Winnipeg

# City Auditor/Chief Performance Officer



## 2010 Report on Performance

# *Reflections of the City Auditor/Chief Performance Officer*

Over the last few years, we have had a particular interest in assessing how well the City has done in providing transparent accountability information to decision makers and the public. This has continued to be our focus in 2010. We believe that the City must focus on 'getting it right' – achieving an appropriate balance between the quality and cost of service delivery. As the Public Service endeavours to achieve this balance within budgeted resources, the importance of having sound performance measurement systems increases. In order to make informed decisions, decision makers must have access to performance information that measures the "right things".

In 2009, our small team developed an ambitious two year audit plan with a clear vision and shared values. We amended our service lines to recognize our dual mandate and to guide and focus our work. In 2010 we worked with the Public Service on improving performance measurement and performance management at the City. Our role included providing advice and recommendations on the definition and development of performance measures. We believe that the availability of transparent performance information is essential for the citizens to understand how well services are being managed and will result in greater accountability for tax dollars spent.

Over the past year, I have had the privilege of asking the questions that citizens have about the workings of their government and getting the answers on your behalf. My team and I have tackled some tough issues and tried our best to provide realistic recommendations to improve the City's services and provide value for your dollars spent. While it has been my role and responsibility to bring my concerns forward, I have also been pleased to report many successes as the Public Service has stepped up to address those concerns. The Public Service is reporting as of December 31, 2010 that they have fully implemented 81% of the audit recommendations we made since 2006.

Our accomplishments would not be possible without our competent and professional staff. I want to thank them for their continued dedication to the Department and to the Council we serve. I trust you will find that this performance report presents a balanced accounting of our activities, results and impacts for the year 2010.



Brian Whiteside, CA.●CIA
City Auditor/Chief Performance Officer

March 30, 2011

# *City of Winnipeg Audit Department*
# *2010 Report on Performance*


Our Mandate....3
Our Service Value....4
Our Mission....5
Our Vision....5
Strategic Goals....5
Key Risks....5
Our Service Lines....6
Our Resources....6
Our Intended Outcomes....7
Our Accountability for Performance....8
Our Project Summaries....9
- Advisory Services....9
- Assurance Services....11
- Audits In-Progress....16
- Investigation Services....18

Status of Audit Recommendations....19
Our Balanced Scorecard....21
Our Organizational Leadership....25
Our Professional Support....25
Who We Are....26
How to Reach Us....28

# *Our Mandate*

The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter*. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service. The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations. After communication to City Council, an audit report becomes a public document.

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 Audit Department mandate has remained unchanged since 1989. In 2009, the Mayor and the CAO introduced the concept of a Chief Performance Officer for the City. The mandate of the department, with the addition of the Chief Performance Officer role, is as follows:

- *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 CAO.*
- *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 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.*

Chief Performance Officer Role

- *To monitor the implementation of recommendations from audit reports and report on the status of implementation of recommendations to Audit Committee.*
- *To provide advice and assistance on the definition and development of performance measures, the implementation of performance management systems and the reporting of performance information to the public and to advocate for the use of performance information.*

## *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/Chief Performance Officer 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/Chief Performance Officer is directly accountable to City Council through the Audit Committee comprised of Executive Policy Committee members.
- The City Auditor/Chief Performance Officer is solely responsible for the staff and internal operations of the Audit Department within the budget approved by City Council.
- The City Auditor/Chief Performance Officer has broad and defined powers of access to information and City staff by virtue of *The City off Winnipeg Charter .*
- Auditors are required to follow strict standards established by their professional associations and the Audit 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*

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 Public Service 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 matures. 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 *Our Winnipeg*.

# Our Mission

To support City Council and the Public Service 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

# 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. Therefore, the Department 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 Public Service 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.

## Capacity

The quality of our assurance and advice is dependent upon the knowledge, skills and ability of our staff. 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
- Committee participation

## 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/Chief Performance Officer under the *City of Winnipeg Fraud, Theft or Related Irregularities Directive*. Reviews are typically limited in scope.

# Our Resources

The office had an authorized complement of 10 full-time equivalent positions in 2008. In 2009, the department's staff complement was reduced to 7 full-time positions as a result of budget restrictions. Current staffing levels are lower than comparable organizations.

