Winnipeg

Audit Department
Service de vérification

Audit Plan 2015 – 2018

May 2015

Leaders in building public trust in civic government

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A MESSAGE FROM THE CITY AUDITOR

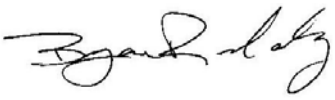
I am pleased to present our 2015-2018 Audit Plan that was developed through a comprehensive process that involved consultation with Elected Officials and senior managers across the organization. In addition, utilizing our Integrated Risk Management Model, risk profiles were updated for all key services and a Corporate Risk Profile was created to provide context for our plan.

There is continued pressure to maintain service to citizens while operating in an environment of financial constraint. In the past we have worked with the Public Service to enhance performance information for all services. This plan continues to place an emphasis on evaluating the quality of information collected and communicated. Council and citizens require transparent, relevant and reliable performance information to fully understand how services are performing.

The plan also identifies audit resources to work in a cooperative and advisory role with the Public Service on various initiatives. Participation in these projects would be beneficial by providing timely, proactive feedback throughout the life of a project. Additional performance audit projects are also included in the plan where we believe an area is facing strategic, operational or governance risks and the involvement of Audit would be of assistance to management and Council.

Our goal is to provide independent and objective analyses, along with recommendations to help promote accountability, efficiency and effectiveness. We will report annually on the results of our work as well as update this plan to reflect evolving areas of risk and priorities.

Sincerely,



Bryan R. Mansky, MBA, CMA, CIA

Acting City Auditor

May 14, 2015

ABOUT THE DEPARTMENT

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 accountability of the Public Service 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 role of Chief Performance Officer was added to the responsibilities of the City Auditor. The mandate of the department is as follows:

- *To examine problem areas, within the capabilities of the Audit Department, which are brought to the Auditor's attention by taxpayers, department heads, employees, Council, Standing Committees of Council, members of Council and the CAO.*

- *To act as an internal consulting group to provide information and help to civic departments within the capabilities and resources of the Audit Department.*

- *To examine and evaluate the adequacy of the City's systems of internal control, both financial and operational.*

- *To determine whether applicable sections of the City of Winnipeg Act, by-laws, regulations, orders of Council and administrative directives have been complied with, as well as applicable federal and provincial legislation.*

- *To review the performance of operations to ensure money was expended with due regard to economy and efficiency.*

Chief Performance Officer Role

- *To monitor the implementation of recommendations from audit reports and report on the status of implementation of recommendations to Audit Committee*

- *To provide advice and assistance on the definition and development of performance measures, the implementation of performance management systems and the reporting of performance information to the public and to advocate for the use of performance information.*

Our Service Value

The value of an independent audit function to Council is the ability to use credible information to make better decisions and to hold the Administration accountable. Our primary client is the Audit Committee. The Audit Committee is chaired by the Mayor and includes the Deputy Mayor and the chairs of the Standing Policy Committees of Council. The Audit Committee's primary role is to ensure that due diligence has been directed towards ensuring that an effective control framework is in place. This framework provides reasonable assurance that the financial, operational and regulatory objectives of the City are achieved and that governance and accountability responsibilities of Council and the Administration are met. The Audit Committee meets four times a year or more frequently at the call of the Chair.

The Audit Department's stakeholders are the Public Service and citizens. Audit reports are made public once they have been communicated to City Council.

Our Mission

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

Our Vision

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

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 providing leadership, advice and assistance to support good governance, effective risk management and comprehensive and transparent performance information.*

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

OUR SERVICE LINES

Advisory Services

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

- Educational initiatives
- Research activities
- Consulting services
- Committee participation

