AUDIT COMMITTEE

Minute No. 269 Annual Performance Report 2011

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee, in its capacity as the Audit Committee, recommends to Council:

1. That the Annual Performance Report 2011 be received as information.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Minutes – Executive Policy Committee – May 25, 2012

DECISION MAKING HISTORY:

Moved by Councillor Fielding,
That the recommendation of the City Auditor be concurred in and forwarded to Council.

Carried

Audit Department Report
2011 Report on Performance

The City Auditor/ Chief Performance Officer is required to report to Council annually on the performance Audit Department.

Report Summary

The City Auditor's 2011 Report on Performance includes:

- a message from the City Auditor
- a summary of the Audit Department mandate and strategic goals
- a overview of the services provided by the Audit Department
- a summary of the Projects completed in 2011 and in progress
- a five year summary of the status of Audit Report recommendations
- the Audit Department Balanced Scorecard

Policy

The report is submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iii) that the Audit Committee will "Receive and review the City Auditor's Annual Report; (and other reports on areas of major audit efforts)".

Recommendation:

The Audit Committee receive as information the 2011 Report on Performance and forward the Report on to Council.

Report Written By B. Whiteside - April 24, 2012

Winnipeg

City Auditor



2011 Report on Performance

Reflections of the City Auditor

In 2011, our small team developed an ambitious four year audit plan with a clear vision and shared values. Audit Committee approved the 2011- 2014 Audit Plan in May 2012. While the focus of our plan continues to be on performance auditing, in 2011 we recommended that the City implement a Fraud Hotline. The implementation of a fraud hotline supports financial accountability, the integrity of the City of Winnipeg employees and the workplace, and serves as a deterrent to fraud. The hotline also supports the protection of city property, resources and information and demonstrates the City's commitment to sound and ethical operating practices. The Fraud Hotline will begin operating in April 2012.

An ongoing priority for the Audit Department is to continue to work 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. In 2012, we will begin providing assurance on some of the key performance indicators reported by the Public Service. 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.

The operational performance of three of the City's Special Operating Agencies was the focus of the performance audits issued in 2011. My team and I have tackled some tough issues and tried our best to provide realistic recommendations to improve the performance of these Agencies and provide value for money.

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 taken action to address those concerns. The Public Service is reporting as of December 31, 2011 that they have fully implemented 75 % of the audit recommendations made since 2006.

I wish to thank my staff for their contributions throughout 2011. Our accomplishments would not be possible without the commitment and dedication of my professional staff. I trust you will find that this performance report presents a balanced accounting of our activities, results and impacts for the year 2011.



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

April 12, 2012

City of Winnipeg Audit Department 2011 Report on Performance

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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 Charter, 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. In 2012, the Audit Department will be introducing an internal Fraud Hotline.

Our Resources

In 2009, the department's staff complement was reduced to 7 full-time positions from 10 as a result of budget restrictions. Current staffing levels are lower than comparable organizations.