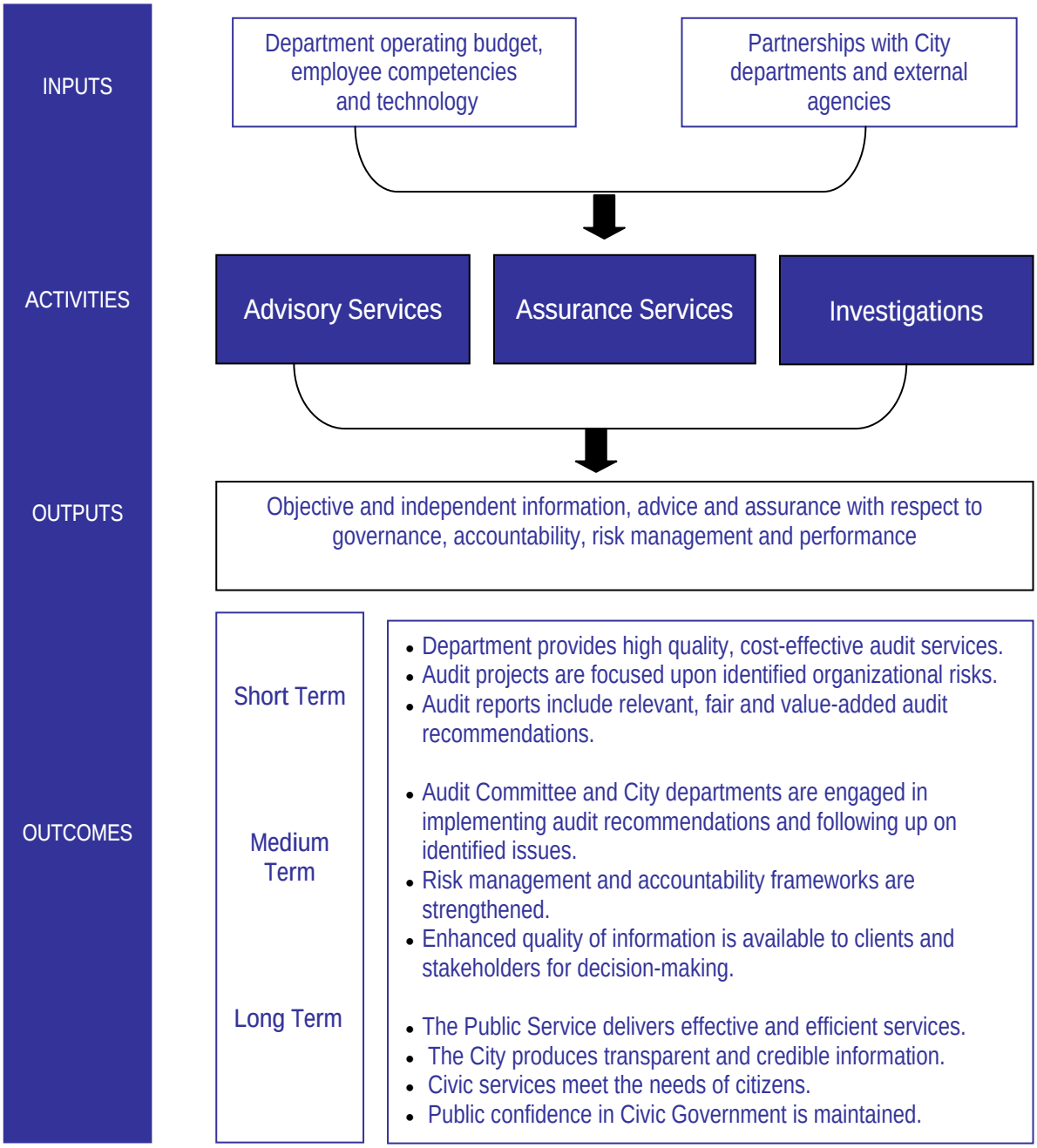
The Audit Department budget and expenditures are shown below:

| Description | Fiscal Year 2008 | 2009 | 2010 |
|---|---|---|---|
| Budget | $ 1,070,130 | 838,755 | 844,715 |
| Expenditures | $ 912,714 | 746,4146 | 821,294 |
| | $ 157,4161 | 92,239 | 23,421 |

# *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 Accountability for Performance*

## Our Mission and Vision

**Mission** To support City Council and the Public Service in the achievement of organizational objectives by providing objective and independent information, advice and assurance with respect to governance, accountability, risk management and performance

**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 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

## Our Key Risks

Credibility - maintain a high standard of competence and professionalism
Independence & Objectivity - provide independent assurance that is fair & balanced
Relevance - produce high quality reports that include value-added recommendations
Resources - maintain an adequate level of resources to provide an appropriate level of assurance
Capacity - supplement resources with partnerships and audit processes that optimize coverage and productivity

## Our Key Strategies

- Deliver timely, value-added and relevant audit reports
- Educate clients and stakeholders on strategic areas of focus
- Improve quality of information for clients and stakeholders
- Maintain departmental capacity and a professional workforce
- Prudently manage financial resources
- Deliver cost-effective and innovative audit services
- Ensure an effective performance management model

## Our Performance Measures & Results

In the remainder of our *Report on Performance*, we will present the results of our work. We will summarize our significant projects, the key conclusions reached and management's response. We will also update the status of our recommendations. Finally, we will provide our own performance measures and results against industry standards and departmental targets in our *Balanced Scorecard for 2010.*

# Our Project Summaries

## Advisory Services

### Quarterly Report Card

The Audit Department's work does not end when an audit report is presented to City Council. The most important component of an audit recommendation is its implementation. The Public Service provides a response to each audit recommendation in the Audit Report along with an action plan. The subsequent implementation of the audit recommendations in accordance with the action plans is the responsibility of the Public Service.

Since 2006, the Status of Audit Recommendations Quarterly Report Card is reported to Audit Committee. The Quarterly Report Card is produced at the end of March, June, September and December and is presented at the next Audit Committee. While the Audit Department facilitates the process, the Quarterly Report Card presents management's representations as to the status of recommendations implemented, in progress, or not to be implemented. For recommendations in progress, an implementation strategy and timeframe is provided. For recommendations not to be implemented, an explanation is provided. The Audit Department does not audit the responses but does provide an opinion on the completeness of the responses and the reasonableness of action plans proposed. The CAO and appropriate departmental staff attend Audit Committee to respond to any questions members may raise regarding the project updates.

### Review of the Councillors' Representation Allowance Fund – Policy Requirements Supplementary Report

At the request of Council, we completed a supplementary report to our November 2009 *Review of the Councillors' Representation Allowance Fund* report in 2010. This report contained recommendations for proposed changes to the *Councillors' Representation Allowance Fund Policy Requirements* to ensure that the Policy anticipates all expenditure categories, clearly defines allowable expenditures, and reflects a contemporary view of public expectations and best practices.

