Winnipeg

CITY AUDITOR
2013 REPORT ON PERFORMANCE



Reflections of the City Auditor

In 2013, much of our time was dedicated to overseeing four major reviews conducted by external firms. The *Review of New Fire Paramedic Stations Construction Project* was launched in the fall of 2012 and reported to Council in October 2013. There were 14 recommendations dealing with procurement, real estate transactions, and the reporting relationship of Legal Services stemming from the review. In 2012, 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*. The *Operational Review of the Winnipeg Police Service* was completed in September and the final report contained over 100 recommendations. The *Operational Review of Public Works Department* was reported to Council in October and the final report contained over 20 recommendations aimed at improving service delivery and garnering efficiencies. The *Real Estate Management Audit* started in 2013 was in progress at the end of 2013 and will be completed in the summer of 2014. The time spent overseeing these projects resulted in delays in the start and completion of projects we had planned to complete in 2013.

In July, the Audit Department implemented public access to the Fraud and Waste Hotline that allows citizens to anonymously report suspected fraud or wrongdoing. The Hotline supports the protection of city property, resources and information and demonstrates the City's commitment to sound and ethical operating practices and serves as a deterrent to fraud.

During the year we released the *Winnipeg Police Service Civilianization Audit*, the *Safety Review of the City of Winnipeg Aquatic Services* and the *Non-Monetary Real Estate Grants Audit*. For each report we 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, 2013, they have fully implemented 71 % of the 234 audit recommendations made since 2009.

I wish to thank my staff for their contributions throughout 2013. 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 2013.



Brian Whiteside, CA, CIA
City Auditor

June 23, 2014

City of Winnipeg Audit Department
2013 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

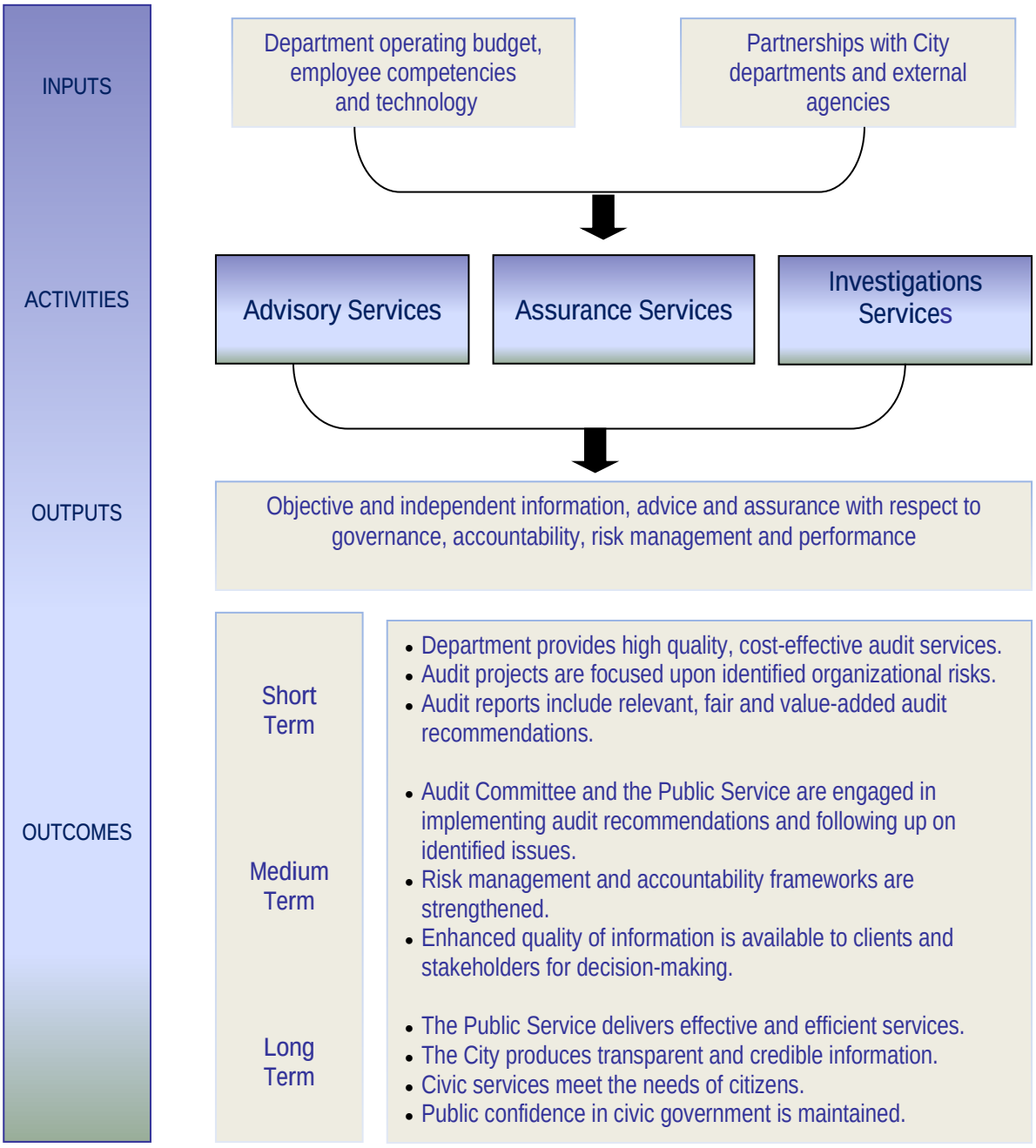
The Audit Department's budget and expenditures are shown below:

	Fiscal Year		
Description	2011	2012	2013
Budget	$ 866,046	$ 885,733	$ 915,953
Expenditures	$ 757,403	$ 872,306	$ 894,086
	$ 108,643	$ 13,427	$ 21,867

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 2013.*

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

The 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 final report was presented in October 2013.

The final report contains over 20 recommendations and deals with improvements to the delivery of several of the internal and public services provided by Public Works. The recommendations were categorized by: Support Services (internal), Roadway Construction and Maintenance, Roadway Snow Removal and Ice Control,

Transportation Planning and Traffic Management and Parks and Urban Forestry and Other Services.

The recommendations were reviewed by the Public Works Department and implementation plans are to be presented to the appropriate Committee of Council.

Operational Review of the Winnipeg Police Service

The 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 was 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 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 Matrix Consulting Group in December 2012. The final report was presented in September 2013.

A key goal of the operational review was to identify opportunities and find innovative ways to maximize the use of limited tax dollars, while continuing to provide the quality services to citizens. The final report contains over 100 recommendations and covers all of the internal and public services provided by Winnipeg Police Service. The recommendations were categorized by: Functions Reporting to the Chief of Police, Organization & Management, Administrative Functions, Uniform Services, Development Support Services, Operations Support and Investigative Operations.

The recommendations have been considered by the Winnipeg Police Service along with the Winnipeg Police Board to develop implementation plans that are aligned with the strategic vision of the service.

Assurance Services

Due Diligence Reviews

Collective Bargaining Agreements

We completed two collective bargaining agreement reviews in 2013. 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, 2012 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 2012. The results of the audits were reported to the Governance Committee of Council in June 2013.

Performance Audits

Winnipeg Police Service Civilianization Audit

The *Winnipeg Police Service Civilianization Audit* focused on determining whether the Winnipeg Police Service has adequate processes in place to ensure it deploys civilian staff in an optimal manner, and 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 Winnipeg Police Service (WPS) most recent strategic plan highlighted the value in terms of enhanced performance and efficiency of fully developing and implementing a civilian staffing strategy. The creation of the Auxiliary Force Cadets is an example of a very successful civilianization initiative led by the WPS that is designed to free up sworn officers to concentrate on core policing duties while at the same time delivering the services offered by the Auxiliary Force Cadets in a more cost effective manner.

Although the WPS has identified the need to fully develop and implement a civilian staffing strategy that incorporates civilianization, it is not developed. With the exception of the Auxiliary Force Cadets initiative, WPS civilian staffing initiatives have been limited to increasing the numbers of civilian staff where operationally deemed necessary and ensuring newly created positions are correctly classified.

There exists a significant gap between salaries of the civilian staff component of the WPS and the salaries of the City of Winnipeg staff in comparable positions requiring the same duties, experience and qualifications. We identified 173 WPS civilian positions in comparable positions to other City of Winnipeg staff. In 2011, these WPS civilian positions were paid $1.8 million more than comparable positions at the City, this represents a 24% premium. The City has identified the inequity and has attempted to rectify it recently through collective bargaining negotiations, albeit unsuccessfully.

The WPS needs to develop a plan for civilian staffing supported by clearly defined and measurable goals and criteria to determine whether a position should be performed by a sworn officer or civilian. This should be supported by a formal process to review all current positions and new positions against these criteria and a performance management system that would monitor progress against established goals. Modifications to the current collective agreement will also be required to enable WPS management to act independently to deploy staff resources in an optimal manner through civilianization.