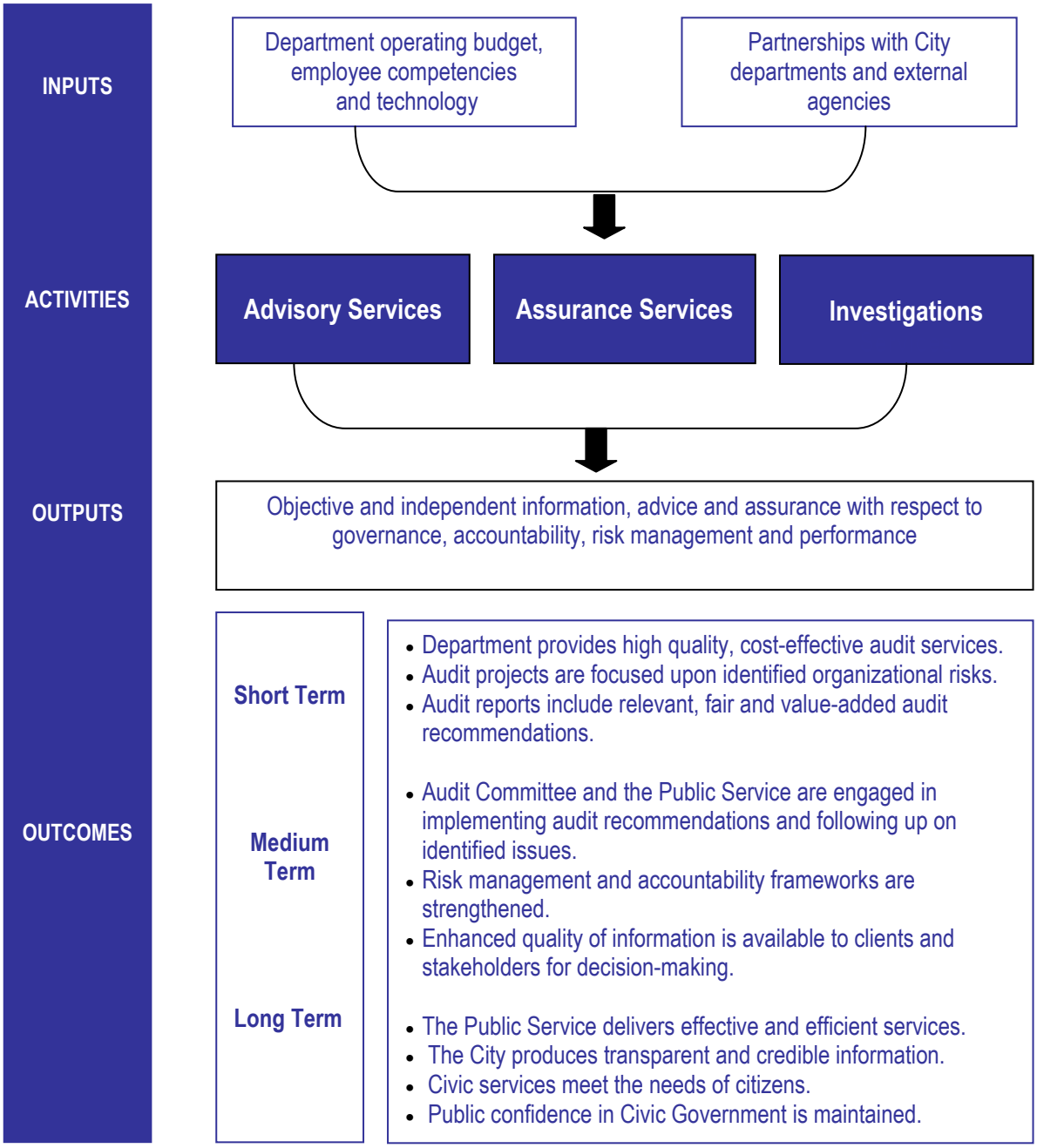
The Audit Department budget and expenditures are shown below:

Description		Fiscal Year 2009	2010	2011
Budget	$	838,755	844,715	866,046
Expenditures	$	746,516	821,294	757,403
	$	92,239	23,421	108,643

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 2011.*

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. The Report was received as information by the Governance Committee of Council in January 2011. 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

The Department has committed to support the enhancement of performance measurement. This is a multi-year commitment and was identified in the 2011 to 2014 Audit Plan. The objectives of our involvement are

- to support and encourage the performance transformation;
- to support the creation 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 our work in 2011 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 Hotline Research Study

A research study on fraud hotlines was identified in the City Auditor's Audit Plan for 2009 to 2010. The objective for the study was to review fraud reporting practices in other cities, determine whether additional measures would help enhance the existing processes in the City and identify potential costs.

The Association of Certified Fraud Examiners (ACFE) defines "occupational fraud" as: the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organizations resources or assets. In the *Report to the Nations on Occupational Fraud and Abuse* the ACFE reported that the typical Canadian organization loses 5% of its annual revenues to fraud every year. The ACFE found that the number one method of detecting fraud is tips through a hotline. Fraud being discovered by a tip through a hotline accounted for 47 percent of the frauds detected. The ACFE found that 39 percent of people are more likely to report fraud if they could remain anonymous. The ACFE also concluded that losses are reduced when a hotline is present.

In July 2006, the City of Winnipeg Fraud, Theft or Related Irregularities Administrative Standard was approved by the Chief Administrative Officer (CAO) with the City Auditor agreeing to conduct investigations referred by the Public Service under this Administrative Standard. Since the implementation of the standard there have been three tips reported to the Public Service and no matters have been referred by the Director of Corporate Support Services to the City Auditor for investigation.

