparative year is 2004.*

Financial Perspective					
Prudently manage public resources	• Budget commitment met (within 10%)	100%	100%	n/a	90%
Deliver cost-effective audit services	• Cost of audit services (per billable hour)	$89.74	$89.68	$98.39	$98.39
Potential cost savings/avoidance or revenue generation opportunities	• Total dollars identified in Audit reports (% of department budget)	new	new	n/a	50%

Audit Department Balanced Scorecard

Our Goals

- *To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.*
- *To influence organizational outcomes and accountability by promoting good governance, effective risk management and controllership, and comprehensive and transparent performance information.*
- *To deliver high quality, cost-effective audit services.*

Strategies	Performance Measure	Actual 2004	Actual 2005	Industry* Benchmark	Annual Target
Employee and Organizational Perspective					
Maintain staff capacity through recruitment and/or secondment	• Approved staff complement • Audit staff to total organizational staff	10 1:1140	10 1:978	n/a 1:750	10 1:750
Supplement competencies with external and internal partnerships	• # of collaborative projects	3	5	n/a	1
Build a competent and diverse workforce	• % of auditors with professional designations • Training hours per year per staff member • % of staff from designated group	100% 42 10%	100% 39 20%	76% 40 n/a	90% 40 10%
Promote a positive working environment	• Average level of staff satisfaction on several attributes per annual survey (out of 5)	4.24	4.1	n/a	4
Ensure effective performance management model and process	• On-going formal feedback at project level • Bi-annual evaluation for each staff member	76% 38%	68% 30%	n/a n/a	100% 50%
Internal Business Processes Perspective					
Assure professional standards are maintained	• Risk assessment for each project • Projects meet quality assurance standards • Peer review standards met (per external review)	100% 100% n/a	100% 100% n/a	n/a n/a 100%	100% 100% 100%
Complete committed projects on budget	• % Target budget met within 10% • % Completion of Audit Plan	91% 80%	88% 75%	74% 90%	80% 80%
Implement best practices	• % of industry best practices implemented	88%	88%	48%	90%
Optimize productivity	• Direct hours to total hours available • Audit management software implemented	62% n/a	67% 2007	63% n/a	65% n/a

** Industry is represented by the Association of Local Government Auditors. The latest comparative year is 2004.*

APPENDIX A: AUDIT COMMITTEE

The Audit Committee fulfills its role on behalf of City Council. The Mayor chairs the committee and members are the Deputy Mayor and the chairs of the Standing Policy Committees. Audit Committee meetings are scheduled four times a year or more frequently at the call of the Chair. The City Auditor, External Auditor, Chief Administrative Officer, Chief Financial Officer and other senior managers attend each meeting depending upon the agenda.

The Audit Committee's principal role is to ensure that due diligence has been directed towards ensuring that an effective control framework is in place to provide reasonable assurance that the financial, operational and regulatory objectives of the City are achieved and that the governance and accountability responsibilities of Council and the Administration are met.