Management was in agreement with all seven recommendations.

Safety Review of the City of Winnipeg Aquatic Services

A safety review of the City of Winnipeg Aquatics Programs was included in the City Auditor's 2011-2014 Audit Plan. The Audit Department issued a Request for Proposal (RFP) to identify experienced and capable proponents to conduct the review. The RFPs were evaluated based on the experience of the proponent, the proposed project approach/methodology and a fixed price quote. In December 2011, a contract was awarded to the Lifesaving Society Ontario which submitted the proposal determined to be the most advantageous to the City.

The Lifesaving Society evaluated the overall operation of aquatics through on-site inspections conducted in each of the thirteen City of Winnipeg indoor aquatic facilities in January and February of 2012. The scope of the review did not include an assessment of the structural integrity of the facilities but was limited to assessing safe operating procedures and practices of the indoor aquatic facilities.

The Lifesaving Society observed that the City of Winnipeg Aquatic Services was compliant with most Manitoba regulations. Those regulations pertained to areas such as water quality and lifeguard training and positioning around the pool deck.

The Lifesaving Society did identify some areas of non-compliance with an applicable Manitoba Regulation. Typically, the observations related to a small number of facilities and were not identified as applicable to all facilities. The identified issues included improving signage through the posting of additional "No Diving" signs, capping vacuum lines, securing pool outlets and ensuring there are locks on change room doors.

The Lifesaving Society also identified four findings related to general emergency and operating procedures for all aquatic facilities. These findings are based on what the Lifesaving Society recommends as safe practices and included reviewing admission standards, verifying staff certifications and ensuring a consistent approach to lifeguard scanning practices.

The review also identified a number of other findings related to signage, chemical storage and handling, the general interior condition of the pool and adjoining shower and change room facilities.

The Lifesaving Society's review identified six findings of non-compliance with an applicable Manitoba regulation. The Lifesaving Society also identified four findings related to general emergency and operating procedures applicable to all aquatic facilities. In addition, the review identified fifty-two findings that are based on the Lifesaving Society's position of what constitutes reasonable safe practices.

Management agreed to implement all sixty-two recommendations and several are already implemented at the time this report was issued.

Non-Monetary Real Estate Grants Audit

Grants awarded by the City of Winnipeg can take two different forms: (1) the City can provide money to organizations to support their activities, or (2) the City can provide property or services to organizations at less than their market rates. The second type of grant is a "non-monetary grant". Non-monetary grants to non-profit organizations are governed by Council's 1990 "Policy on the Sale/Lease of City Lands to Non-Profit Organizations" and an untitled 2002 amending policy for land sales made through the Winnipeg Housing and Homelessness Initiative.

The scope of the audit included non-monetary real estate grants to not-for-profit organizations for all currently active lease grants, and grants made through property sales for the last five years.

The information systems used by the Real Estate Division and the Municipal Accommodations Division of the Planning, Property & Development Department are robust enough to capture and report the value of grants in accordance with Council policy. The information required to report the value of sales-type grants is being tracked by the Real Estate Division. Monitoring processes were also capturing evidence supporting that the grant recipient was satisfying the terms of the grant agreement. For lease-type grants, the Real Estate Division is ensuring that tenants are obtaining and maintaining proper insurance for granted spaces.

The Planning, Property & Development Department did not have a process in place to monitor and evaluate the physical condition of leased facilities, nor did they ensure tenants performed the maintenance commitments agreed to in the leases.

The Planning, Property & Development Department has not fully integrated all Council policies into their policies and procedures manual. Consequently, some policy requirements are not being met, including eligibility analyses, reporting the annual values of real estate grants, and reporting the usage of delegated authority for property sales to the Winnipeg Housing and Homelessness Initiative.

The existence of the non-monetary real estate grants is not publicized. This effectively limits access to the grants only to organizations that already know or have otherwise learned of their existence, or that ask of their own volition.

Management was in agreement with all twelve recommendations and identified that implementation will be completed by the second quarter of 2014.

Audits In-Progress

Waverly West Arterials Roads Construction Project Audit

In December 2012, the Public Works Department brought it to the attention of the Standing Policy Committee (SPC) on Finance that the project faced a potential budget shortfall. A budget increase was subsequently recommended by the SPC on Finance. It also moved that the Audit Department complete an audit of the project to date. The motion for an audit was passed by Council December 2012.