To enhance existing fraud controls, many municipalities across Canada have implemented a fraud and waste hotline in conjunction with their fraud prevention and detection programs and policies. Through our review we identified that the number of reports received by other Canadian cities significantly outnumbers the number of reports received in Winnipeg. This comparison leads us to believe that it is likely that a number of possible fraud incidents are going unreported due to the requirements in the City of Winnipeg standard to report to the supervisor without the protection of anonymity.

The implementation of a fraud hotline supports financial accountability, the integrity of the City of Winnipeg employees and the workplace, and serves as a deterrent to fraud. The hotline also supports the protection of city property, resources and information, and demonstrates the City's commitment to sound and ethical operating practices. The conclusion of the Study is the recommendation that the Audit Committee recommend to Council that the Audit Department implement a Fraud Hotline to be managed by the Audit Department. Upon approval, the Audit Department would assume responsibility for leading the implementation of the hotline.

Audit Committee and Council agreed with the recommendation. The Fraud Hotline will be in place in April 2012.

Due Diligence Reviews

Collective Bargaining Agreements

We completed three collective bargaining agreement reviews in 2011. Council policy requires that prior to ratification of an agreement, the City Auditor and the external auditor review the full and long-term costs of collective bargaining agreements reported by the Public Service. Our role is to evaluate that the net incremental costs or savings to the City have been completely and appropriately identified, calculated and summarized in a report, and that all significant assumptions relating thereto have been disclosed.

Compliance Audits

Councillors' Representation Allowance (CRA) Fund

We audited the expenditures incurred under the CRA Fund Policy for the year ended December 31, 2010 to ensure compliance with the policy requirements and principles of the fund. The CRA Fund provides monies to City Councillors to operate their ward offices, communicate with constituents, and represent and support their wards.

Expenditures for nineteen City Councillors were audited for 2010, which was an election year. The results of the audits were reported to the Governance Committee of Council in June 2011.

At the same time, we presented a complimentary *Councillors' Representation Allowance Fund Report to Governance Committee of Council* that provided recommendations to improve the governance, risk management, and control processes related to the Policy.

Performance Audits

Traffic Signals Branch Performance Audit

The Traffic Signals Branch forms part of the Transportation Planning and Traffic Management Division of Public Works. The Division is responsible for planning, designing and managing the transportation system and the traffic regulatory environment to provide a safe, environmentally – aware, accessible and sustainable transportation system. More specifically, the Traffic Signals Branch is responsible for the operation and maintenance of 611 traffic signals, 155 pedestrian corridors, 50 hazard flashers and four all red flashing intersections located in the City of Winnipeg, as well as new signal development and installation.

The Traffic Signals Branch needs to develop a formalized mission statement, strategic plan and objectives for the Branch. The Branch should also develop an Information Services (IS) strategy or plan to maximize the benefit derived from information technology and to ensure IS projects are prioritized.

To support the newly defined Branch objectives, a study should be undertaken to review overall resource requirements in order to run an efficient and effective traffic signal operation. In the last three years the Branch has incurred total overtime costs exceeding $1.1 million. A significant portion of this overtime is earned by first responder team members who are called out while on standby on weekends and after hours on weekdays to respond to traffic signal failures. We have also recommended that the Branch review the make-up of first responder teams.

Branch Management should also determine the resources required (both internal and external) to complete the signal enhancement project on schedule. Branch Management has indicated that some parts of the project are currently more than six months behind schedule largely due to insufficient staff resources being dedicated to the project. Delays have occurred due to crews being pulled off the project to work on other priorities. In addition, the Branch should perform more detailed financial tracking of the project, including a comparison of percentage of work completed/remaining to budget to identify potential cost overruns so that actions can be taken to mitigate budget overruns.

The Traffic Signals Branch should develop a formal priority schedule for handling and attending traffic signal failure incidents. This will assist the Branch in managing overtime costs. Further, we have recommended the Branch develop a regular preventative maintenance program, a formalized signal timing review process, and a formalized signal monitoring process. Such measures should reduce the level of reactive maintenance work currently being performed, reduce response time rates and improve the flow of traffic on City streets.