### Performance Measurement Project

The Performance Measurement Project stems from the addition of the Chief Performance Officer role which was added to the City Auditor responsibilities. The audit is a multi-year project and was identified in the 2009 to 2010 Audit Plan. The objectives of the project are

- to support and encourage the performance transformation;
- to create a system of effective operational indicators that identify which parts of the City are working and what needs to be fixed; the focus will be on the need to develop measures that are useful and meaningful to the public; and
- to make performance transparent; transparency creates an incentive for agencies to do a better job.

The focus of the project in 2010 has been to encourage and assist management by working with the Office of the CFO to design and integrate performance measures into the City's operating budget. Efficiency and effectiveness measures have been identified for all public services and a balanced scorecard approach has been developed to capture corporate services performance information. We are planning to provide assurance on some of the performance indicators reported by the Public Service starting in 2012.

## *Fraud and Waste Hotline Research Study*

Over the past few years, municipalities across Canada have been implementing fraud and waste hotlines in conjunction with their fraud prevention and detection programs and policies. With the recent increases in reports of fraud in other large organizations, fraud hotlines and whistle-blower protection programs have become effective methods of enhancing existing fraud controls and ensuring the protection of the assets.

A research study on fraud and waste hotlines was approved in the City Auditor's Audit Plan for 2009 to 2010. The purpose of the study was to determine whether additional measures would help enhance the existing methods of reporting fraud or related irregularities. In July 2006, the *City of Winnipeg Fraud, Theft or Related Irregularities Administrative Standard* was approved by the Chief Administrative Officer (CAO). There have been three reports received from employees since its implementation.

Research conducted by the Association of Certified Fraud Examiners found that the typical Canadian organization loses approximately 5% of its annual revenues to fraud every year. The association identified that the number one method of detecting fraud is by tips received through hotlines.

A fraud and waste hotline is a valuable tool used by organizations to identify potential unethical behaviour, fraud or waste through anonymous reports from employees. Hotlines are operated with complete anonymity and provide an opportunity for employees to report their concerns. Research indicates that the number of reports made regarding fraud or waste will increase with the implementation of an anonymous fraud and waste hotline, because people are more likely to report information where they are assured anonymity.

In Canada, a number of cities including Calgary, Edmonton, Ottawa, Toronto, Windsor and recently Montreal, have implemented anonymous hotlines for staff and/or the public to report fraud or waste. The hotlines are managed by the Audit Department and the intake of reports is either done by the audit department or has been contracted to an external service provider.

The implementation of a fraud and waste hotline should increase the number of reports received regarding fraud and waste in the City of Winnipeg and help to better safeguard City assets. It is recommended that the Audit Department take the lead in the development, implementation and on going operations of the hotline. The Study recommends that the intake function would be outsourced to an external service provider to receive and document the calls. The Audit Department would review all reports and investigate or forward the information to the appropriate department, as required.

The Fraud and Waste Hotline Research Study is scheduled for presentation to the Audit Committee in April 2011.

## Due Diligence Reviews

### *Collective Bargaining Agreements*

During 2010, we completed reviews of two collective bargaining agreements. Council policy requires that, prior to ratification, the City Auditor/Chief Performance Officer and External Auditor report on the full and long-term costs of collective bargaining agreements presented by the Public Service. Our role is to ensure that the net incremental costs or savings to the City of Winnipeg have been completely and appropriately identified, calculated and summarized, and that all significant assumptions are disclosed.

## Compliance Audits

### *Councillors' Representation Allowance (CRA) Fund*

We audited the expenditures incurred under the CRA Policy for the year ended December 31, 2009 to ensure they complied with the policy requirements and principles of the fund. The CRA provides funds to be used by City of Winnipeg Councillors to pay for goods and services that are required for the functioning of their offices, to communicate with their constituents, and represent and support their wards.

Expenditures for all fifteen City Councillors were audited and the results were reported to the Council Secretariat Committee.

## Performance Audits

### *Business Resumption Planning*

The City of Winnipeg uses and relies on technology to provide critical services to the public twenty-four hours a day, seven days a week. Any loss of the system's capabilities could have a significant impact on the City's operations and the citizens. To address the increasing risk, it is imperative that the City develop and implement a business resumption planning program with detailed business resumption plans to ensure processes and procedures are in place to recover the critical IT systems quickly.

An audit of business resumption planning was included in the 2009-2010 Audit Plan to determine the adequacy of the current business resumption plans and strategies in place to restore the critical systems in the event of a significant business disruption.

The main focus of our review was on the corporate financial and human resource management systems. We evaluated the governance structure and the coordination of business resumption planning at the corporate level. We reviewed the overall processes and procedures in place for the IT related functions within Corporate Support Services to respond to a business disruption. Furthermore, we also reviewed the IT business resumption plans in place for an additional four critical services provided by other departments in the City: the Handi-Transit scheduling system, the Wastewater Treatment System, the Water Treatment Process and 311.

A program related to Business Resumption Planning on a city-wide basis has not been developed. Also roles and responsibilities

have not been formally assigned for the program. The Director of Corporate Support Services has been assigned several responsibilities related to IT. We recommended that her role be expanded to include the role of program leader of a business resumption planning program. This would include initiating the development of an enterprise-wide business resumption planning program.

With the pandemic planning initiative lead by the Disaster Preparedness & Response Division, City departments have begun the process of identifying and prioritizing their essential services and the supporting critical systems. Although certain departments have begun looking at the criticality of their systems and operations, the governance structure in place does not facilitate an enterprise wide approach to undertaking risk assessments.