The objectives of our audit were:

- To evaluate the reasonability of the original capital budget for the project
- To evaluate the reasonability of budget increases to date
- To evaluate the project management to date
- To evaluate the cost reporting as of December 31, 2012.

The audit was in progress at the end of 2013. We expect to report on our results in the fall of 2014.

311 Contact Centre 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 four main objectives:

- To evaluate the extent that the objectives in the business case for the creation of the 311 Contact Centre have been achieved
- To evaluate the extent the 311 Contact Centre is delivering service to citizens effectively and efficiently
- To evaluate the extent the 311 Contact Centre is delivering service to City departments effectively and efficiently
- To evaluate the adequacy of the organizational performance management system

The audit was in progress at the end of 2013. We expect to report on our results in the fall of 2014.

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-number of time lost injuries per 100 members per year) 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 Audit Department's updated *Audit Plan 2011-2014* in 2012, which was 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 2013. We expect to report on our results in the summer of 2014.

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 to report to Council in the summer of 2014.

Legal Review of New Fire Paramedic Stations Construction Project Report

The Ernst & Young *Review of the Fire Paramedic Stations Construction Project* was presented to Council on October 22, 2013. The next day Council passed a motion to obtain outside legal counsel that specializes in the law of competitive public tendering processes and procurement practices of government and quasi-government entities, to provide a legal opinion as to whether there was any potential illegal activity by the civic administration as well as potential legal and financial liability of the City arising from this conduct.

The Audit Department facilitated a competitive two-stage procurement process comprised of a Request for Qualifications and a subsequent Request for Proposal process seeking proposals from qualified law firms in Canada.

A contract was awarded to The Procurement Law Office in February 2014.

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 & Waste Hotline to be managed by the Audit Department. The Fraud & Waste Hotline commenced operations on April 30, 2012. The 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 July 2013, the Hotline was expanded to include accessibility to citizens of the City of Winnipeg.

In 2013, the Audit Department conducted sixteen investigations. Additional information on the Fraud & Waste Hotline and the investigations conducted can be found in our report entitled *Fraud and Waste Hotline Annual Report 2013*. It is our policy not to comment on investigations in progress or those that focus on personnel matters.

Fraud and Waste Hotline Program

On March 20, 2013, Council concurred in the recommendation of the Executive Policy Committee that the expansion of the Fraud & Waste Hotline to include accessibility to the public be authorized. To support expansion of the Fraud and Waste Hotline to the public it is necessary to establish a Council Policy that provides specific guidance for this initiative and the resulting interaction between the public and the City of Winnipeg.

The purpose of the guidance is to establish specific responsibilities for reporting and investigation of fraud, theft, misappropriations and other related irregularities through the Fraud and Waste Hotline. This guidance reflects the City of Winnipeg's ongoing effort to support ethical, accountable and transparent local government.

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 be performed of the processes followed for constructing four new Fire Paramedic Stations. 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 consisted 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, 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 Ernst & Young report included 14 recommendations regarding the City's policies, processes and organizational structure. Highlights of the recommendations include:

- City Council should examine the basis under which they allow single source contracting and evaluate the threshold where single source negotiation decisions should be brought to their attention. Council also should consider the contract award delegation limits as it relates to single source contracts and the expected disclosure to Council when transactions have not occurred in a manner established by City policies.
- City Council should also consider revising the organizational structure so that Legal Services would report to City Council rather than City Administration.
- The Public Service should develop, for Council approval, policies regarding land exchange transactions, constructions contracts related to land acquisition and authorities to be sought for Letter of Intent or similar agreements. The policy regarding the declaration of surplus property should also be clarified as to when Council approval is to be sought.
- The City's procurement processes should be reviewed to determine the acceptability of substitutions and developing a strategy to ensure all proponents have access to the same information.
- The Public Service should also update internal processes regarding capital budget submissions and develop a means to account for non-cash transactions when reporting total project costs. Further, prior to issuing building permits on City projects, controls should be implemented to ensure all ownership rights in the subject property are unconditionally held by the City.

New Fire Paramedic Stations Construction Project – Report on the Result of Interviews of City Council

On October 7, 2013 Ernst & Young (E&Y) issued its report regarding its findings and recommendations resulting of the E&Y review of the construction of four Fire and Paramedic Stations in the City of Winnipeg. On October 22, 2013 Council concurred with E&Y's recommendations outlined in their independent review. Council also requested that the report be revisited by E&Y and all members of Council be interviewed and the results incorporated into the report.