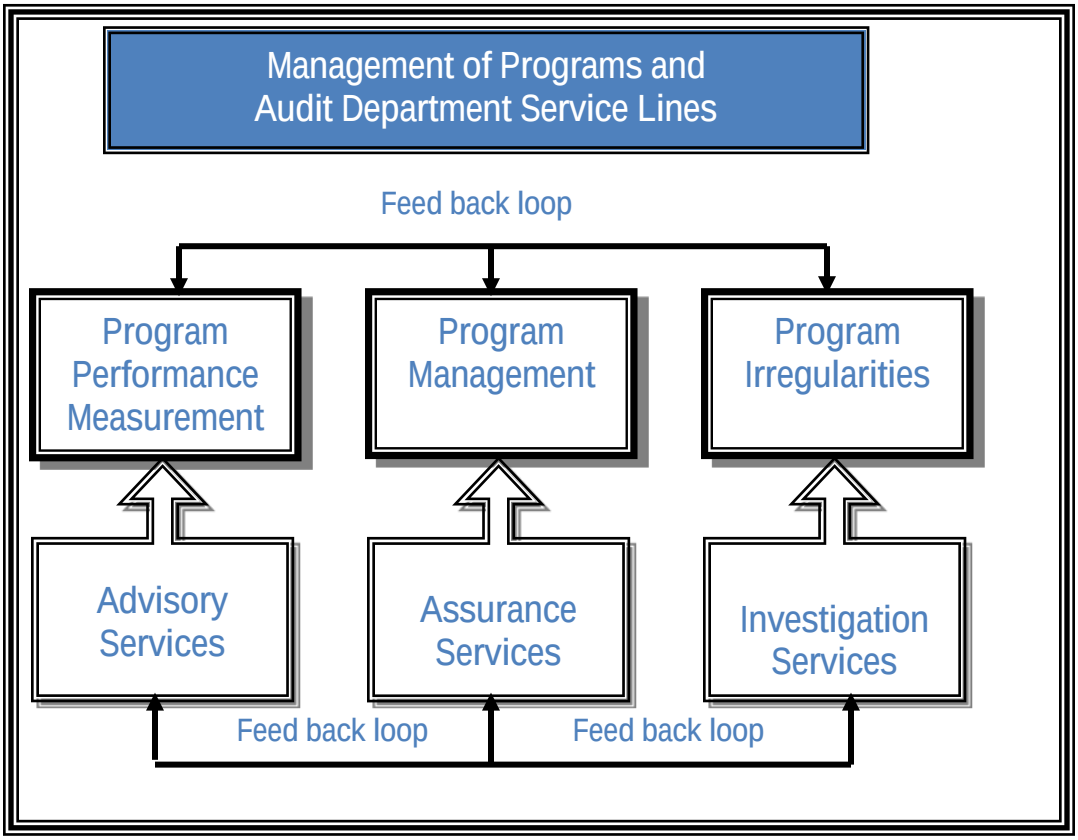
Assurance Services

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
- Performance measures
- Compliance audits
- Business process audits
- Due diligence reviews

Investigation Services

Under this service line, we initiate 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.



AUDIT PLAN DEVELOPMENT

Purpose of an Audit Plan

The purpose of a formal audit plan is to provide a disciplined approach to the identification of potential audit projects. Formal planning has several benefits:

- It focuses scarce resources on priority or high-risk areas.
- It provides the basis for the involvement of clients and stakeholders in the audit planning process.
- It ensures that all business units (and associated risks) are considered for audit attention during the planning process.
- It serves as a standard against which to measure the performance of the Audit Department.

The Audit Plan includes projects proposed for a four year period to coincide with the term of City Council. The plan is based upon the risks and priorities that exist at a certain point in time. Since we are operating in a dynamic environment, risks and priorities are constantly changing. In addition, Council has the authority to direct the City Auditor to conduct specific audits, which may be proposed during the four-year cycle, and the City Auditor has agreed to coordinate investigations referred to the Department. For these reasons and/or when we believe it is in the best interests of our clients and stakeholders, an adjustment will be made to the current Audit Plan. Changes to the four–year audit plan will be reported to Audit Committee each year to update the plan.

Audit Planning Process

The Audit Planning process is comprehensive and comprises several activities:

- identification and classification of auditable entities;
- evaluation of audit entities against standard criteria and risk factors;
- consultation with City Councillors and Senior Administrators;
- updating of *Service Risk Profiles*;
- creation of a *Corporate Risk Profile*;
- consideration of resources available and required by project type;
- selection of Audit Projects;
- presentation of our proposed Audit Plan to Audit Committee; and
- communication of our final Audit Plan to City Council.