We determined that Corporate Support Services currently has the capability to restore some corporate systems; roles and responsibilities are generally understood in the department, back-ups of data are performed on a daily basis; and redundancies in the network capabilities have been established. However, to effectively enact a business resumption planning program, a plan must also include communication procedures and the processes and procedures to recover the systems must be clearly documented. In the event of a significant business disruption to the main IT site, the roles, responsibilities and communication plans have not been formally defined, assigned or documented.

To ensure the successful implementation of resumption plans, staff training and periodically testing the plans, at least annually, are important parts of ensuring all employees are familiar with their roles and responsibilities during a significant business disruption.

We concluded that the four systems — the Handi-Transit Scheduling system, the Wastewater Treatment System, the Water Treatment Process and the 311 Contact Centre — all have adequate business resumption plans in place. The plans cover various aspects of business resumption planning, such as back-up procedures, manual procedures and IT system redundancies to ensure the recovery of critical systems. as well as, mitigating the impacts of a business disruption or system failure.

Corporate Support Services agreed with all five recommendations and has begun to implement the recommendations in 2010.

## *Winnipeg Fleet Management Performance Audit*

The Winnipeg Fleet Management Agency (WFMA) provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to various City of Winnipeg departments. This includes vehicle and equipment acquisition and disposal, repair and maintenance services, fuel supply and management, insurance, licensing and registration. The WFMA charges each department for the services they provide.

The audit was identified in the City Auditor's Audit Plan for 2007 to 2009 and endorsed by the Audit Committee. The purpose of this audit was to report to Audit Committee on the operational performance of the agency.

We made the following observations concerning WFMA's operational performance:

- WFMA has worked with departments in reducing the size of the fleet and increasing the standardization to reduce the diversity of parts.
- WFMA has made enhancements in the fuel delivery system by improving security and installing technology to

provide better information on fuel consumption.

- WFMA has exceeded revenue and net income projections, and total expense has increased by 25% since 2003.
- The value of parts inventory has increased by 136%, while the size of the fleet has decreased significantly and has been standardized to reduce the diversity of parts.
- WFMA has partially implemented a fleet management system and life-cycle cost methodology. WFMA still has considerable work to do to fully implement the fleet information system (RTA) and its associated life-cycle costing methodology and parts inventory system.
- Contracting for professional services needs to be better managed to ensure value for money is achieved.
- Expenditures on training and development need to be better managed to ensure the organization is making the best use of limited training and development funds.
- Due to the lack of available performance information on key aspects of WFMA operations such as mechanic productivity, it is difficult to assess how well WFMA has performed since it has become an SOA other than the bottom line. Better performance information is required to demonstrate the benefits and the cost-competitiveness of the Winnipeg Fleet Management Agency to its customers.

The Audit Report was presented to Audit Committee in March 2010 and contains ten recommendations to improve operations in the areas of:

- Management oversight
- Information systems planning and management
- Procurement and Contract management
- Inventory management
- Life Cycle Costing
- Leasing
- Human resource management
- Performance measurement

The responsibility for implementation of the majority of the recommendations contained within the audit report resides with the Winnipeg Fleet Management Agency. The report also contains a couple recommendations to whom the responsibility for implementation resides with the Chief Administrative Officer and the newly formed Board of Directors.

## *Local Improvements Audit*

The Local Improvements service is a coordinated effort between six City departments. Though the service is a relatively small one for the City, comprising only 1% to 2% of the annual capital budget on average, it can be fairly complex. The service involves a number of stakeholder groups, requires adherence to specific legislative guidance contained in *The City of Winnipeg Charter Act* and *The Local Improvement Regulation By-law* and monitoring different types of significantly diverse projects.

The Local Improvement Branch of the Assessment and Taxation Department acts as a coordinating hub for the service, completing the majority of the projects within a two-year period. We identified opportunities to strengthen oversight of the process through the addition of a quality review process within the Assessment and Taxation Department. We believe that the addition of a quality review process within the department will increase the assurance that the local improvements comply with legislation and the regulation by-law, and will further assure that Council receives all relevant information regarding local improvement projects before the taxes are imposed on property owners. We also identified opportunities to improve

accounting for the assets, revenues and liabilities created under local improvements.

We reviewed citizen-initiated local improvements and found them to be compliant with all applicable authorities. We did identify opportunities to improve communication with potentially affected property owners for those local improvements initiated by a developer. We also found a number of development agreements that contained clauses to impose local improvement taxes for the installation of basic infrastructure elements. The imposition of local improvement taxes in these instances is inconsistent with the vast majority of development agreements where these items are treated as basic infrastructure.

Further, we noted several cases did not receive Council approval as required by *The City of Winnipeg Charter Act*. We have forwarded these cases to the Legal Services Department for further review. We have also recommended that the *Local Improvement Regulation By-law* be amended to ensure that this type of situation does not occur in the future.

Projects handled through the local improvement process can span many years and the supporting documentation may need to be referenced decades later. Currently, much of the critical records and maps are maintained in a single hard-copy format. For this reason, we have made a recommendation that the branch explore options for creating electronic back-up files for all project documentation.

We presented our report to Audit Committee in July 2010 and it was tabled in Council in March 2011. The Public Service agreed with the nine recommendations and has initiated actions to implement the recommendations.

## *Operational Review of the Winnipeg Parking Authority*

The Winnipeg Parking Authority (WPA) was established as a Special Operating Agency of the City of Winnipeg in 2005. The WPA manages all City-owned parking facilities, including two parkades in the downtown area; 2,500 parking meters in downtown Winnipeg and on streets near the Winnipeg Health Sciences Centre and St. Boniface Hospital; and numerous surface lots throughout the city.

