Winnipeg

Audit Department
Service de vérification

Strategic Plan
&
Audit Plan
2017 – 2018

January 2017

Leaders in building public trust in civic government

TABLE OF CONTENTS

Strategic Plan

Strategic Overview 2

Our Service Lines 7

Audit Plan

Audit Plan Development 8

Projects Proposed for 2017 10

Projects Proposed for 2018 11

Projects Proposed for Subsequent Years 12

Appendix A – Status of Previously Approved Projects 13

STRATEGIC OVERVIEW

Our Mandate

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 and submits a report of its findings 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.

The City Auditor is a statutory officer appointed by City Council under *The City of Winnipeg Charter,* and Sections 102 to 106 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 review the performance of operations to ensure money was expended with due regard to economy and efficiency.*
- *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.*

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 Vision

To be leaders in building public trust in our civic government.

Our Mission

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

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 Public Service accountable. Our principle stakeholder 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 Public Service are met. The Audit Committee meets four times a year or more frequently at the call of the Chair.

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

Our Winnipeg Policy Alignment

The Audit Department supports the achievement of OurWinnipeg under the policy direction of 01-3 Prosperity - Direction 1 - Provide Efficient and Focused Civic Administration and Governance.

The development of the City Auditor's Strategic Plan & Audit Plan is our mechanism to support the policy direction through reviews of identified service delivery areas with a focus on governance, accountability, risk management and performance.

Our Critical Success Factors

Success of the audit activity requires the identification and understanding of the critical success factors that will contribute to the department achieving its vision and mission. These factors provide the foundation to help ensure resources are leveraged and focused on the most important activities.

- Organizational Positioning - Ensure that Audit is strategically positioned so it can best contribute to organizational success, whilst maintaining independence from the Public Service and its stakeholders.
- Customer relationships – Understand that the auditee is also the customer and that audit staff must conduct themselves with professionalism, integrity and diplomacy.
- Effective Processes – Perform work in accordance with professional standards and invest in a comprehensive planning process which results in a more efficient overall audit and the identification of value-added analysis and recommendations for the client.
- Reporting – Communicate a concise, balanced and objective audit report that meets the needs of a diverse set of stakeholders.

Our Standard of Work

The Audit Department performs its work in accordance with *Government Auditing Standards*. These standards provide professional guidance for government-related audits and require us to follow relevant CPA Canada auditing standards where they are applicable to our work. *Government Auditing Standards* also require an independent external peer review of our operations to be conducted and published every three years. We believe that this requirement provides transparent accountability for the quality of our work to Council and to the public.

The Audit Department successfully passed its first peer review in 2016. It is the opinion of the Association of Local Government Auditors that the Audit Department's quality control system was suitably designed and operating effectively to provide reasonable assurance of our compliance with *Government Auditing Standards* for audits and attestation engagements for the period reviewed. A copy of the peer review report can be found on the Audit Department's website and also on the website of the Association of Local Government Auditors.

Our SWOT Analysis

Development of a strategic plan requires an evaluation of the external and internal environments in which we operate. The points identified below are taken into consideration through regular performance management meetings with staff, selection of continuous development courses and in the identification of audit projects.

	Strengths	Weaknesses
Internal Factors	• Quality staff committed to service delivery and public service. • Service delivery process adheres to professional standards. • Good working relationships with elected officials and Public Service.	• Capacity to audit all areas identified as higher risk. • Monitoring change within the organization and the effect on risk to the organization.
	Opportunities	**Threats**
External Factors	• Ability to contract for specialized expertise. • Expanding usage of data analytics. • Independence established in *City of Winnipeg Charter* and *Organizational By-law*.	• Inability to meet increasing demand for services. • Influence on project selection or during project execution. • Reputation of department compromised through poor communication of actual results in audit report.

Our Key Risks

Development of a strategic plan requires an introspective evaluation of the key risks facing the delivery of services. Through a participative process involving all staff, we create a risk profile for the service and highlight the key risks below:

- Capacity - supplement resources with partnerships and audit processes that optimize coverage and productivity
- Credibility - maintain a high standard of competence and professionalism
- Independence & Objectivity - provide independent assurance that is fair and balanced
- Resources - maintain an adequate level of resources to provide an appropriate level of assurance
- Service Delivery - produce high quality reports in an efficient manner that result in value-added recommendations
- Workflow - efficient completion of audit projects while maintaining compliance with professional standards

Our Department Resources

The Department has an approved complement of seven staff and a small consulting budget 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, resource effectiveness is maximized through the use of partnership arrangements, innovative methodologies, and the increasing use of technology.

It has been our practice to calculate the cost of our services using a full costing methodology (labour costs plus overhead). In 2015, our billing rate was $124.60 per audit hour. Based on a review of local professional services firms, a fully blended (partner to junior) equivalent rate is calculated to be $235.00 per hour.

