Minutes – Executive Policy Committee – July 10, 2013

AUDIT COMMITTEE

Minute No. 375 2012 Report on Performance

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the 2012 Report on Performance 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 – July 10, 2013

DECISION MAKING HISTORY:

Moved by Councillor Fielding,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

AUDIT DEPARTMENT
2012 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 2012 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 2012 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 2012 Report on Performance and forward the Report on to Council.

Report Written By B. Whiteside – June 21, 2013

Winnipeg

CITY AUDITOR
2012 REPORT ON PERFORMANCE



Reflections of the City Auditor

In 2012, circumstances and events led to significant changes to our original Audit Plan. We were involved in four major projects that were not included in our 2012 Audit Plan. We were asked by the Chief Operating Officer to take on the responsibility as Project Manager for the Operational Review of the Winnipeg Police Service and the Operational Review of the Public Works Department. These reviews will be complete in the summer of 2013. In addition, we launched the Review of New Fire Paramedic Stations Construction Project. The review is being conducted by an independent firm and will be completed in the summer of 2013. Finally, City Council requested an audit of Real Estate Management and we have hired an independent firm to conduct the Audit. The Real Estate Management Audit is expected to be completed in the summer of 2013. Several projects originally planned for 2012 were deferred to future years as a result of the addition of these four projects to our 2012 Audit Plan.

In April, the Audit Department implemented a Fraud Hotline that allows employees to anonymously report suspected fraud or wrongdoing. 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 be made available to residents of the City in the summer of 2013.

During the year we released reports on the Winnipeg Public Library Services, Corporate Leadership and Development, Assiniboine Active Transportation Bikeway, The Winnipeg Police Service Contract with the Winnipeg Airports Authority and the Hired Equipment Process. For each report we have provided realistic recommendations to address the issues identified, improve performance, and achieve better results.

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 that as of December 31, 2012, they have fully implemented 74 % of the 308 audit recommendations made since 2007.

I wish to thank my staff for their contributions throughout 2012. 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 2012.



Brian Whiteside, CA●CIA
City Auditor

April 30, 2013

City of Winnipeg Audit Department
2012 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 is appointed by City Council and can only be suspended or dismissed by virtue of a resolution supported by two-thirds of all members.

The City Auditor is directly accountable to City Council through the Audit Committee comprised of Executive Policy Committee members.

The City Auditor is solely responsible for the staff and internal operations of the Audit Department within the budget approved by City Council.

The City Auditor has broad and defined powers of access to information and City staff by virtue of *The City of 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 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 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

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 under the City of Winnipeg Fraud, Theft or Related Irregularities Directive. Reviews are typically limited in scope. In 2012, the Audit Department implemented an internal Fraud Hotline.