The operational review of the WPA was included in the City Auditor's 2009-2010 Audit Plan, which was endorsed by Audit Committee.

The Audit Department contracted out the operational review to a consultant. The operational review is to cover the following key areas of the Winnipeg Parking Authority:

- Parking services delivery – efficiency and effectiveness of the delivery of parking services including but not limited to price competitiveness, utilization rates, cost structure, staff utilization.

- Enforcement – adequacy and effectiveness of enforcement activities as compared to industry and other jurisdictions.

- Asset management – adequacy and effectiveness of current asset management processes including but not limited to the condition assessment, maintenance and investment in key assets. Also a review of the inventory to identify any divestiture opportunities.

- Customer service – adequacy and effectiveness of processes to assess and respond to customer requirements and

adequacy of employee hiring and training processes.

- Collections – adequacy and effectiveness of collection, cash handling, and revenue control procedures.
- Contract management – adequacy and effectiveness of processes for managing key service contracts to ensure service provider are providing value for the services they are contracted to perform.
- Performance reporting – adequacy and accuracy of current performance reporting processes to drive strategic planning and to assess progress against current strategic goals and objectives.

The operational review was completed in 2010. We expect to report on the results of the operational review in early 2011.

## *Operational Review of Winnipeg Golf Services*

Winnipeg Golf Services (WGS) was designated as a Special Operating Agency effective January 1, 2002. WGS maintains and operates three courses (Kildonan Park and Windsor Park, Crescent Drive) and administers various contract management agreements for nine other courses.

The operational review of the WGS was included in the City Auditor's 2009-2010 Audit Plan, which was endorsed by Audit Committee.

The Audit Department contracted out the operational review to a consultant. The operational review is to cover the following key areas of Winnipeg Golf Services:

- Golf services delivery – efficiency and effectiveness of the delivery of golf services.
- Asset management – adequacy and effectiveness of current asset management processes including but not limited to the condition assessment, maintenance and investment in key assets. Also a review of the inventory to identify any divestiture opportunities is to be performed.
- Customer service – adequacy and effectiveness of processes to assess and respond to customer requirements and adequacy of employee hiring and training processes.
- Collections – adequacy and effectiveness of collection, cash handling, and revenue control procedures.
- Contract management – adequacy and effectiveness of processes for managing key service contracts to ensure service providers are providing value for the services they are contracted to perform.
- Performance reporting – adequacy and accuracy of current performance reporting processes to drive strategic planning and to assess progress against current strategic goals and objectives.

The operational review was completed in 2010. We expect to report on the results of the operational review in early 2011.

## Traffic Signals Performance Audit

The Traffic Signals Branch forms part of the Transportation Division of Public Works Department. The branch is responsible for the operation and maintenance of 611 traffic signals, as well as, all pedestrian corridors, overhead sign structures and flashing reds located in the City of Winnipeg. The branch is also responsible for new signal development and installation. The branch is currently in the third year of a major traffic signal enhancement project. The project which is expected to be complete in 2012 has an approved budget of $2.3 million per year for five years. The project includes the development and implementation of an enhanced traffic signal management system. Major City routes have been assessed and traffic signals will be upgraded where required. In addition, a traffic management centre will be developed that will house the traffic signal management system, and other equipment and resources, required to visually assess the performance of the roadway network.

The audit was identified in the City Auditor's Audit Plan for 2007 to 2009 and was endorsed by the Audit Committee. The purpose of this audit is to report to the Audit Committee and Council on the efficiency and effectiveness of the Traffic Signals Branch and the objectives of the audit are to:

- assess whether the key risks associated with traffic signal processes, and the efficient, timely and safe movement of vehicles, have been identified and managed;
- assess the efficiency and effectiveness of traffic signal processes;
- determine whether adequate systems, practices and controls are in place to achieve the Traffic Signals Branch goals and objectives; and
- assess whether service performance is measured, monitored and reported to ensure that service goals are being met.

The audit report was being finalized at the end of 2010. We expect to report on our results in the summer of 2011.

## Risk Management Audit

Risk Management is a Division of Corporate Finance that provides an internal service to civic departments that protects the City's assets and its ability to provide services and meet its objectives by reducing its exposure to losses. Three key goals of the division are to optimize loss mitigation activities and minimize loss payments; to optimize risk financing activities to ensure the proper balance between risk retention and risk transfer costs; and to optimize workers compensation costs to the City by actively managing WCB appeals processes and the City's reserves for future mortality, as a result of work related accident or sickness. The Risk Management Division is made up of three distinct branches: the Claims Branch, the Insurance Branch and the Workers Compensation Branch.

The audit was identified in the City Auditor's 2009-2010 Audit Plan and endorsed by the Audit Committee. The purpose of this audit is to report to the Audit Committee and Council on the efficiency and effectiveness of the Risk Management Division. The objectives of this audit are:

- to assess the operational performance of the Division;

- to determine whether adequate systems, practices and controls are in place to achieve the Risk Management Division goals and objectives; and
- to determine the extent reported service performance results are complete, relevant, accurate, balanced and meaningful.

The audit was in progress at the end of 2010. We expect to report on the results of the Audit in the summer of 2011.