Operational Review of the Winnipeg Parking Authority

An Operational Review of the Special Operating Agencies was included in the City Auditor's 2009-2010 Audit Plan in response to a request from the Alternate Service Delivery Committee. In November 2009, the Audit Department, through a Request for Proposal process, awarded a contract to conduct an operational review of the Winnipeg Parking Authority to Carl Walker. The Audit Department reviewed the report provided by Carl Walker and agreed with the recommendations presented.

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 Winnipeg Parking Authority (WPA), has made some significant enhancements to the parking operations. Carl Walker noted that the WPA leadership was knowledgeable, experienced, and dedicated to improving the parking system and attributed much of the success of the WPA over the past five years as a direct result of the strong leadership. The recent departure of the Chief Operating Officer highlights the importance of developing succession plans, properly defining key management roles and responsibilities and documenting significant policies and procedures.

The Winnipeg Parking Authority is transitioning from a start-up phase into a more mature organization. Carl Walker recommends that a review of the mandate, vision and mission statements for the Winnipeg Parking Authority is appropriate for an organization at this stage of its business lifecycle. Carl Walker also identified the need for the WPA to establish a facility maintenance reserve.

The WPA should review on-street parking fees policy to encourage greater availability. Other recommendations identified the need for the WPA to improve the overall level of customer service at WPA facilities, obtain condition appraisals of all surface lots, improve cash handling procedures, develop a more comprehensive set of performance measures, enhance the information available to the public through their website and develop an annual report. Finally, Winnipeg Parking Authority management will need to work with the Province of Manitoba to update provincial legislation to eliminate the requirement that a parking citation is only valid if placed on the vehicle. The WPA will also need to consult with other City departments and the public to include the designation of time limits for loading zones and on-street parking.

Winnipeg Parking Authority management reviewed and agreed with the recommendations.

Operational Review of Winnipeg Golf Services

An Operational Review of the Special Operating Agencies was included in the City Auditor's 2009-2010 Audit Plan in response to a request from the Alternate Service Delivery Committee. In November 2009, the Audit Department, through a Request for Proposal process, awarded a contract to conduct an operational review of Winnipeg Golf Services to Golf Convergence. The Audit Department reviewed the report provided by Golf Convergence and agreed with the recommendations presented.

The Winnipeg Golf Services (WGS) has been in existence for approximately eight years and during that time, the golf industry has changed dramatically. Decreased participation along with increased competition are two factors that have altered the external environment. Lack of investment in infrastructure and staff training, inadequate information systems and labour constraints imposed by the collective bargaining agreements have contributed to an internal environment that requires significant change to be successful over the longer-term.

In the short-term, Golf Convergence recommends contracting out the management of the City operated golf courses. External firms bring best practice business processes to maximize the potential of these courses. City of Winnipeg taxpayers will no longer have to subsidize golf course operations which incurred an approximate $1 million loss in 2009. Instead, the City will receive annual lease payments and property taxes and WGS customers will receive increased value as a contract management company may be willing to invest up to $1 million in improvements per course under a long-term lease. If contract management is not pursued, Golf Convergence makes several recommendations to improve the operations of the City operated golf courses including the requirement to make capital investments in the golf courses. These actions will improve short-term results and should reduce the annual losses.

In the longer-term, Golf Convergence recommends that the City divest itself from the operation of public golf courses since the need is adequately met in the private sector. Any surplus property can then be sold for commercial or residential development to raise capital for reinvestment in other open park space.

Winnipeg Golf Services management reviewed the recommendations and has agreed to implement those within their control. Some recommendations require Council direction before management can initiate action.

Animal By-Law Enforcement Audit

The Animal Services Special Operating Agency is responsible for enforcing the City's animal related by-laws. An audit of the Animal Services Agency was added to the City Auditor's 2009-2010 Audit Plan. Due to ongoing discussions regarding the future service delivery model, the audit was limited to a review of the Agency's by-law enforcement efforts.

The Animal Services Agency had some positive signs in its enforcement performance, including a decrease in dog bites reported each year and the number of dogs euthanized. Other trends, such as dog licensing levels, are not as favourable and have in fact been declining up to 2009.