Our Resources

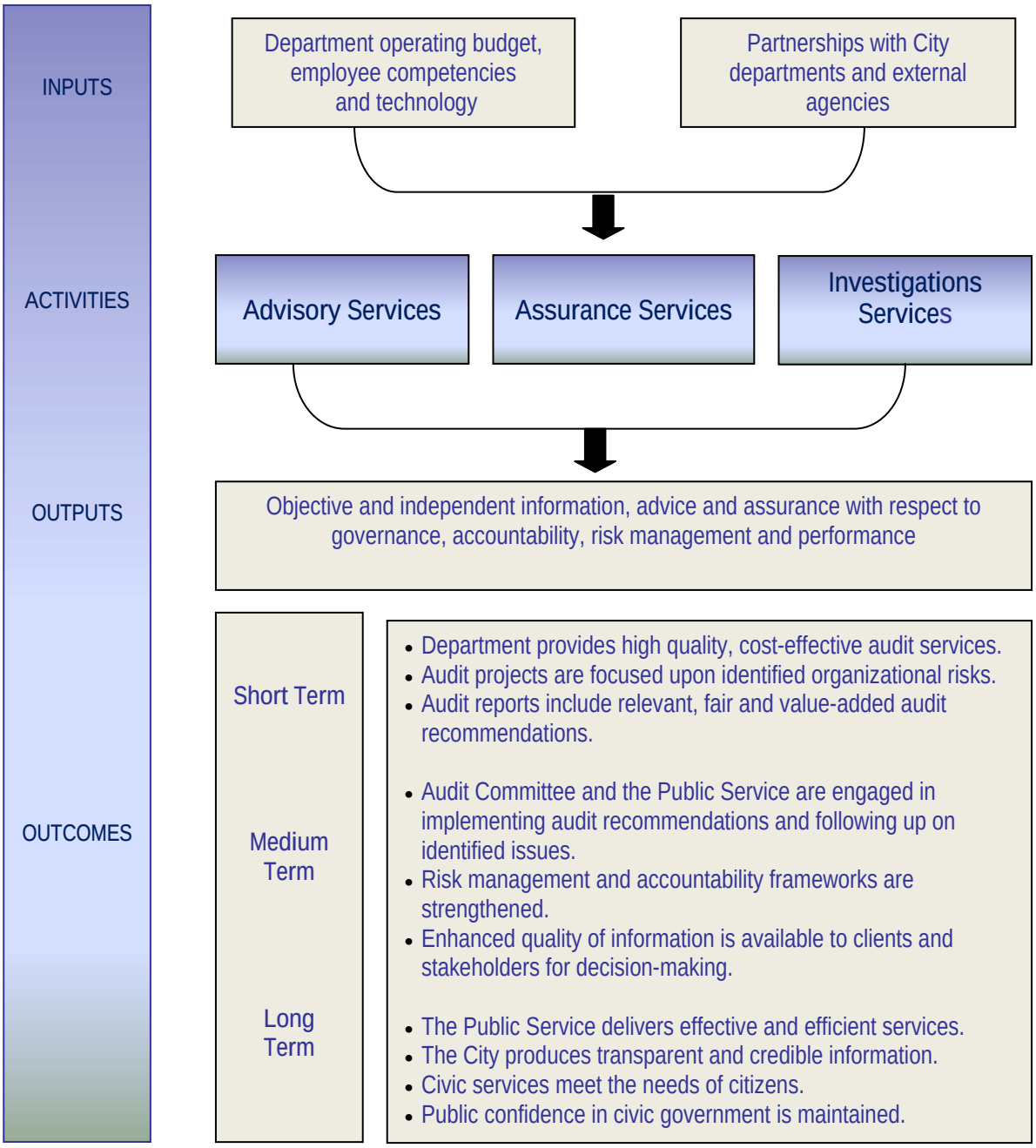
The Audit Department's budget and expenditures are shown below:

Description	Fiscal Year 2010	2011	2012
Budget	$ 844,715	$ 866,046	$ 885,733
Expenditures	$ 821,294	$ 757,403	$ 872,306
	$ 23,421	$ 108,643	$ 13,427

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 Vision and Mission

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

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 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 and 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 2012.*

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.

Operational Review of the Public Works Department

Council's approval of the 2012 Operating Budget included an allocation of monies to conduct operational reviews to ensure services are being delivered effectively and to identify any potential savings. At the request of the Chief Operating Officer, with oversight provided by the Operational Review of Public Works Steering Committee, the Audit Department was requested to contract the necessary services to conduct an *Operational Review of the Public Works Department*.

The purpose of the operational review was to examine the current structure, organization and overall operation of the Public Works Department to evaluate the operational efficiency and effectiveness of the delivery of services. The review was also to examine approaches employed by other municipalities with the intent of identifying best practices and performance measures.

The Audit Department facilitated a competitive Request for Proposal process and ultimately awarded a contract to KPMG LLP in November 2012. The Audit Department continues to act as the project manager and we expect a report to be ready for June 2013.

Operational Review of the Winnipeg Police Service

Council's approval of the 2012 Operating Budget included an allocation of monies to conduct operational reviews to ensure services are being delivered effectively and to identify any potential savings. At the request of the Chief Operating Officer, with oversight provided by the Operational Review of the Winnipeg Police Service Steering Committee, the Audit Department was requested to contract the necessary services to conduct an *Operational Review of the Winnipeg Police Service*.

The purpose of the operational review is to examine the current structure, organization and overall operation of the Winnipeg Police Service to evaluate the operational efficiency and effectiveness of the delivery of services. The review is also to examine approaches employed by other municipalities with the intent of identifying best practices and performance measures.

The Audit Department facilitated a competitive Request for Proposal process and ultimately awarded a contract to Matrix Consulting Group in December 2012. The Audit Department continues to act as the project manager and we expect a report to be ready for June 2013.

Assurance Services

Due Diligence Reviews

Collective Bargaining Agreements

We completed three collective bargaining agreement reviews in 2012. 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, 2011 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 sixteen City Councillors were audited for 2011. The results of the audits were reported to the Governance Committee of Council in June 2012.