## *Animal By-Law Enforcement Audit*

The Animal Services Special Operating Agency was created from the former Animal Services Branch of the Community Services Department in January, 2000. The Agency is mandated to promote, protect and safeguard the health of the Winnipeg community in connection with issues arising from pet ownership. The two approaches utilized to achieve this mandate are by-law enforcement and public education. An audit of the Animal Services Special Operating Agency was added to the City Auditor's 2009-2010 Audit Plan. The audit focuses on the strategies and management practices used in the by-law enforcement function and the performance measures used to evaluate those strategies and results. The objectives of the audit are:

- to assess the effectiveness and efficiency of by-law enforcement in the Animal Services Special Operating Agency; and
- to assess the performance measurement system used in evaluating the by-law enforcement function.

The audit report was being finalized at the end of 2010. We expect to report on the results of our audit in the summer of 2011.

We provide investigative services at the request of Council, the Public Service pursuant to the Administrative Standard *City of Winnipeg Fraud, Theft, or Related Irregularities,* City managers and citizens, or as a result of information arising from audit projects. While maintaining an independent and objective perspective, we conduct our services using a cooperative approach. As needed, we consult with staff from Human Resources, Legal Services, Corporate Finance and other investigative agencies. We also work closely with management who is responsible for taking appropriate action to resolve concerns raised during a review.

## Investigations

In 2010, the Audit Department conducted two investigations. It is our policy not to comment on investigations in progress or those that focus on personnel matters.

# *Status of Audit Recommendations*

The Audit Department's work does not end when an audit report is presented to City Council. The most important component of an audit recommendation is its implementation. The Public Service provides a response to each audit recommendation in the Audit Report along with an action plan. The subsequent implementation of the audit recommendations in accordance with the action plans is the responsibility of the Public Service.

The Quarterly Report Card is produced at the end of March, June, September and December and is presented at the next Audit Committee. The Quarterly Report Card presents management's representations as to the status of recommendations implemented, in progress or not to be implemented. For recommendations in progress, an implementation strategy and timeframe is provided. For recommendations not to be implemented, an explanation is provided.

We do not audit the responses provided by the departments. The completed Quarterly Report Card is presented to Audit Committee by the City Auditor/Chief Performance Officer along with any observations he may have.

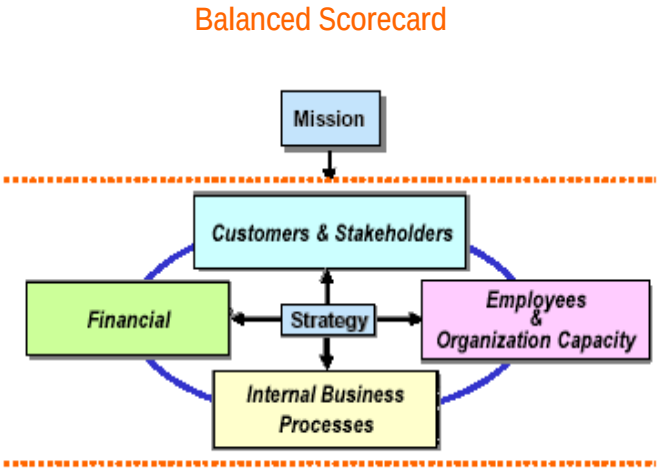
Quarterly Report Cards are completed for five years following the issue date of an audit report. After five years, the Audit Department prepares a final report to Audit Committee that provides a summary of recommendations implemented, in progress and not to be implemented. After presentation of this final report, the status of audit recommendations will no longer be tracked by the Audit Department. If there are significant concerns that cannot be satisfactorily addressed by the Public Service, the Audit Committee may propose a new audit of the subject entity through the annual planning process.

# *Five year Summary Status Report*

A summary of the implementation status of recommendations made in the more significant audit reports issued over the past five years can be found below..

| AUDIT REPORTS | Issue Date | RECOMMENDATIONS | | | |
|---|---|---|---|---|---|
| | | Total | Implemented | Pending | Not to be Implemented |
| Photo Enforcement Program Review | Feb-06 | 15 | 14 | 1 | |
| Audit of Special Operating Agencies Initiatives | Feb-06 | 17 | 17 | | |
| Public Works Asset Mgmt., Part 2 | Jun-06 | 26 | 24 | | 2 |
| Use of Consultants | Jun-06 | 11 | 11 | | |
| Performance Audit of CentreVenture | Sep-06 | 12 | 12 | | |
| Aquatics Revenue Audit | Mar-07 | 15 | 15 | | |
| Reserves Administration Audit | Mar-07 | 9 | 8 | 1 | |
| Ambulance Revenue Audit | Apr-07 | 20 | 18 | 1 | 1 |
| Permit Revenue Audit | Apr-07 | 20 | 20 | | |
| Capital Asset Review | Apr-07 | 3 | 1 | 2 | |
| Workforce Planning | Apr-08 | 3 | 3 | | |
| Assessment of Information Security Awareness | Jul-08 | 14 | 14 | | |
| Grant Administration Audit | Jul-08 | 12 | 12 | | |
| Winnipeg Police Services Overtime | Feb-09 | 11 | 11 | | |
| Capital Project Management | Feb-09 | 29 | 11 | 18 | |
| Wpg. Fire Paramedic Service Overtime & Sick Leave | Jun-09 | 10 | 6 | 4 | |
| Building Permits & Inspections Audit | Nov-09 | 6 | 2 | 4 | |
| Winnipeg Fleet Management Performance Audit | Mar-10 | 10 | 2 | 8 | |
| Business Resumption Planning Audit | Mar-10 | 5 | 1 | 4 | |
| FIVE YEAR TOTAL | | 248 | 202 | 43 | 3 |
| FIVE YEAR PERCENTAGE | | | 81% | 17% | 1% |

# *Our Balanced Scorecard*




## *The Balanced Scorecard*

We have adopted 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, the 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, targets, and actual results for the prior and current years.