It is understood that current resources do not allow for the audit of all civic entities on a cyclical basis. Nor is it desirable that this be the case. Projects are selected as a result of the risk-based planning process. All potential projects are rated periodically against common risk criteria to determine relative priority. The risk profiles contained in the departmental business plans are also reviewed and updated in conjunction with a broad consultation process involving senior managers, the CAO and Councillors. A *Corporate Risk Profile* is created as a product of this process to set the context for project planning. (See Appendix A.)
Where the priority of a particular project is high from a risk perspective, congruent with the Department's strategic goals, and resources are available, the project is

selected for inclusion in the four-year Audit Plan. It is for this plan that we seek Audit Committee endorsement. As a first principle, the Audit Department plans to allocate its resources to those areas that represent the greatest risk to the organization being able to achieve its business objectives. Having said this, however, other factors need to be considered. Timing of a particular project may be a consideration or the entity may have recently been subject to an independent review by another party. We attempt to provide balanced coverage across the organization and across the types of services delivered. While the extent of audit may vary, at a minimum, we believe that all units of the organization should be considered during the risk assessment process.

Audit Selection Criteria

Advisory Services and Investigation projects are considered upon request. Where known, Advisory Services projects have been included in the Audit Plan. Investigations are added as initiated. Proposed projects are assessed against the following criteria: corporate significance or exposure, congruence with Audit mission and strategic goals, timing of project, and availability of resources.

Assurance projects are first determined to be either mandatory or discretionary. Mandatory projects such as due diligence reviews of collective agreements and the annual review of compliance with the Councillors' Representation Allowance Policy must be scheduled as a priority in the annual audit plan. Potential assurance audits that are not mandatory are assessed against weighted risk factors applicable to that audit type as indicated below:

City Services

Financial Analysis		Qualitative Analysis					
Operating Budget	Capital Budget	Complexity of Operations	Sensitivity of Operations	Impact on 'Our Winnipeg'	Political, CAO, Audit Concerns / Hotline Reports	Risk Profile Score	Date Since Last Audit

Wholly Owned Corporations, Boards, Other Entities

Financial Analysis		Qualitative Analysis					
Revenues	Total Assets	Complexity of Operations	Sensitivity of Operations	Impact on 'Our Winnipeg'	Political, CAO, Audit Concerns / Hotline Reports	Annual Report Risk Assessment Score	Date Since Last Audit

Compliance Based Audits

Qualitative Analysis					
Complexity of Process / Directive	Sensitivity to Public Scrutiny	Political, CAO, Audit Concerns / Hotline Reports	Date Since Last Audit / Internal Review	Annual Report Risk Assessment Score	Scope of Staff Impact

Department Resources

The Department has six staff and a consulting budget of $35,000 to retain specialized expertise that is not available in-house. For small audit departments, the ability to provide a wide range of services, while not compromising independence, is becoming a challenge. As a result, resources that are strained due to increasing demand are being stretched through the use of partnership arrangements, innovative methodologies, and the increasing use of technology. We will continue to leverage our scarce resources through all three approaches.

It is our experience that projects that examine business processes common to most organizations can benefit from an external perspective and the economies of scale that a large auditing firm can offer. On the other hand, projects which require a good knowledge of public sector practices or the City of Winnipeg, in particular, are better led by internal staff.

We intend to reserve 80% of our available resources for independent assurance activities, which constitute our primary role. Advisory Services projects requested have already been included in the Audit Plan. Resource availability for additional Advisory Services projects is limited.

The City Auditor also conducts investigations referred by the Public Service under the *City of Winnipeg Fraud, Theft or Related Irregularities Directive* and reports received through the Fraud & Waste Hotline. The Department will only be able to absorb a minimum number of small investigation projects without additional resources or deferral of planned projects.

Resources Available (2015)

City Auditor
Deputy City Auditor
Project Leaders (2)
Auditors (1.5)
Consulting Budget of $35,000
Administrative Coordinator (0.5)

Resource Costs

It has been our practice to calculate the cost of our services using a full costing methodology (labour costs plus overhead). In 2014, our billing rate was $118.03 per audit hour.

AUDIT PLAN 2015 - 2018

State of Risk and Control

As part of our audit planning consultation process, we updated the Corporate Risk Profile (See Appendix A). Many of the significant risks identified in 2011 remain. Financial sustainability remains a challenge, to address infrastructure needs as well as operating funding for the delivery of City services. Compliance with external authorities, such as environmental legislation, requires significant resources and attention for many more years. The culture of the organization is being impacted by changes in leadership as well as new boards that alter the existing reporting relationships. Human resource risks vary throughout the organization and require ongoing monitoring as City staff is a critical element in the delivery of virtually all City services.