In 2012 a new Councillors' Representation Allowance Fund policy came in to place. We examined a sample of expenses in the first quarter of 2012 to ensure that they were in compliance with the new policy. The results of this examination were discussed with City Clerk's management.

Performance Audits

Corporate Leadership Training and Development Audit

An Audit of the Corporate Leadership Training and Development Program was included in the City Auditor's 2009-2010 Audit Plan and endorsed by the Audit Committee.

Corporate leadership development is coordinated by the Employee Development Branch in the Human Resource Planning and Services Division of Corporate Support Services but is also supported separately by the city departments.

The Human Resource Strategic Plan identifies leadership development as a strategic priority acknowledging its importance to the continued growth and success of the City. A city wide program for the development of the City's senior leaders needs to be developed to ensure the City can achieve its strategic priorities. The City can improve its overall performance by making a sound strategic investment in learning and development of its senior leaders. A key indicator of the City's level of investment and commitment is the level of spending on training and development per employee. Currently, the City is only spending a quarter of the average of other government organizations.

Human Resource Planning and Services has gained an understanding of the desired competencies of the City's senior leaders but due to the limited use of the performance management system and the current limitations of the system Human Resource Planning and Services does not have an understanding of the current skills and competencies of the City's employees. Through the Workforce Planning Database Data Review an understanding of the positions at risk has been achieved but an understanding of what it will take in terms of training and development to address this risk is not known. The City requires this information to accurately assess and prioritize its identification, training and development needs with respect to its senior leaders.

The City currently does not have a system in place to identify and develop high potential employees. Instead it is left to the departments and as a result is done to varying degrees on an informal basis. Given the complexities that exist in municipal management it is more desirable to develop this talent from within the organization than to hire it externally. In order to effectively do this the City requires a system in place to identify and develop these high potential employees.

The City provides senior leaders with limited training and development opportunities compared to other levels of government. Other levels of government use formal mentorship programs, secondments and sponsored higher education to develop their senior leaders. The City's primary reliance on courses offered through its Employee Development Branch limits the development opportunities available to current and future senior leaders. This makes the City a less desirable place for high potential employees and senior leaders to join and stay. More investment in development and opportunities for development are required to establish a sound leadership program.

We presented our report to Audit Committee in January, 2012. The Public Service agreed with all six of the recommendations in our report and has initiated actions to implement them.

Review of the Assiniboine Active Transportation Bikeway

A Review of the Assiniboine Active Transportation Bikeway was initiated by the 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 the 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.

We believe the Request for Proposal (RFP) process was executed fairly and in compliance with City's Material Management Administrative Standard. The bidder's submission met the key requirements of the RFP and successfully communicated their ability to conduct the required work. The submission identified a large project team with a diverse skill set to enable completion of the project in the desired time frame. Once the consultant was engaged, we believe they met the terms and conditions specified in the contract based on our limited review of their work; however, we did identify issues in the public consultation process.

The first phase of the public consultation required the development of a Community Profile. We reviewed a listing of groups, businesses, organizations or individuals that were contacted directly via phone or email and noted the absence of a lack of identification of local business owners. In the public consultation process we noted that while local businesses were contacted via "ad mail" they were not directly targeted by the consultant team. The lead consultant advised that the inclusion of the business associations was viewed as an avenue to streamline the process and to communicate with the individual businesses. A shortfall was the lack of a formal agreement with the business associations to ensure that there was a common understanding of the proposed role they were to play in communicating information to their membership. As local businesses may have been impacted, either during the construction phase or by the resultant changes to the traffic corridors under consideration, their feedback would be an important contribution to the process. Attendance at the Master Meeting and Open House was considered low and the omission of local businesses in the development of the community profile was a gap that may have contributed to the lower level of involvement.

The Master Meeting brought stakeholders together from all neighborhood routes for a presentation on the benefits of active transportation. Breakout sessions then followed to present options for each potential bikeway and solicit feedback. Options were to be evaluated on the following criteria: technically sound; reflect the needs of the community and city in general; cost-effective; environmentally responsible and safe; and is generally understood and accepted by most of those affected. The options presented differed significantly in regards to impacts on traffic, businesses and residents and also on the degree of construction work required to implement. The absence of a cost figure minimized the ability for the public to provide meaningful commentary. The participant's evaluation of options may have been altered if

the reasonable estimates of the cost of each option had been presented.