Our Strategic Goals and Annual Objectives

- *Deliver value-added, cost-effective and innovative audit services.*
  - *Increase the direct hours dedicated to assurance services to 75%.*
  - *Expand the proactive involvement of Audit in organizational initiatives.*

- *Support the achievement of transparent, efficient and effective City government services.*
  - *Complete the projects identified in the audit plan and report results to stakeholders.*
  - *Increase collaboration with other control and risk management functions in the organization.*

- *Promote a respectful, team-oriented and professional workplace.*
  - *Implementation of the recommendations received from the Peer Review by December 2017.*

OUR SERVICE LINES

The Audit Department works toward achieving our mission and strategic goals through the provision of service under three main categories.

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
- Attestation Engagements

Investigation Services

Under this service line, we initiate reviews in response to reports received through the Fraud & Waste Hotline, 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 OVERVIEW

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 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 two-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 plan and progress achieved on the plan will be reported to Audit Committee each year.

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; 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. While not every entity will be subject to an audit during the two-year cycle, 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.

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

The next pages will highlight the projects we propose to undertake during the 2017 - 2018 timeframe. Audits have been selected in accordance with our audit planning methodology and taking into account available resources.

Appendix A will highlight the status of our previously approved projects.

PROJECTS PROPOSED FOR 2017

Mandatory Projects		
Investigations	Fraud & Waste Hotline	Conduct investigations arising from reports submitted through the Fraud and Waste Hotline.
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 CWA Fund Policy annually to ensure compliance with the policy requirements and principles of the fund.
	Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.
Projects In-Progress		
Assurance	Continuous Monitoring	To evaluate the opportunity to implement continuous monitoring to proactively monitor financial transactions, detect unusual expenses and identify areas where internal controls should be strengthened.
	Pedestrian and Cycling Strategies – Review of Consultant Contracts – Employee Code of Conduct	Review of the procurement of the contract and subcontracts related to the Pedestrian and Cycling Strategy to ensure that all aspects of the City of Winnipeg Code of Conduct have been upheld.
New Projects		
Assurance	By-Law Enforcement Amalgamation	Evaluate opportunities as a result of recent Provincial Legislation changes: the Municipal By-Law Enforcement Act and the Provincial Offences Act.
	Capital Project Estimates	The capital budget estimate documentation supporting a new capital project is reviewed to confirm it supports the identified class estimate (AACE).
	Independent Fairness Commissioner	Award a contract to an external firm to conduct compliance reviews of real estate transactions and management services which require presentation SPCPDHDD. Submit an independent report on each compliance review prior to political approval and concurrently with the related administrative report.
	Outdoor Aquatics Safety Review	To review the safety processes and practices in place for the aquatics services provided at outdoor aquatic facilities.
	Process Efficiency Audit and Pilot Project	Evaluate the tools and resources available to City staff to identify opportunities to streamline service delivery with an aim to utilize the lowest amount of inputs to create the greatest amount of outputs. Audit Department staff would facilitate a pilot project in cooperation with the Public Service to guide staff through a process mapping and re-engineering session.
	Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project. Reports will be submitted quarterly.

PROJECTS PROPOSED FOR 2018

Mandatory Projects		
Investigations	Fraud & Waste Hotline	Conduct investigations arising from reports submitted through the Fraud and Waste Hotline.
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.
	Independent Fairness Commissioner	The IFC is required to conduct a compliance review of real estate transactions and management services which require presentation SPCPDHDD. The IFC will submit an independent report on each compliance review prior to political approval and concurrently with the related administrative report.
	Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.
New Projects		
Advisory	Winnipeg Fleet Management Agency	Audit staff will perform a project management role to assist WFMA to undertake an operational review performed by a contracted firm.
Assurance	Audit Recommendation Follow-up	To complement the quarterly report card process, Audit would schedule a follow up audit 2 years after recommendations are implemented. This would encompass the audits that had all recommendations implemented in last 2 years. Intent is to confirm that implementation is still functioning as previously reported.
	Capital Project Estimates	The capital budget estimate documentation supporting a new 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 and City contract administrators are fulfilling their required roles.
	Employee Business Expense	Review of employee business expenses such as travel, training, hosting, and employee recognition to ensure compliance with related Administrative Directives, Procedures and other guidance.
	Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project. Reports will be submitted quarterly.
	Water Main Renewals	Assess the asset management, design services, construction services and project delivery of the program to replace and/or rehabilitate deteriorating water main infrastructure.

PROJECTS PROPOSED FOR SUBSEQUENT YEARS

The following projects have also been identified as potential projects. They will be considered for 2019 and subsequent years. All projects will be re-evaluated annually to ensure continued relevance and priority.