The objectives of the Audit Committee are

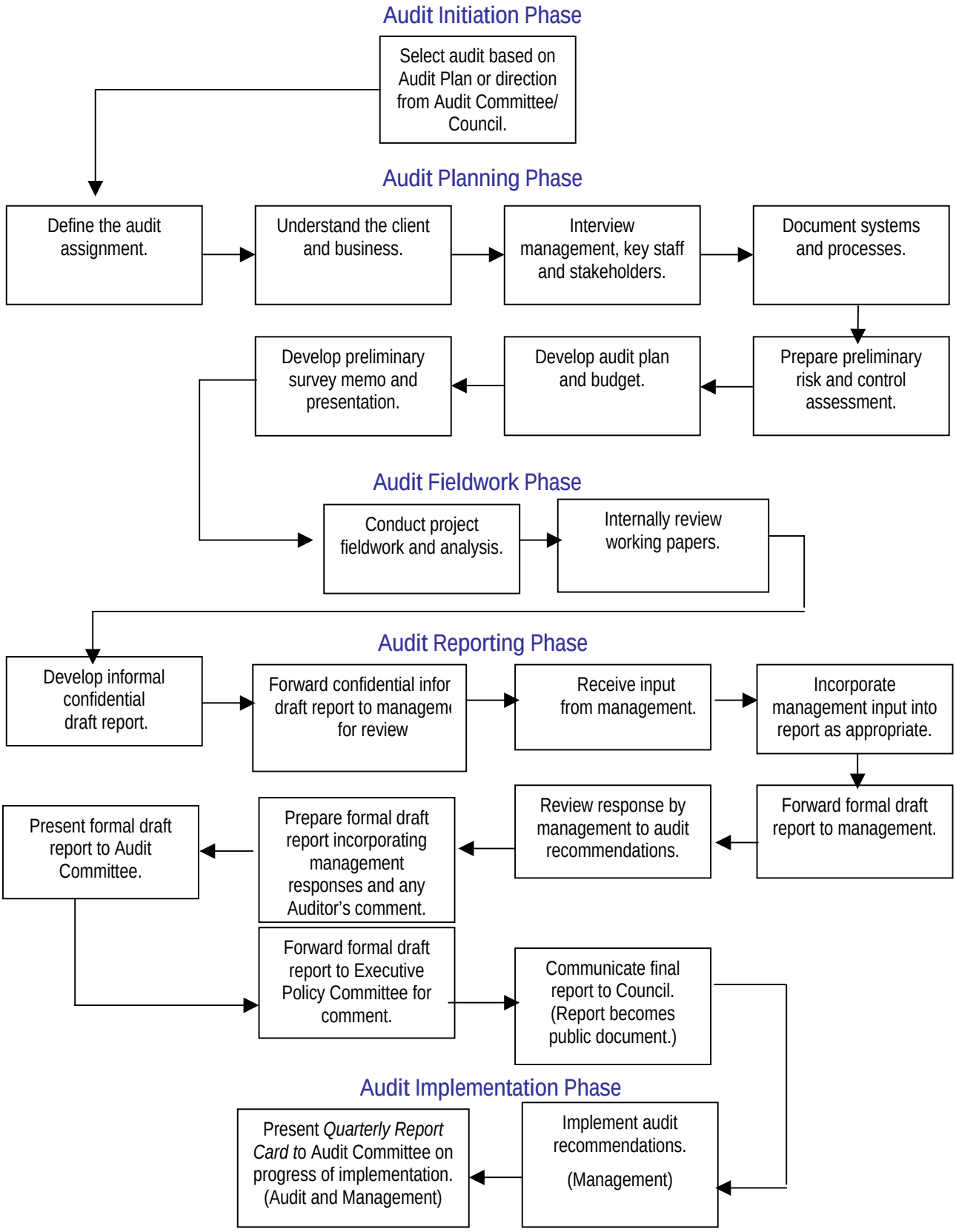
- to help City Council achieve its performance goals, including the economy, efficiency and effectiveness of operations, and safeguarding assets from loss;
- to promote the appropriate environment for the management of public funds which emphasizes the accountability of employees;
- to support high standards of ethical conduct;
- to ensure reliability of ethical conduct;
- to ensure reliability of external and internal reporting;
- to ensure compliance with laws, regulations and policies; and
- to strengthen the independence of the Audit function by providing a forum for communicating findings to elected officials and facilitating the Audit function's independence from management.

The Audit Committee *Terms of Reference* were approved by City Council in 1998. The Terms of Reference describe the Audit Committee's specific responsibilities for the following:

- the City's Control Framework;
- the major accounting policies;
- the annual Financial Statements;
- reports and special studies;
- City Audit Department;
- External Auditor;
- meetings; and
- review of Terms of Reference.