Project Resource Requirements

The next pages will highlight the projects we propose to undertake during the 2015 - 2018 timeframe. Audits have been selected in accordance with our audit planning methodology and taking into account available resources. Audit projects can vary considerably and the following section will identify the typical scope and possible objectives for each service.

Advisory and Investigation Services

Projects resource requirements depend upon the nature and scope of the project as determined at the time of initiation. Depending upon the technical qualifications required for the review, a determination will be made as to the optimal mix of internal and external resources.

Assurance Services

Assurance project resource requirements depend upon the type and scope of the review undertaken. The general project scope for the various types of assurance projects are provided below:

Due Diligence Review Project Scope – focused on providing assurance on Public Service reports and financial information. Can include the review of the following:

- Key business assumptions
- Costing calculations
- Disclosure to decision-makers

Business Process and Compliance Audit Project Scope –focused on a single process or system. Can include the review of the following:

- Accountability framework
- Risk management practices
- Effectiveness of key controls
- Compliance with authorities
- Performance reporting

Performance Audit Project Scope –the broadest scope projects, focused on the evaluation of the performance of a program or function. Can include the review of the following:

- Business objectives
- Accountability relationships
- Risk management & controls
- Value for money achieved
- Protection of public assets
- Compliance with authorities
- Performance results
- Performance reporting

Projects Proposed for 2015

Mandatory Projects

Advisory	Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.
Assurance	Collective Agreements Due Diligence	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.
	Councillors' Ward Allowance	The City Auditor is required to audit the expenditures incurred under the CRA Fund Policy annually to ensure compliance with the policy requirements and principles of the fund.

Project In-Progress

Advisory	Independent Fairness Commissioner	Report to identify possible options for the mandate, model and the financial resources required for the implementation and operation of an Independent Fairness Commissioner role.
Assurance	By-Law Enforcement	To assess the efficiency, effectiveness and whether adequate systems, processes, practices and controls are in place for the of the Community By-law Enforcement Services Division to achieve its goals and objectives.
	Emergency Mechanical Services Branch – WFPS	To assess the efficiency, effectiveness and whether adequate systems, processes, practices, and controls are in place for the branch to achieve its goals and objectives of the branch.

New Projects

Advisory	Ethics Commissioner	Report to identify possible options for the mandate, model and the financial resources required for the operation of an Ethic Commissioner. A report is to be developed cooperatively with City Clerks.
Assurance	Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project.
	Real Estate Management Report Implementation Monitoring	Procurement and contract management of an external agency to oversee the implementation of recommendations from the Real Estate Management Review.
	Capital Project Estimates	The capital budget estimate documentation supporting a new major capital project is reviewed to confirm it supports the identified class estimate (AACE).
	Contract / Vendor Management	Review processes to ensure contracts contain adequate provisions for oversight, that contractors are held accountable for compliance with requirements,
	Liabilities for Contaminated Sites	To ensure the appropriate processes are in place to report on liabilities for contaminated sites on the financial statements in compliance with Section PS 3260 – Contaminated Sites under the Canadian Public Sector Accounting Standards.

Projects Proposed for 2016

Mandatory Projects

Advisory	Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.
Assurance	Collective Agreements Due Diligence	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.
	Councillors' Ward Allowance	The City Auditor is required to audit the expenditures incurred under the CRA Fund Policy annually to ensure compliance with the policy requirements and principles of the fund.

New Projects

Advisory	Fraud & Waste Hotline Performance Review	To evaluate program effectiveness and also explore opportunities to provide the same service at a reduced cost.
Assurance	Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project.
	Capital Project Estimates	The capital budget estimate documentation supporting a new major capital project is reviewed to confirm it supports the identified class estimate (AACE).
	Development Agreement Parameters	To review recent development agreements executed between the City and developers and compare to the Council approved Development Agreement Parameters.
	Winnipeg Police Board Effectiveness Evaluation	Section 50 of the Police Board's Rules of Practice and Procedure requires a formal, comprehensive evaluation of the board's effectiveness every three years to be conducted by the City's Chief Performance Officer.