The consultant team used various media to communicate with the public including flyers, Canada Post mail outs, print and radio communications and updates on the website. We noted that the public notifications contained very limited commentary to suggest there could be any impact to vehicular traffic or parking. The inclusion of the term "traffic calming", which is not defined, in the notification does not necessarily suggest that roads may be closed, traffic directionality changed or parking impacted. By excluding the full potential impact that the active transportation route could have on vehicle traffic, businesses and residents, the interest to participate in the process was limited to those most interested in active transportation.

Beginning in April 2010, additional concerns were raised regarding the selected option for the Assiniboine bikeway. We also reviewed the follow-up communication with the public once construction has been initiated. In July 2010, a letter was issued to all area residents and businesses regarding the changes to the Assiniboine bikeway. This letter accurately described the proposed changes to traffic flow, the timing for construction and provided a detailed traffic flow diagram. The final constructed design is virtually identical to the August 2009 design originally communicated to the public. The final design was communicated to the public through advertisements in the Winnipeg Free Press in December 2010.

We presented our report to Audit Committee in January, 2012. The Public Service agreed with all three of the recommendations in our report and has implemented them.

Review of Winnipeg Library Services

The Library Services Division operates within the Community Services Department. The Division manages and operates all service delivery aspects of the Winnipeg Public 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.

We recommended that the Community Services Department review the current structure of the Winnipeg Public Library Board to determine whether a governing board would be more effective to oversee the operations of the library. Currently, the Board is established as an advisory board and does not have formal authority to govern the organization. From our review of other municipal libraries in Canada, we found that all other organizations have governing boards with full authority over the governance of the library operations and place further emphasis on business and strategic planning, and embrace performance orientation by developing a set of performance indicators and targets.

The Library Services Division should conduct a business planning process to identify and prioritize goals along with timeframes to implement and performance measures to evaluate the success of initiatives. The Division strives to provide a variety of services to the diverse population of

Winnipeg and has developed a goals and strategies document with eight broad goals along with related strategies. The document covers the entire operation of the Division, but has limited usefulness as there are no performance targets or performance measures integrated within the plan to enable the evaluation of success at achieving the broad goals.

The Adult and the Children and Youth Program Committees should develop a set of detailed and prioritized objectives for program development. Without specific measurable and prioritized objectives, we are unable to conclude if the allocation of resources is optimal and whether the communities with having the greatest need for specific programs are receiving the services required. By developing attainable objectives linked to the Division's goals and supported by performance targets the programming committees can target specific groups and clearly link programming outcomes to the goals of the Division.
To support collection selection and acquisitions, a vision should be developed for the collection. Short-term targets for collection development should be developed which reflect the Division's goals and vision. The absence of a clear vision for the collection with measurable goals and targets to monitor progress, impacts the ability of the material selectors to work towards a common future profile for the collection.

The Division should develop a formalized process to track the recommendations made and ensure that the information received from facility studies conducted for the Division are integrated into the facility planning conducted by the Division. A process to integrate recommendations into the Division's facilities planning and to track the implementation of recommendations would ensure that the goals and objectives of facility development are effectively and efficiently implemented.

We presented our report to Audit Committee in January, 2012. The Public Service agreed with all nine of the recommendations in our report and has initiated actions to implement them.

Review of the Hired Equipment Process

The Audit Department conducted a limited scope review of the Hired Equipment Process administered by the Public Works Department. Each year, the Public Works Department issues a bid opportunity to contract with hired equipment for the construction season. The Hired Equipment process includes the annual review and posting of the bid opportunity, evaluation of the bid submissions, award of contracts to vendors, assignment of work to contractors and payment for services provided.

Our review determined that the execution of the Hired Equipment Process appears to be generally operating as intended. However, we found some improvements to the processes that should be implemented. These include additional controls in the information system, improved documentation, review of certain clauses in the bid opportunity, and succession planning for critical staff.

We presented our report to Audit Committee in September 2012. The Public Service agreed with all eight recommendations in our report and has initiated actions to implement them.

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

The City of Winnipeg has a professional services contract (the Contract) with the Winnipeg Airports Authority, Inc. (WAA) to supply specialized and dedicated policing services, provided and administered by the Winnipeg Police Service (WPS) 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 audit was identified in the City Auditor's *Audit Plan 2011–2014* that was endorsed by the Audit Committee.