Although required under the City by-laws, there are only an estimated 31% of all dogs in the city that are licensed. From our audit work, we found that the difficulty in enforcing dog licensing primarily rests in the methods that are being used by the Agency. It only comes into contact with about 4% of the city's dog population per year under the current strategies, leaving an estimated 65,000 unlicensed dogs that are not observed annually. The Agency will have to take a more proactive approach to see significant positive changes in the compliance rate, including attending common dog-walking areas on a day-to-day basis and developing a targeted enforcement campaign. New enforcement strategies will also require enhanced training in customer service delivery and conflict resolution for the Agency's Animal Service Officers.

The Agency also needs a properly designed and implemented performance management system to assist in analyzing its success and for making value-added changes to operations. The Agency

does not set operational targets other than an informal target for licensing compliance of 60%. As a result, we developed and analyzed a series of measures to provide a basis for the Agency to construct a performance management system.

The addition of the City's 311 Service greatly increased the service requests for the Agency in 2009, resulting in an increased demand on the Agency's resources. We have identified additional opportunities to enhance management practices and information, which will enable the Agency to better deliver the highest level of service to the public with the available resources.
Winnipeg Animal Services Agency management reviewed and agreed with the recommendations.

Risk Management Audit

A Performance Audit of the Risk Management Division was included in the City Auditor's 2009-2010 Audit Plan and endorsed by the Audit Committee. The purpose of the audit is to report to the Audit Committee on the effectiveness and efficiency of the Risk Management Division.

The Risk Management Division is part of the Corporate Finance Department. Risk Management 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.

Overall, we noted that adequate systems, practices and controls are in place to ensure the Risk Management Division is able to deliver its core business of managing City's claims and recoveries and ensuring the City is adequately risk financed. However, the Risk Management Division is lacking a formal performance management system, which is necessary for the Division to better understand the areas where service delivery could improve and areas where it is operating at full operational capacity. Also, a formal analysis of the Division's operational capacity and adequacy of the current level of staff to provide an approved level of service is required for all the branches within the Division.

Claims Branch
We found controls around the processing of payments must be improved to help ensure that unauthorized payments are prevented. There is an opportunity to streamline the claims management process by revising the payment authorization limits. There also is an opportunity to enhance recoveries by ensuring that more effort is placed on managing recoveries as process enhancements free up existing resources.

Insurance Branch
We noted a number of issues related to the management of the Insurance Reserve Fund (IRF). It is unclear what the role and responsibility of each Division of Corporate Finance has with respect to the IRF. This has contributed to the following issues: the IRF balance below the recommended level of $4.5 million; the funding formula for the Insurance Reserve Fund is not based on the department's experience; and the accounting practices for the IRF requires clarification.

Workers Compensation Branch
A succession plan needs to be developed for the Workers Compensation Branch, with a focus on the Workers Compensation Coordinator position to ensure continuity in the functions this Branch performs. Finally, we believe the adequacy of the Workers Compensation Reserve should be revisited because of changes to the presumptive clause in The Workers Compensation Act.

Review of the Assiniboine Active Transportation Bikeway

A Review of the Assiniboine Active Transportation Bikeway was initiated by Audit Department as a result of a complaint from a citizen alleging a consultant failed to comply with the terms and conditions of the associated contract.

The topic of "Active Transportation" has been a priority issue for City Council for several years. On January 25, 2006, Council approved the Active Transportation Study to serve as a resource in formulating future active transportation policies and programs for the City. Subsequently, on April 25, 2007, Council adopted the Active Transportation Study Implementation Plan which resulted in the recruitment of an Active Transportation Coordinator and formation of the Active Transportation Advisory Committee. The Assiniboine Bikeway was included in the 2008 Active Transportation Action Plan Report, although actual construction did not proceed until 2010 due, in part, to a lack of resources.

Scope of Review

The Audit Department completed a limited scope review of the Request for Proposal – Traffic Impact Study, Community Profile and Community Facilitation. The review focused on these specific areas:

- the City's involvement in active transportation (to provide background),
- the compliance of the consultant with the terms and conditions of the RFP, and
- the public consultation processes employed to engage the public prior to the design and construction of the Assiniboine Active Transportation Bikeway.

The Audit Report was presented to Audit Committee in January 2012.