Projects Proposed for 2017

Mandatory Projects

Advisory	Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.
Assurance	Collective Agreements Due Diligence	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.
	Councillors' Ward Allowance	The City Auditor is required to audit the expenditures incurred under the CRA Fund Policy annually to ensure compliance with the policy requirements and principles of the fund.

New Projects

Assurance	Grant Accountability Follow-up	To evaluate if the provision of grants are made in accordance with Council policy and By-laws. To determine if the accountability framework (administration, measurement, reporting) provides sufficient oversight and if grantees are held accountable for compliance with established terms and conditions.
	Neighborhood Revitalization	To assess the efficiency, effectiveness and whether adequate systems, processes, practices and controls are in place to support achievement of the goals and objectives identified for the Neighborhood Revitalization Service. .
	Outdoor Aquatics Safety Review [1]	To review of the safety processes and practices in place for the aquatics services provided at all outdoor aquatic facilities.

Note 1: Additional consulting budget would be required to engage external consultants.

Projects Proposed for 2018

Mandatory Projects

Advisory	Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.
Assurance	Collective Agreements Due Diligence	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.
	Councillors' Ward Allowance	The City Auditor is required to audit the expenditures incurred under the CRA Fund Policy annually to ensure compliance with the policy requirements and principles of the fund.

New Projects

Assurance	Parks & Urban Forestry	To assess the efficiency, effectiveness and whether adequate systems, processes, practices and controls are in place to achieve the goals and objectives of the parks and Open Space Division and to maintain and preserve the City's green assets.
	Recycling & Waste Minimization	To assess the efficiency, effectiveness and whether adequate systems, processes, practices and controls are in place to achieve the goals and objectives of the Solid waste Division and the Garbage and Recycling Master Plan.
	Disaster Management Planning	To evaluate the adequacy of the current corporate governance structure and coordination of disaster recovery planning for the City's citizens, staff, facilities and critical systems in the event of a large scale disaster.

Projects Proposed for Subsequent Years

The following projects have also been identified as potential projects. They will be considered for 2016 and subsequent years. All projects will be re-evaluated annually to ensure continued relevance and priority.

- Archives and Records Management
- Assiniboine Park Conservancy
- Auto Allowance
- Bridge Asset Management
- Building Operations and Security
- Business Improvement Zone Financial Reporting
- Campus Accommodation Strategic Planning
- CentreVenture
- Crime Prevention Initiatives
- Corporate Planning
- Employee Benefits
- Emergency Medical Response
- Exception Reporting
- Procurement and Contract Management
- Property Asset Management
- Recreation Services
- Recruitment
- Shared Services Model Implementation
- Sidewalk Asset Management
- Survey Infrastructure
- Transit Fleet Asset Management
- Water Supply and Distribution
- Winnipeg Convention Centre

Appendix A – Corporate Risk Profile – April 7, 2015

Key Context Risks

Context risks relate to internal and external factors that impact the environment in which the City operates or business processes are conducted.

External Environment	Compliance	Organizational Culture	Management Processes
Addressing the needs of the Aboriginal community	Compliance with Environmental Legislation	Leadership - Balancing competing objectives, ability to adapt to change ↑	Strategic Planning - Business planning
Government Relationships	Compliance with Workplace Health and Safety	Governance Boards (Police Board, Transportation Authority, Planning Commission,)	Business Resumption Planning - Disaster Management
Physical Environment	Compliance with Provincial Legislation (FIPPA) ↑	Staff Morale	Performance Measurement & Management ↓
Relationship with Partners			Capital Project Management
Public Safety			Procurement & Contract Management
Trust in Civic Government			
Economy			

Key Resource Risks

Resource risks relate to the resources used by the City to accomplish its goals.

Human Resources	Financial Resources	Information Resources	Physical Assets
Recruitment	Financial Sustainability	Integrity – Records Management ↑	Condition / Maintenance
Retention (management continuity)		Integrity – Quality of Information ↓	Suitability for Service Level Requirements/Obsolesence
Labour relations			
Staff Levels			

Risk is defined as a future event that may impact the achievement of an organization's business objectives. Risk is measured by the likelihood of occurrence and the potential impact. Since future events may be either negative or positive, risks can be either *threats* that could prevent the achievement of objectives or *opportunities* that might enhance the achievement of objectives. **Red** indicates a critical risk; **orange** a high risk. **Trend arrows** indicate that a risk has increased or decreased since the last assessment.