The objectives of the audit were to assess whether the Winnipeg Police Service is providing services in compliance with the terms of the Professional Services Contract; and to assess whether the City was compensated appropriately by the WAA for the services provided.

The WPS is complying with most of the key terms of the Contract. We also identified key terms in the Contract that were not clearly defined, or were inconsistent or open to interpretation, which prevented us from concluding on compliance with those specific terms. This also prevented the WPS from being able to comply with the unclear terms due to multiple possible interpretations. There are some areas of the Contract where the WPS is not in compliance. One area is the provision of activity reports to the WAA. Another area requires rewording of the Contract to reflect the role expected of the WPS. The WPS should change its processes to ensure that it is complying with the terms of the Contract. Negotiations on the next contract should ensure the Contract language is precise and the WPS should implement processes to ensure that the WPS is complying with all Contract terms.

The City did not receive adequate compensation to cover the actual cost of the services provided. The WPS projected that the Contract would result in a "net benefit" of $477,354, but instead resulted in an estimated financial loss to the City of $238,890, a difference of $716,244. One reason for the loss was that remuneration that was allowable under the Contract was never billed to the WAA because of how the WPS interpreted several of the Contract's payment terms. The primary costs in this area included direct salary expenses for Airport Unit officers and salary expenses to call out other WPS officers to maintain the required staff complement at the WAA. A second reason was that the initial cost projections did not consider several administrative and overhead costs required by providing service under the Contract. These costs could not be recouped because they were not negotiated into the Contract. Cost estimates, along with the WPS's internal management accounting and billing processes, will need to be improved for the City to achieve the projected financial benefits in future contracts.

We presented our report to Audit Committee in September 2012. The Public Service agreed with all thirteen recommendations in our report and has initiated actions to implement them.

Audits In-Progress

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 & 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 *Audit Plan 2011-2014* 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 was completed in 2012. We reported on the results of the review in March, 2013.

Winnipeg Police Service Civilianization Audit

The Audit Department conducted an audit of Winnipeg Police Service Civilianization as part of the *Audit Plan 2011-2014* endorsed by Audit Committee. The audit focused on two main objectives:

- To determine whether the Winnipeg Police Service has adequate processes in place to ensure it deploys civilian staff in an optimal manner; and
- To determine if there is a gap between Winnipeg Police Service civilian positions in terms of duties, salaries and benefits compared to similar City of Winnipeg positions.

The audit was completed in 2012. We reported on the results of the review in March, 2013.

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Workplace Health and Safety Audit

In 2011, safety and health incidents accounted for 85,863 hours lost and $6.8 million in Workers Compensation related costs. While the City has experienced stable Time Loss Injury (TLI) statistics for the past five years, the City's TLI of 5.2 in 2011 is still higher than the provincial average of 3.3 and the province's TLI has been on a decreasing trend. An audit of the workplace safety and health program was added to the City Auditor's updated *Audit Plan 2011-2014* in 2012 endorsed by Audit Committee.

The objectives of the audit are:

- To determine the effectiveness and efficiency of the workplace safety and health program at the corporate and departmental level; and
- To determine the adequacy and completeness of the workplace safety and health performance information.

The audit was in progress at the end of 2012. We expect to report on our results in the summer of 2013.

Real Estate – Non-Monetary Grants to Not-for-Profits

The City of Winnipeg awards grants in the community for a wide variety of purposes. Grants are awarded to various community groups, non-profit organizations, and other entities through programs established in numerous City departments. Grants can be given as monetary contributions to organizations to support their activities, or they can be in the form of property or services provided at less than market rates to organizations. This second type of grant is known as a "non-monetary grant". The City provides non-monetary grants to various community organizations through leases and sales of real estate. An audit of non-monetary real estate grants was identified in the City Auditor's *Audit Plan 2011–2014*, which was endorsed by the Audit Committee.

The objectives of the audit are:

- To assess the adequacy of and compliance with prescribed policies and processes for non-monetary real estate grants.
- To assess the effectiveness of property management and monitoring processes and practices in place for granted assets.
- To assess whether appropriate information is being collected, recorded and reported for non-monetary real estate grants.
- To determine the financial implications to the City of providing the real estate grants.

The audit was in progress at the end of 2012. We expect to report on our results in the summer of 2013.

Real Estate Management Audit

On September 27, 2012, Winnipeg City Council passed a motion that an external and objective Real Estate Management Audit be conducted, going back a minimum of 5 years, reviewing the processes and policies for all major land Acquisition, Sales, Transfers and External leasing activities, including all transactions where commissions or management fees were paid with City of Winnipeg funds.