## *Performance Benchmarks*

The Association of Local Government Auditors (ALGA) represents local government audit organizations in both the United States and Canada. Based on biennial surveys of members, performance benchmarks are established for audit organizations by size. The City of Winnipeg falls within the group having six to ten 10 auditors and an annual budget of $483,702 to $1,240,115. Results for 2008 to 2010 are included in the Balanced Scorecard for each performance category for which benchmarks are available.

# *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; and,*
- *To deliver high quality, cost-effective Audit services.*

| Strategies | Performance Measure | Actual 2008 | Actual 2009 | Actual 2010 | 3 year Average | Industry* Benchmk | 2011 Target |
|---|---|---|---|---|---|---|---|
| Customers & Stakeholders Perspective | | | | | | | |
| Deliver quality audit reports to clients and stakeholders | • Collaborative risk-based Audit Plan in place | Yes | Yes | Yes | Yes | n/a | Yes |
| | • # of Audit Committee meetings | 3 | 4 | 3 | 3 | n/a | 4 |
| | • # of reports issued to clients/ stakeholders | 17 | 14 | 14 | 14 | n/a | 15 |
| | • Post project satisfaction rating (out of 5) | 3.7 | 4.0 | 4.2 | 4.0 | 4.3 | 4.3 |
| | • The rating of the quality of audit reports as 'reliable and credible' (out of 5) | 3.5 | 3.8 | 4.2 | 3.8 | n/a | 4.0 |
| Provide value-added and relevant recommendations | • Audit recommendations accepted | 100% | 100% | 100% | 100% | 93% | 95% |
| | • Audit recommendations implemented (last 5 yrs.) | 85% | 79% | 81% | 82% | 78% | 82% |
| | • Clients/stakeholders rating of the audit recommendations as 'value-added' (out of 5) | 4.0 | 4.1 | 4.2 | 4.1 | n/a | 4.0 |
| Educate clients and stakeholders on strategic areas of focus (governance, risk management & controllership, performance information) | • # of advisory projects | 3 | 6 | 8 | 5 | n/a | 3 |
| | • # of presentations and workshops | 0 | 1 | 2 | 1 | n/a | 2 |
| | • # of committee membership | 1 | 2 | 2 | 1 | n/a | 2 |
| | • Clients/stakeholders rating that the audit recommendations improved focus areas (out of 5) | 3.5 | 4.1 | 3.8 | 3.8 | n/a | 4.0 |
| Maintain focus on primary assurance role while dedicating some resources to advisory and investigative roles | • % direct hours dedicated to assurance | 86% | 85% | 80% | 84% | n/a | 80+% |
| | • % direct hours dedicated to advisory | 13% | 14% | 15% | 14% | n/a | 0-20% |
| | • % direct hours dedicated to investigations | 1% | 1% | 5% | 2% | n/a | 0-20% |

# *Audit Department Balanced Scorecard*

| Strategies | Performance Measure | Actual 2008 | Actual 2009 | Actual 2010 | 3 year Average | Industry* Benchmk | 2011 Target |
|---|---|---|---|---|---|---|---|
| **Financial Perspective** | | | | | | | |
| Prudently manage public resources | • Operating Budget variance | -17% | -12% | -3% | -11% | n/a | 0% |
| Deliver cost-effective audit services | • Cost per billable hour | $114.96 | $94.96 | $102.90 | $104.27 | $91.32 | $105.00 |
| Potential cost savings/avoidance or revenue generation opportunities | • Cost savings/avoidance identified in Audit Reports | $2.18 million | $93,000 | $1.25m | $1.16m | n/a | 50% of Dept Budget |

| Strategies | Performance Measure | Actual 2008 | Actual 2009 | Actual 2010 | 3 year Average | Industry* Benchmk | 2011 Target |
|---|---|---|---|---|---|---|---|
| **Employee and Organizational Perspective** | | | | | | | |
| Maintain staff capacity through recruitment and/or secondment | • Approved staff complement<br>• Number of Auditors (FTE) to total organizational staff | 10<br>1:865 | 7<br>1:1264 | 7<br>1:1403 | 9<br>1:1177 | 6 - 10<br>1:1066 | 7<br>1:1403 |
| Supplement competencies with external/internal partnerships | • # of collaborative projects | 5 | 2 | 4 | 4 | n/a | 4 |
| Build a competent and diverse workforce | • % of auditors with professional designations<br>• Number of training hours/FTE<br>• Work diversity by designated group | 100%<br>34<br>38% | 100%<br>18<br>43% | 100%<br>47<br>43% | 100%<br>33<br>37% | 82%<br>n/a<br>n/a | 100%<br>40<br>43% |
| Promote positive working environment | • Average level of staff satisfaction per annual survey (out of 5) | 4.2 | 4.8 | 4.9 | 4.6 | n/a | 4 |
| Ensure effective performance management model and process | • Annual evaluation for each staff member<br>• Performance measures used by Audit Department | 88%<br>Yes | 67%<br>Yes | 100%<br>Yes | 84%<br>-- | n/a<br>60% | 100%<br>Yes |