All current City of Winnipeg Councillors and the Mayor are to participate in interviews conducted by E&Y.

The report will be presented to Council in the summer of 2014.

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 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
Winnipeg Police Services Overtime	Feb-09	11	11		
Capital Project Management	Feb-09	29	19	8	2
Wpg. Fire Paramedic Service Overtime & Sick Leave	Jun-09	10	10		
Building Permits & Inspections Audit	Nov-09	6	4	2	
Winnipeg Fleet Management Performance Audit	Mar-10	10	10		
Business Resumption Planning Audit	Mar-10	5	5		
Local Improvements Audit	Jul-10	9	6	3	
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	3	1	7
Traffic Signals Branch Performance Audit	Jun-11	19	14	5	
Operational Review of the Winnipeg Parking Authority	Jun-11	27	23	3	1
Animal Services By-law Enforcement Audit	Jun-11	13	10	3	
Risk Management Audit	Jun-11	16	15		1
Corporate Leadership Training & Development Audit	Jan-12	6	4	2	
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	
WPS Civilianization	Oct-12	7	3	4	
Safety Review of Aquatics Services	Feb-13	15	11	3	1
FIVE YEAR TOTAL		234	167	54	13
FIVE YEAR PERCENTAGE			71%	23%	6%

* Note: Stats from 2013 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 2011 to 2013 are included in the Balanced Scorecard for each performance category for which benchmarks are available.

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2011	Actual 2012	Actual 2013	3 year Average	Industry* Benchmk	2014 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 17 4.2 4.2	Yes 3 11 3.9 3.8	Yes 3 14 3.9 4.0	-- 3 14 4.0 4.0	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% 75% 4.3	100% 74% 3.7	100% 71% 4.0	100% 73% 4.0	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)	10 2 3 4.8	7 0 2 3.7	8 1 2 4.5	8 1 2 4.3	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	72% 17% 11%	71% 20% 9%	62% 22% 16%	68% 20% 12%	n/a n/a n/a	75% 15% 10%

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2011	Actual 2012	Actual 2013	3 year Average	Industry* Benchmk	2014 Target
Financial Perspective							
Prudently manage public resources	• Operating Budget variance	-12%	-2%	-2%	-5%	n/a	0%
Deliver cost-effective audit services	• Cost per billable hour	$102.81	$103.16	$117.06	$107.67	$108.82	$105.00
Potential cost savings/avoidance or revenue generation opportunities	• Cost savings/avoidance identified in Audit Reports	$998,000	$775,780	$2.2m	$1.3m	3.21 ratio of $ savings to Audit $	50% of Dept Budget

Strategies	Performance Measure	Actual 2011	Actual 2012	Actual 2013	3 year Average	Industry* Benchmk	2014Target
Employee and Organizational Perspective							
Maintain staff capacity through recruitment and/or secondment	• Approved staff complement • Number of Auditors (FTE) to total organizational staff	7 1:1408	7 1:1446	7 1:1449	7 1:1434	6 - 10 1:1222	7 1:1446
Supplement competencies with external/internal partnerships	• # of collaborative projects	2	5	4	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% 23 33%	100% 43 33%	100% 41 33%	100% 36 33%	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 2011	Actual 2012	Actual 2013	3 year Average	Industry* Benchmk	2014 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	80%	77%	84%	80%	75%	75%
	• % Target date met	74%	94%	92%	87%	76%	75%
	• % Target budget met within 10%	87%	94%	92%	91%	79%	75%
Optimize productivity	• Direct project hours to total hours available	78%	77%	76%	77%	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 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 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), the Information Systems Audit and Control Association (ISACA) 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

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. In the spring of 2014, Jason resigned to accept a management position in the public sector.

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 is also an active member of the City's Aboriginal Relations Leadership Team. Before starting with the Audit Department, Micheal obtained his Bachelor of Commerce (Honours), majoring in accounting, at the University of Manitoba, and articled in public practice at Booke & Partners Chartered Accountants in Winnipeg. He is a Chartered Accountant and a Certified Internal Auditor. Micheal is also active in supporting and further developing the audit and accounting profession by facilitating online courses and marking exams for both the CA School of Business and CPA Canada, 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, CISA
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, information technology and financial auditing. He is a Chartered Accountant, Certified Internal Auditor and Certified Information Systems 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 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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