The work to be performed for this review is to consist of an independent objective review of the policies governing real estate management and the processes and practices used for executing major land acquisitions, sales, transfers and external leasing transactions. The scope of the project will also entail a review of all major real estate transactions including those where commissions or management fees were paid with City of Winnipeg funds over the past five years

The Audit Department facilitated a competitive two-stage procurement process comprised of a Request for Qualifications and a subsequent Request for Proposal process. A contract was awarded to Ernst & Young LLP in December 2012. The Audit Department continues to act as the project manager and we expect a report in the summer of 2013.

Investigation Services

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.

On May 25, 2011, Council approved the implementation of a Fraud Hotline to be managed by the Audit Department. The Fraud Hotline commenced operations on April 30, 2012. The Fraud Hotline is a confidential and anonymous service that allows staff to report complaints 24 hours a day, 7 days a week. The Hotline is operated independently by a third party and is accessible by phone or Internet. In 2012, the Audit Department conducted eight investigations. Additional information on the Fraud Hotline and the investigations conducted can be found in our report entitled *Fraud Hotline Annual Report 2012*. It is our policy not to comment on investigations in progress or those that focus on personnel matters

Review of the Fire Paramedic Stations Construction Project

On September 24, 2012, upon receiving a recommendation from the City Auditor, Mayor Sam Katz announced a comprehensive review of the processes followed for constructing four new Fire Paramedic Stations will be performed. External resources are required to provide a thorough, complete, objective and transparent review of the processes that were followed.

The work to be done under the proposed contract shall consist of an independent objective review of the processes followed to construct four new Fire Paramedic Stations for the City of Winnipeg. The major areas of the review will include the following: Capital Project Oversight, Capital Budget Processes, Procurement, Project Management, Land Acquisition, Sales, and Disposal, Legal Analysis pertaining to real estate transactions, Municipal By-laws, Policy and Process review, Real Estate Valuation and Decision Making and Process analysis and review.

The Audit Department facilitated a competitive two-stage procurement process comprised of a Request for Qualifications and a subsequent Request for Proposal process. A contract was awarded to Ernst & Young LLP in November 2012. The Audit Department continues to act as the project manager and we expect a report to be ready in the summer of 2013.

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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 recommendation in our audit reports 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 meeting. 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
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	17	12	
Wpg. Fire Paramedic Service Overtime & Sick Leave	Jun-09	10	9	1	
Building Permits & Inspections Audit	Nov-09	6	2	4	
Winnipeg Fleet Management Performance Audit	Mar-10	10	10		
Business Resumption Planning Audit	Mar-10	5	5		
Local Improvements Audit	Jul-10	9	5	4	
Review of the Councillors' Representation Allowance Fund - Policy Requirements	Jan-11	5	5		
Fraud & Waste Hotline Research Study	Apr-11	1	1		
Operational Review of Winnipeg Golf Services	Apr-11	11	1	8	2
Traffic Signals Branch Performance Audit	Jun-11	19	12	7	
Operational Review of the Winnipeg Parking Authority	Jun-11	27	18	8	1
Animal Services By-law Enforcement Audit	Jun-11	13	9	4	
Risk Management Audit	Jun-11	16	13	2	1
Corporate Leadership Training & Development Audit	Jan-12	6	3	3	
Review of the Assiniboine Active Transportation Bikeway	Jan-12	3	3		
Review of the Winnipeg Public Library Services	Jan-12	9	6	2	1
Contract with Winnipeg Airports Authority Inc.,	Jul-12	13	3	10	
Review of the Hired Equipment Process	Jul-12	9	1	8	
FIVE YEAR TOTAL		308	229	74	5
FIVE YEAR PERCENTAGE			74%	24%	2%

* Stats from 2012 4th 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 2010 to 2012 are included in the Balanced Scorecard for each performance category for which benchmarks are available.