Name	Overview
Board of Revision	Performance audit to review the assessment appeal process by evaluating the quality of information and support provided to the Board, adherence to governing authorities and communication and consistency of rendered decisions.
Critical Incident Protocol	Evaluate the City's processes to support both elected officials and City staff in the event of an immediate threat at one of the City's facilities.
Disaster Management	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.
Emergency Service Personnel Overtime	Performance audit to evaluate the monies expended on overtime in relation to the outputs and outcomes achieved. Project would also review the oversight and departmental controls over incurrence of overtime including budgetary controls, operational controls (day to day approval), management controls (reporting and monitoring) and controls for special events and off-duty work.
Grant Accountability Follow-up	Evaluate if the provision of grants are made in accordance with Council policies 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.
IT Security	Assess the adequacy of the City's current approach to ensure the protection of IT systems, data and IT services from accidental or deliberate threats to confidentiality. Project could also assess the ability to respond to deliberate or accidental threats to confidentiality, integrity or availability of IT systems, data or IT services.
Parks & Urban Forestry	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.
Performance Measures Validation	Validate the results of a sample of publicly reported performance measures, and assess the completeness of reported measures to other jurisdictions.
Records Management	Evaluate the City's ability to search for and retrieve real-time information to provide efficient and effective support to staff and service to citizens.
Recycling & Waste Minimization	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.
Staffing	Evaluate the extent and the incremental cost to which contract/temporary staff are employed to complement City personnel in supporting the delivery of City services.
Technology Sustainability	Assess the current investment in technology to adequately and securely support City service delivery as well as assess future investments in technology to become a more efficient, effective, open and transparent government organization.

APPENDIX A – STATUS OF PREVIOUSLY APPROVED PROJECTS

Name	Overview	Status
Collective Agreements Due Diligence	Council policy requires that prior to ratification of an agreement, the City Auditor and the external auditor review the projected costs of collective bargaining agreements reported by the Public Service.	Complete. One Review Engagement Report submitted in 2016.
Councillors' Ward Allowance	The City Auditor is required to audit the expenditures incurred under the CWA Fund Policy annually to ensure compliance with the policy requirements and principles of the fund.	Complete. Report submitted to Governance Committee of Council on June 27, 2016.
Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.	Complete. Four report cards submitted in 2016.
Capital Project Estimates	The capital budget estimate documentation supporting a new major capital project is reviewed to confirm it supports the identified estimate class (AACE).	Complete. Two Audit reports related to the 2017 Capital Budget submitted to Audit Committee on November 23, 2016.
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.	Complete. Report submitted to Audit Committee June 8, 2016.
Ethics Commissioner	Report to identify possible options for the mandate, model and the financial resources required for the operation of an Ethics Commissioner. A report is to be developed cooperatively with City Clerks.	Complete. Report submitted by City Clerks to Executive Policy Committee on January 6, 2016.
Fraud & Waste Hotline Performance Review	To evaluate program effectiveness and also explore opportunities to provide the same service at a reduced cost.	Complete. Report submitted to Audit Committee June 8, 2016
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.	In progress. RFP to obtain professional services from external firm issued December 20, 2016, close date of January 17, 2017.
Liabilities for Contaminated Sites	To ensure the appropriate processes are in place to report liabilities for contaminated sites in the City's financial statements in compliance with Section PS 3260 – Liability for Contaminated Sites under Canadian Public Sector Accounting Standards.	Complete. Report submitted to Audit Committee June 8, 2016.

Name	Overview	Status
Pedestrian and Cycling Strategies – Review of Procurement of Contract and Subcontract	Review of consultant contracts with regards to the Pedestrian and Cycling Strategy, so as to ensure all aspects of the contracts contain necessary protections to the City of Winnipeg and all aspects of the contracts are being enforced.	Complete. Report submitted to Executive Policy Committee November 23, 2016.
Pedestrian and Cycling Strategies – Review of Consultant Contracts – Employee Code of Conduct	Review of the procurement of the contract and subcontracts related to the Pedestrian and Cycling Strategy to ensure that all aspects of the City of Winnipeg Code of Conduct have been upheld.	In-progress. Report to be submitted to Audit Committee in Quarter 1, 2017.
Peer Review	To obtain an industry opinion on whether the Department's quality control system is suitably designed and operating effectively. A peer review also provides assurance that the Department is following its established policies and procedures and generally accepted auditing standards.	Complete. Peer review assessment conducted December 5-8, 2016. Report issued December 8, 2016.
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.	Complete. Final status report submitted by Deloitte LLP on October 31, 2016 and submitted to Audit Committee on December 14, 2016.
Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project.	Complete. First status report submitted to Audit Committee on November 23, 2016.
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.	Complete Report submitted to Winnipeg Police Board January 31, 2017.