Review of Winnipeg Public Library Services

The audit was identified in the City Auditor's Audit Plan for 2009 to 2010 and endorsed by the Audit Committee. The Library Services Division is a part of the Community Services Department and is responsible for the operations of the Winnipeg Library. The Library serves the diverse population of Winnipeg with a range of collections and various services through twenty branches located throughout the city, including the main branch, the Millennium Library.

The major services provided by the Library are: circulation services, information services, programming and collections for children, youth and adults outreach services, and administrative services.

The objectives of the audit were to:

- assess whether the key risks associated with Library Services have been identified and managed effectively to achieve the Library Service's goals and objectives;
- assess the efficiency and effectiveness of Library processes; and
- assess whether service performance is measured, monitored and reported.

The audit of the Library Services Division focused on the following areas:

- the role of the Winnipeg Public Library Board;
- the purpose of the Library including a review and assessment of the current goals and objectives;
- Library programming;
- collection development and acquisition of material; and,
- planning related to Library facilities (renovations and amalgamation of Library branches)

The results of the Audit Report were presented to Audit Committee in January 2012.

Corporate Leadership Training and Development Audit

The audit was identified in the City Auditor's Audit Plan for 2009 to 2010 and endorsed by the Audit Committee.

Corporate leadership training and development is primarily the responsibility of the Employee Development Branch of the Human Resource Planning and Services Division, which is part of the Corporate Support Services Department. "Training and Development (Leadership)" was identified as one of four strategic priorities in the most recent Human Resource Strategic Plan. The responsibility for the identification, training and development of senior leaders is shared with City departments.

Corporate leadership training and development is a key function. The efficiency and effectiveness with which the City is able to deliver its services depend in large part on the skills of its workforce. The City can improve its overall performance by making a sound strategic investment in learning and development of its senior leaders. The City currently focuses its leadership training and development resources on mid-managers and supervisors, with little focus on the senior leaders who are tasked with leading and shaping our services to respond to the needs of the citizens. Experienced senior leaders are required to inspire and direct the necessary changes to the organization and to address the current and future challenges by continuing to ensure the right level of service is maintained at the right price.

The purpose of this audit is to report to the Audit Committee and Council on the performance of the Corporate Leadership Program.

The objectives of this audit were to:

- determine whether adequate systems, practices and controls are in place to achieve the corporate leadership training and development goals set out in the HR Strategic Plan; and

- determine the extent that the Corporate Leadership Program performance measures are complete, relevant, accurate, balanced and meaningful.

The results of the Audit Report were presented to Audit Committee in January 2012.

Audit of the WPS Professional Services Contract with the Winnipeg Airport Authority

The City of Winnipeg has an agreement with the Winnipeg Airports Authority, Inc. ("WAA") to provide 24/7/365 policing services, administered by the Winnipeg Police Service, at the Winnipeg James Armstrong Richardson International Airport. The services are required for the WAA to operate in accordance with federal civil aviation regulations that promote the safety and efficiency of air travel, and for the protection of WAA and Crown property. The most

recent term of the contract expired in June 2011.

The objectives of the audit were:

- to assess whether the Winnipeg Police Service is providing services in compliance with the terms of the contract; and

- to assess whether the City is appropriately being compensated for the services provided.

The audit was in progress at the end of 2011. We expect to report on our results in the summer of 2012.

Aquatics Program Safety Audit

The Aquatics Program is delivered by the Aquatics Branch of the Community Services Department. The Building Services Branch of the Planning, Property and Development Department is responsible for building and water condition maintenance.

A review of the safety of the Aquatics Program was included in the City Auditor's 2011-2014 Audit Plan and endorsed by Audit Committee. The Audit Department contracted out the safety review to a consultant. The review of safety processes and practices is to cover the following key areas of the Aquatics Program:

- Facilities and Equipment – condition of facilities and equipment within the immediate vicinity of all indoor aquatic structures including but not limited to, the pool deck, other aquatic structures, ladders, diving boards, starting blocks, lifts, etc., with respect to maintaining a safe environment for stakeholders.

- Environmental Quality – maintenance of safe water and air conditions.

- Human Resource Management – training, testing, and staffing levels for facilities staff to allow for a safe aquatics facility environment.