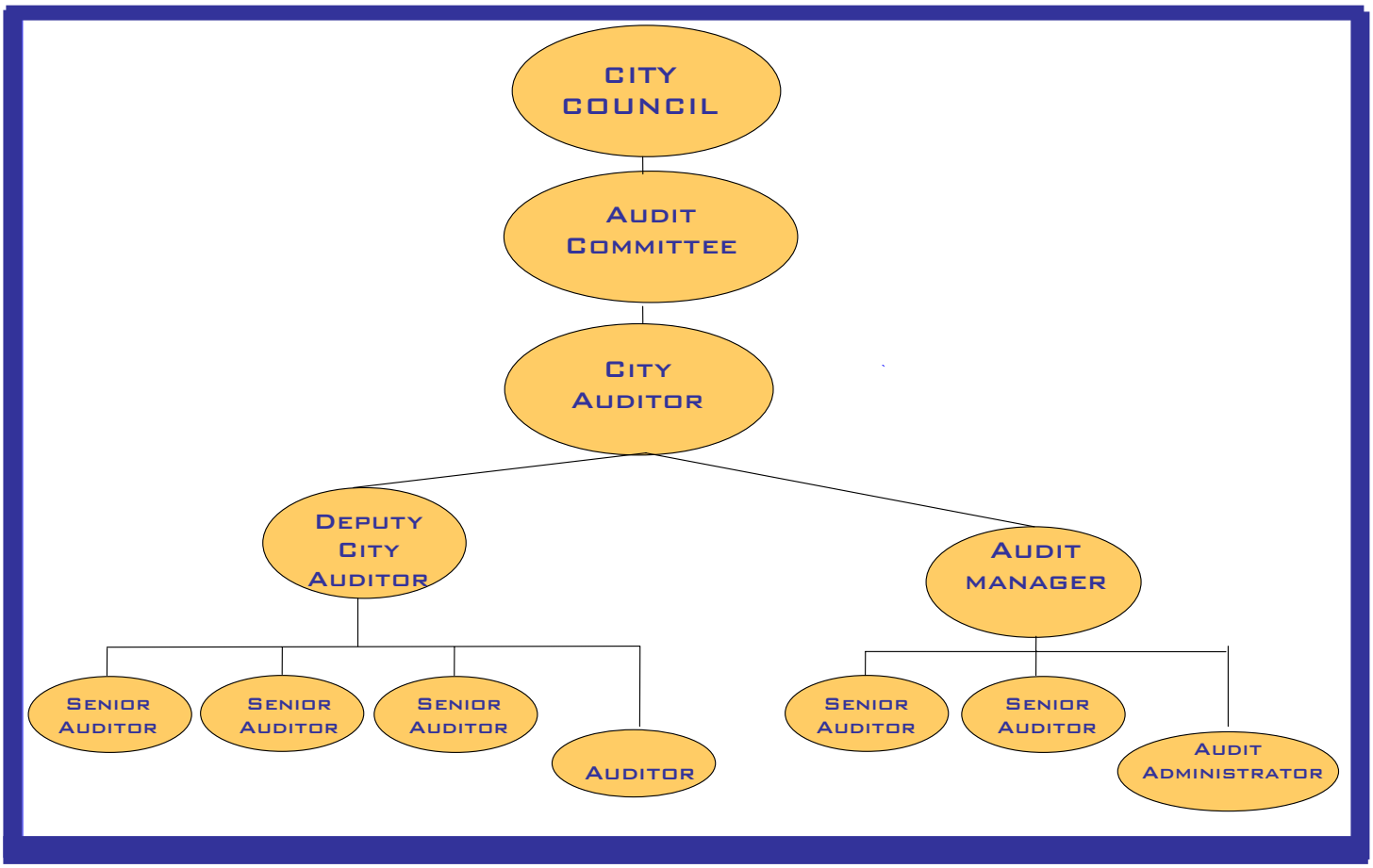
A copy of the complete *Terms of Reference* can be obtained from our Audit website.

APPENDIX B: AUDIT PROTOCOL



APPENDIX C: ORGANIZATION CHART

AUDIT DEPARTMENT



The Department's staff complement was approved in 2000 and confirmed in 2004.

APPENDIX D: STAFF PROFILES

Shannon Hunt, CGA, CFE
City Auditor

Shannon was appointed City Auditor in 1998. Originally from Winnipeg, Shannon spent twenty years in Toronto in a variety of positions with both the federal and provincial governments. Throughout her public service career, she has promoted audit as a catalyst of organizational change and a champion of best practices. Shannon has a Bachelor of Arts in English from Carleton University and a Bachelor of Education from the University of Toronto. She is a frequent speaker and instructor on matters relating to audit and risk management. Shannon is a Certified General Accountant and Certified Fraud Examiner.

Brian Whiteside, CA●CIA
Deputy City Auditor

Brian joined the Audit Department in 1997 and was appointed Audit Manager in May 1999. In June 2003, Brian became the Deputy City Auditor. Previously, Brian worked for the Office of the Provincial Auditor of Manitoba in the Value for Money Audit Division. Brian has several years experience in all facets of legislative auditing including value for money, attest and compliance auditing. Brian is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) with a major in accounting. He holds the designations of Chartered Accountant and Certified Internal Auditor.

Bryan Mansky, MBA, CMA, CIA
Audit Manager

Bryan joined the Audit Department in 1999 as a Senior Auditor and was appointed Audit Manager in 2003. Previously, Bryan worked as a management consultant specializing in the areas of quality management systems (ISO 9000), feasibility analysis, business planning and strategic planning. Prior to that, he worked as a commercial loans manager. Bryan is a graduate of the University of Manitoba with a Master of Business Administration degree. He holds the designations of Certified Management Accountant and Certified Internal Auditor. Bryan is on the executive of the Information Systems Audit and Control Association board in Winnipeg.

Donna Woytowich
Administrative Coordinator

Donna has been with the City for eighteen years and joined the Audit Department in 1998 in a clerical capacity. She was promoted to the new Administrative Coordinator position in 2000. In her current role, she is responsible for all of the administrative functions of the department, including financial reporting, budget preparation and all areas related to human resources. In addition to these duties, Donna participates as a team member on various audit projects. She also coordinates the *Quarterly Report Card* on the status of the implementation of prior audit recommendations.