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2010	Actual 2011	Actual 2012	3 year Average	Industry* Benchmk	2013 Target
Customers & Stakeholders Perspective							
Deliver quality audit reports to clients and stakeholders	• Collaborative risk-based Audit Plan in place • # of Audit Committee meetings • # of reports issued to clients/ stakeholders • Post project satisfaction rating (out of 5) • The rating of the quality of audit reports as 'reliable and credible' (out of 5)	Yes 3 14 4.2 4.2	Yes 3 17 4.2 4.2	Yes 3 11 3.9 3.8	Yes 3 15 4.1 4.1	n/a n/a n/a 4.4 n/a	Yes 3 15 4.4 4.0
Provide value-added and relevant recommendations	• Audit recommendations accepted • Audit recommendations implemented (last 5 yrs.) • Clients/stakeholders rating of the audit recommendations as 'value-added' (out of 5)	100% 81% 4.2	100% 75% 4.3	100% 74% 3.7	100% 78% 4.1	88% 80% n/a	95% 80% 4.0
Educate clients and stakeholders on strategic areas of focus (governance, risk management & controllership, performance information)	• # of advisory projects • # of presentations and workshops • # of committee membership • Clients/stakeholders rating that the audit recommendations improved focus areas (out of 5)	8 2 2 3.8	10 2 3 4.8	7 0 2 3.7	8 1 2 4.1	n/a n/a n/a n/a	6 2 2 4.0
Maintain focus on primary assurance role while dedicating some resources to advisory and investigative roles	• % direct hours dedicated to assurance • % direct hours dedicated to advisory • % direct hours dedicated to investigations	80% 14% 5%	72% 17% 11%	71% 20% 9%	74% 17% 8%	n/a n/a n/a	75% 15% 10%

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2010	Actual 2011	Actual 2012	3 year Average	Industry* Benchmk	2013 Target
Financial Perspective							
Prudently manage public resources	Operating Budget variance	-3%	-12%	-2%	-6%	n/a	0%
Deliver cost-effective audit services	Cost per billable hour	$102.90	$102.81	$103.16	$102.96	$108.82	$105.00
Potential cost savings/avoidance or revenue generation opportunities	Cost savings/avoidance identified in Audit Reports	$1.25m	$998,000	$775,780	$1.008m	3.21 ratio of $ savings to Audit $	50% of Dept Budget

Strategies	Performance Measure	Actual 2010	Actual 2011	Actual 2012	3 year Average	Industry* Benchmk	2013 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 1:1403	7 1:1408	7 1:1446	7 1:1419	6 - 10 1:1222	7 1:1446
Supplement competencies with external/internal partnerships	# of collaborative projects	4	2	5	4	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% 47 43%	100% 23 33%	100% 43 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)	4.9	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	100% Yes	100% Yes	100% Yes	100% --	n/a 73%	100% Yes

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2010	Actual 2011	Actual 2012	3 year Average	Industry* Benchmk	2013 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	69%	80%	77%	71%	75%	75%
	% Target date met	71%	74%	94%	72%	76%	75%
	% Target budget met within 10%	79%	87%	94%	79%	79%	75%
Optimize productivity	• Direct project hours to total hours available	78%	78%	77%	78%	72%	78%
	• Audit management software used	Yes	Yes	Yes	--	60%	Yes
	• Fraud Hotline	No	No	Yes	_	64%	Yes

* Industry is represented by the Association of Local Government Auditors. The latest comparative survey was published in March 2013.

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.

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), the Certified Management Accountants (CMA), 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 began his career with the City of Winnipeg Audit Department in 1999 as a Senior Auditor and currently holds the position of Deputy City Auditor. His work has included managing performance audits and information technology reviews, acting as an advisor on city-wide initiatives and conducting special investigations. Prior to joining the City, Bryan worked in the private sector as a management consultant specializing in the areas of quality management systems (ISO 9000), business planning and strategic planning. 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 management, 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•CIA
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, and articled in public accounting practice at Booke & Partners Chartered Accountants in Winnipeg. He is both a Chartered Accountant and a Certified Internal Auditor. Micheal is also active in supporting and developing the audit and accounting community by facilitating online courses and marking exams for the CA School of Business, and currently serves on the Bylaws Advisory Committee of the Institute of Chartered Accountants of Manitoba.

Larissa Klimchak, CMA, CIA
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 and Certified Internal Auditor.

Donovan Fontaine, CA•CIA
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. He is both a Chartered Accountant and a Certified Internal Auditor.

Donna Woytowich
Administrative Coordinator

Donna has been with the City since 1987 and joined the Audit Department in 1998. In her current position as the Administrative Coordinator, Donna is responsible for all of the department's administrative functions, which includes financial reporting, budget preparation and all areas related to human resources. In addition to these duties, she participates as a team member on departmental initiatives and various audit projects.

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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