- Compliance – facility compliance with applicable federal, provincial and industry regulations for swimming pools and aquatics programming, and internal policies and procedures.

- Records Management – condition, quality and accessibility of policies and procedures, safety audit and inspections results, safety performance metrics, and other safety documentation.

The safety review will be completed in 2012. We expect to report on the results of the review in the summer of 2012.

Winnipeg Police Service Civilianization

The Winnipeg Police Service (WPS) employs the services of both sworn and civilian staff to achieve its strategic goals. In 2010 the Winnipeg Police Service employed 1,402 sworn staff and 383 civilian staff for a total cost of $162,560,339 which represents approximately 85 percent of the total costs of the Winnipeg Police Service. The International Association of Chiefs of Police (IACP) model policy on civilianization states: "The efficiency and effectiveness of law enforcement agencies is enhanced when sworn and non-sworn personnel are appropriately used to perform those functions that are best suited to their special knowledge, skills and abilities. Therefore, this agency shall employ civilians for selected functions that do not require the authority of a commissioned officer, thereby freeing sworn personnel for enforcement functions and capitalizing upon the talents of all employees."

The objectives of the audit are:

- to determine whether the WPS deploys civilian staff in an optimal manner; and

- to determine if there is a gap between WPS civilian positions in terms of duties, salaries and benefits compared to similar City of Winnipeg positions.

The audit was in progress at the end of 2011. We expect to report on our results in the summer of 2012.

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. In 2012, the Audit Department will be introducing an internal Fraud Hotline.

Investigations

In 2011, 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.

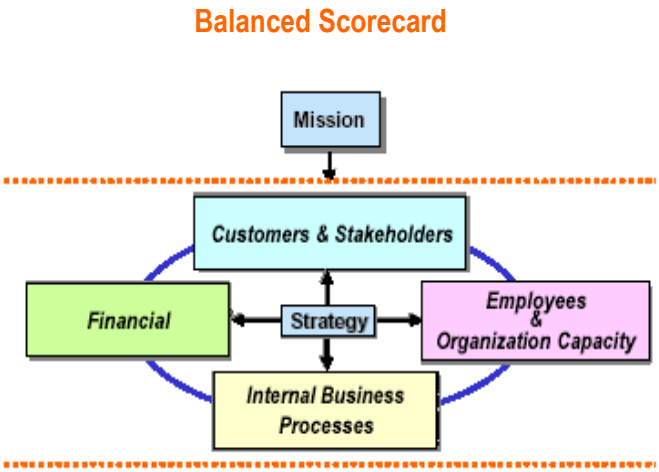
Five Year Summary Status Report

Below is a summary of the implementation status of recommendations made in the more significant audit reports issued in the past five years.

AUDIT REPORTS	Issue Date	RECOMMENDATIONS			
		Total	Implemented	Pending	Not to be Implemented
Photo Enforcement Program Review	Feb-06	15	15		
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	20		
Permit Revenue Audit	Apr-07	20	20		
Capital Asset Review	Apr-07	3	3		
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	13	16	
Wpg. Fire Paramedic Service Overtime & Sick Leave	Jun-09	10	7	3	
Building Permits & Inspections Audit	Nov-09	6	2	4	
Winnipeg Fleet Management Performance Audit	Mar-10	10	9	1	
Business Resumption Planning Audit	Mar-10	5	3	2	
Local Improvements Audit	Jul-10	9	3	6	
Review of the Councillors' Representation Allowance Fund -	Jan-11	5	5		
Fraud & Waste Hotline Research Study	Apr-11	1		1	
Opertional Review of Winnipeg Golf Services	Apr-11	11	1	10	
Traffic Signals Branch Performance Audit	Jun-11	19	12	7	
Operational Review of the Winnipeg Parking Authority	Jun-11	27	8	19	
Animal Services By-law Enforcement Audit	Jun-11	13	5	8	
Risk Management Audit	Jun-11	16	8	7	1
FIVE YEAR TOTAL		**349**	**261**	**85**	**3**
FIVE YEAR PERCENTAGE			**75%**	**24%**	**1%**