Jason Egert, CA●CIA
Senior Auditor

Jason joined the Audit Department as a Senior Auditor in 2002. Previously, Jason worked as an Internal Auditor for the Canadian Wheat Board and in the private sector as a Controller and Senior Financial Analyst. Jason brings several years of experience in risk-based operational, compliance and attest auditing, financial analysis, controllership and business process reengineering. Jason is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) degree and a Masters of Accountancy degree. He is a Chartered Accountant and a Certified Internal Auditor. Jason is the Director, Business Relations for the Winnipeg chapter of the IIA and member of the membership committee for ALGA.

Kevin Milne, CGA, CIA
Senior Auditor

Kevin joined the Audit Department in September 2000. Previously, he was an Internal Auditor for the Canadian Wheat Board for three and a half years and for Ducks Unlimited Canada for seven years. He brings several years of experience in many types of auditing including compliance, comprehensive and risk-based operational audits as well as fraud investigations. Kevin is the Department's lead facilitator and is a guest trainer for the Corporate Services Department. In addition, he is an instructor for the Institute of Internal Auditors. Kevin is a Certified General Accountant and a Certified Internal Auditor.

Autumn Robbie-Draward, CIA
Auditor

Autumn has been with the City since 1984. She joined Audit in 1998 as the Department's Research Analyst and in 2005 she was promoted to Auditor. Autumn is experienced in the areas of scientific research, public relations and communications. She holds a Bachelor of Science in Agriculture and a Bachelor of Arts in Labour Studies from the University of Manitoba and a Technical Communications Certificate from Red River College. She obtained her Certified Internal Auditor (CIA) designation in 2004. Autumn is a Senior Member for the Society for Technical Communication and Vice-President of Public Relations for Toastmasters.

APPENDIX E: DEPARTMENT CONTACTS

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Audit Manager

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Administrative Coordinator

Donna Woytowich
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General Office

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Audit Website

All of our public reports are available from our website at

www.winnipeg.ca/audit/

APPENDIX F: RECENT ACHIEVEMENTS

Integrated Risk Management (IRM)

The Audit Department led the development of an Integrated Risk Management model for the City to provide a framework to identify, manage and communicate the risks that are within the organization's control and position it to better respond to those risks that are beyond its control. IRM supports good corporate governance by providing decision-makers with information needed to make more strategic choices. For the first time, in 2004, risk profiles prepared by the Administration during Audit-led workshops were incorporated into Departmental Business Plans, the Corporate Plan and Audit Plan. Audit staff continue to provide risk workshops for significant initiatives such as large capital projects as well as corporate training upon the request of departments.

Identification of Cost Savings

During our audits, we have attempted to quantify potential cost savings/avoidance in the services reviewed. For example, in our audit of the Photo Enforcement Program, we identified that the fixed service contract would result in cost savings of about $10 million to the service provider over five years. Subsequently, the Administration was able to negotiate a decrease in the final year of the contract as well as receive service enhancements for a value of approximately $2 million.

Alternative Service Delivery (ASD)

One of the focuses of our 2004 - 2006 Audit Plan was an assessment of the City's transition to a more business-like environment through implementation of alternative service delivery. We reviewed Special Operating Agencies and identified improvements to the ASD process as well as opportunities to optimize the value of the initiative and apply lessons learned to existing City services. We also conducted a review of CentreVenture, the City's downtown development agency and made several recommendations to assist the agency to re-focus its priorities for its third mandate.

Enhanced Performance Information

Quality of performance information has been a particular focus over the last couple of years. All Audit reports start with a '*Report on Performance'* that provides Council with detailed operational and financial results of the service under review. We have also introduced a '*Balanced Scorecard'* to measure our own performance. At the direction of the Audit Committee, the Audit Department recently developed a '*Quarterly Report Card'* in collaboration with the Chief Administrative Officer to track and report on the status of all outstanding Audit recommendations. Finally, we worked with the Corporate Controller and other Administrative staff to develop a Fraud Policy for the City. A new corporate directive entitled *'City of Winnipeg Fraud, Theft or Related Irregularities'* was released in 2006.

Infrastructure

We conducted two comprehensive reviews of the City's asset management practices: *Roadway Construction & Maintenance* and *Facilities Maintenance*. We recommended improvements to current asset management approaches and systems as well as identified an opportunity to consolidate some services for the latter function.

Internal Services Review

In a continuing effort to optimize productivity in the department, our research activities were absorbed into our advisory and assurance functions, resulting in the re-deployment of our Research Assistant to an Auditor position. This reduced staff resources dedicated to internal support services by almost 10%. We have also identified an opportunity to leverage audit management software used by the Auditor General of Manitoba.