# *Audit Department Balanced Scorecard*

| Strategies | Performance Measure | Actual 2008 | Actual 2009 | Actual 2010 | 3 year Average | Industry* Benchmk | 2011 Target |
|---|---|---|---|---|---|---|---|
| **Internal Business Processes Perspective** | | | | | | | |
| Assure professional standards are maintained | • Risk assessment for each project | Yes | Yes | Yes | -- | n/a | Yes |
| | • Projects meet quality assurance standards | Yes | Yes | Yes | -- | n/a | Yes |
| | • Peer review standards met (per external review) | No | No | No | -- | Yes | Yes |
| Complete committed projects on time and on budget | • % Completion of Audit Plan | 79% | 65% | 69% | 73% | 85% | 75% |
| | • % Target date met | 83% | 71% | 71% | 74% | 87% | 75% |
| | • % Target budget met within 10% | 83% | 71% | 79% | 81% | 63% | 75% |
| Optimize productivity | • Direct project hours to total hours available | 70% | 79% | 78% | 71% | 78% | 78% |
| | • Audit management software used | Yes | Yes | Yes | -- | 55% | Yes |
| | • Fraud Hotline | No | No | No | _ | 66% | Yes |

* Industry is represented by the Association of Local Government Auditors. The latest comparative survey was published in December 2010.

# Our Organizational Leadership

The Audit Department performs a unique role in the City of Winnipeg. As legislative auditors, we report to City Council on the performance of the Public Service. At the same time, to lever positive change, we provide internal audit and advisory services to senior managers across the organization. Members of our department are active in several organizational initiatives, participating as team members, instructors and facilitators.

## Foundations of Supervisory Development

The City Auditor/Chief Performance Officer is an instructor for the *Foundations of Supervisory Development Course* that is offered three times a year. This program provides an overview of the fundamental roles and responsibilities of a supervisor and its target audience is those with direct reports.

## Assessment Tax Communications Task Force

*The Assessment Tax Communications Task Force (ACTF)* meets monthly and consists of representatives from the Assessment Department, the Corporate Finance Department, the Board of Revision and the Legal Services Department. The ACTF fosters communication, monitors the status of outstanding appeals, discusses strategies, and resolves issues related to appeals. As a member of the ACTF, our City Auditor/Chief Performance Officer ensures that risks related to appeals are identified and that mitigation plans are implemented.

## Centre of Excellence on Performance Management & Accountability (CEPMA)

The City Auditor/Chief Performance Officer is a member of the Centre of Excellence on Performance Management & Accountability. Accountability in public administration and management are paramount for politicians and practitioners. Citizens want their public institutions to be effective and well-managed, and to have public services that work and are available to them. The Centre of Excellence on Performance Management and Accountability was established to promote and improve research and understanding of these issues.

# Our Professional Support

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 staff hold memberships in key organizations that set the standards for our profession: the Association of Local Government Auditors (ALGA) based in the United States and CALGA, the Canadian affiliate, the Canadian Institute of Chartered Accountants (CICA), as well as the Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA).

# *Who We Are*

The Audit Department's greatest strength is its people. Our multi-disciplinary team shares common values and is dedicated to the pursuit of excellence. Although our team is small, we possess a wide range of knowledge, skills and experience and take pride in supporting our profession. We are pleased to present brief profiles of our people.

## Brian Whiteside, CA•CIA
## City Auditor/Chief Performance Officer

Brian was appointed City Auditor/Chief Performance Officer in November 2009. Brian joined the Audit Department in 1997 and was appointed Audit Manager in 1999 and Deputy City Auditor in 2003. Previously, Brian worked for the Office of the Provincial Auditor of Manitoba in the Value for Money Audit Division. Brian has over twenty years of experience in all facets of government 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
## Deputy City Auditor

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.

## Jason Egert, M. ACC, CA•CIA
## Project Leader

Jason joined the Audit Department as a Senior Auditor in February 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.

## Diane Jansen, CA
## Project Leader

Diane joined the Audit Department as a Project Leader in 2009. Previously, Diane worked as Director of Internal Audit for Air Canada. Diane brings several years of experience in risk management, risk-based operational audits, Sarbanes-Oxley compliance, fraud investigations, business continuity planning and business process analysis. Diane is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) degree, with a major in accounting and is a Chartered Accountant. In February 2011, Diane resigned to accept an management position in the public sector.

## Micheal Giles, CA
## Auditor

Micheal joined the Audit Department in 2008. Micheal obtained his Bachelor of Commerce (Honours.) with a major in accounting at the University of Manitoba. He holds a Chartered Accountant designation and currently studying to obtain his Certified Internal Auditor designation. Micheal is also involved in further developing the audit and accounting community by facilitating online courses for the Chartered Accountant School of Business and currently sits on the Bylaws Advisory Committee for the Institute of Chartered Accountants of Manitoba.

## Larissa Klimchak, CMA
## Auditor

Larissa joined the Audit Department as an Auditor in March 2008. Previously, Larissa worked in the private sector as an Internal Auditor for Investors Group. Larissa brings experience in compliance and risk-based operational audits, fraud investigations, business continuity planning and business process analysis. Larissa is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) with a major in accounting. She holds the designation of Certified Management Accountant.

## Donna Woytowich
## Administrative Coordinator

Donna has been with the City since 1987 and joined the Audit Department in 1998. In her current role, she is responsible for 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 departmental initiatives and various audit projects, including the coordination of the Quarterly Report Card.

# *How to Reach Us*

All of our reports become public documents once submitted to City Council. Complete reports are available on our website. If you would like to provide comments or receive more information about our department, please contact us as noted below.


**GENERAL OFFICE**

3rd Floor, 185 King Street
Winnipeg, Manitoba
R3B 1J1

Phone: (204) 986-2416
Fax: (204) 986-4134

Website: www.winnipeg.ca/audit/