* Note: Stats from December 2011 Quarterly Report Card

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 auditors and an annual budget of $483,702 to $1,240,115. Results for 2009 to 2011 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 2009	Actual 2010	Actual 2011	3 year Average	Industry* Benchmk	2012 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	4	3	3	3	n/a	4
	• # of reports issued to clients/ stakeholders	14	14	17	15	n/a	15
	• Post project satisfaction rating (out of 5)	4.0	4.2	4.2	4.1	4.3	4.3
	• The rating of the quality of audit reports as 'reliable and credible' (out of 5)	3.8	4.2	4.2	4.1	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.)	79%	81%	75%	78%	78%	82%
	• Clients/stakeholders rating of the audit recommendations as 'value-added' (out of 5)	4.1	4.2	4.3	4.2	n/a	4.0
Educate clients and stakeholders on strategic areas of focus (governance, risk management & controllership, performance information)	• # of advisory projects	6	8	10	8	n/a	6
	• # of presentations and workshops	1	2	2	1	n/a	2
	• # of committee membership	2	2	3	2	n/a	2
	• Clients/stakeholders rating that the audit recommendations improved focus areas (out of 5)	4.1	3.8	4.8	4.2	n/a	4.0
Maintain focus on primary assurance role while dedicating some resources to advisory and investigative roles	• % direct hours dedicated to assurance	85%	80%	72%	79%	n/a	80+%
	• % direct hours dedicated to advisory	14%	14%	17%	15%	n/a	0-20%
	• % direct hours dedicated to investigations	1%	5%	11%	6%	n/a	0-20%

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2009	Actual 2010	Actual 2011	3 year Average	Industry* Benchmk	2012 Target
Financial Perspective							
Prudently manage public resources	• Operating Budget variance	-12%	-3%	-12%	-9%	n/a	0%
Deliver cost-effective audit services	• Cost per billable hour	$94.96	$102.90	$102.81	$100.22	$91.32	$105.00
Potential cost savings/avoidance or revenue generation opportunities	• Cost savings/avoidance identified in Audit Reports	$93,000	$1.25m	$998,000	$774,000	n/a	50% of Dept Budget

Strategies	Performance Measure	Actual 2009	Actual 2010	Actual 2011	3 year Average	Industry* Benchmk	2012 Target
Employee and Organizational Perspective							
Maintain staff capacity through recruitment and/or secondment	• Approved staff complement • Number of Auditors (FTE) to total organizational staff	7 1:1264	7 1:1403	7 1:408	7 1:1358	6 - 10 1:1066	7 1:1408
Supplement competencies with external/internal partnerships	• # of collaborative projects	2	4	2	2	n/a	3
Build a competent and diverse workforce	• % of auditors with professional designations • Number of training hours/FTE • Work diversity by designated group	100% 18 43%	100% 47 43%	100% 23 33%	100% 29 40%	82% n/a n/a	100% 40 29%
Promote positive working environment	• Average level of staff satisfaction per annual survey (out of 5)	4.8	4.9	4.9	4.9	n/a	4
Ensure effective performance management model and process	• Annual evaluation for each staff member • Performance measures used by Audit Department	67% Yes	100% Yes	100% Yes	89% --	n/a 60%	100% Yes

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2009	Actual 2010	Actual 2011	3 year Average	Industry* Benchmk	2012 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	65%	69%	80%	71%	85%	75%
	• % Target date met	71%	71%	74%	72%	87%	75%
	• % Target budget met within 10%	71%	79%	87%	79%	63%	75%
Optimize productivity	• Direct project hours to total hours available	79%	78%	78%	78%	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 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).

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. He 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 was appointed Deputy City Auditor in December 2009. He joined the Audit Department in 1999 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 Project Leader 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.

Micheal Giles, CA
Project Leader

Micheal joined the Audit Department in 2008 as an Auditor and was promoted to Project Leader in July 2011. He 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.

Donovan Fontaine, CA
Auditor

Donovan joined the Audit Department as an Auditor in July 2011. He is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) with a major in accounting. While articling with Ernst & Young he attained his Chartered Accountant designation and then went on to work at the Office of the Auditor General of Manitoba. Donovan brings experience in compliance, value for money and financial auditing.

Donna Woytowich
Administrative Coordinator

Donna has been with the City since 1987 and joined the Audit Department in 1998. She was promoted to Administrative Coordinator in January 2000. Donna 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.

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