Winnipeg

AUDIT DEPARTMENT

2016 REPORT ON PERFORMANCE



City of Winnipeg Audit Department
2016 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* and is independent of the City's Public Service. Powers and authorities granted through The *City of Winnipeg Charter*, organizational by-laws and Council motions support the position and mandate of the City Auditor.

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. The findings are reported to Council through the Audit Committee (Executive Policy Committee) and an audit report becomes a public document after communication to City Council.

In 2009, the CAO introduced the concept of a Chief Performance Officer as an administrative function for the City. The mandate of the department with the addition of the Chief Performance Officer role is as follows:

- *To examine problem areas 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.*
- *To examine and evaluate the adequacy of the City's financial and operational systems of internal control.*
- *To determine compliance with sections of The City of Winnipeg Charter, by-laws, regulations, orders of Council, administrative directives and applicable federal and provincial legislation.*
- *To review the performance of operations to ensure money was expended with due regard to economy and efficiency.*
- *To monitor and report on the status of implementation of audit recommendations on a quarterly basis.*
- *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.

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. The Audit Department recently completed its first peer review for the period of January 1, 2015 to November 30, 2016, and have received a clean opinion from the peer review team. 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.

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 support their decision-making efforts. Our stakeholders are civic managers and citizens who are the recipients of our public reports.

Our Service Lines

- **Advisory Services** - activities carried out under this service line are proactive and concerned with getting it right the first time.
- **Assurance Services** - assurance services are defined as independent professional services that improve the quality of information or its context for decision makers.
- **Investigation Services** - we conduct reviews in response to reports submitted to the City's Fraud & Waste Hotline, requests received from external parties or as the result of information that is brought to the attention of the City Auditor under the *City of Winnipeg Fraud, Theft, Misappropriation or Related Irregularities* Administrative Standard.

Our Resources

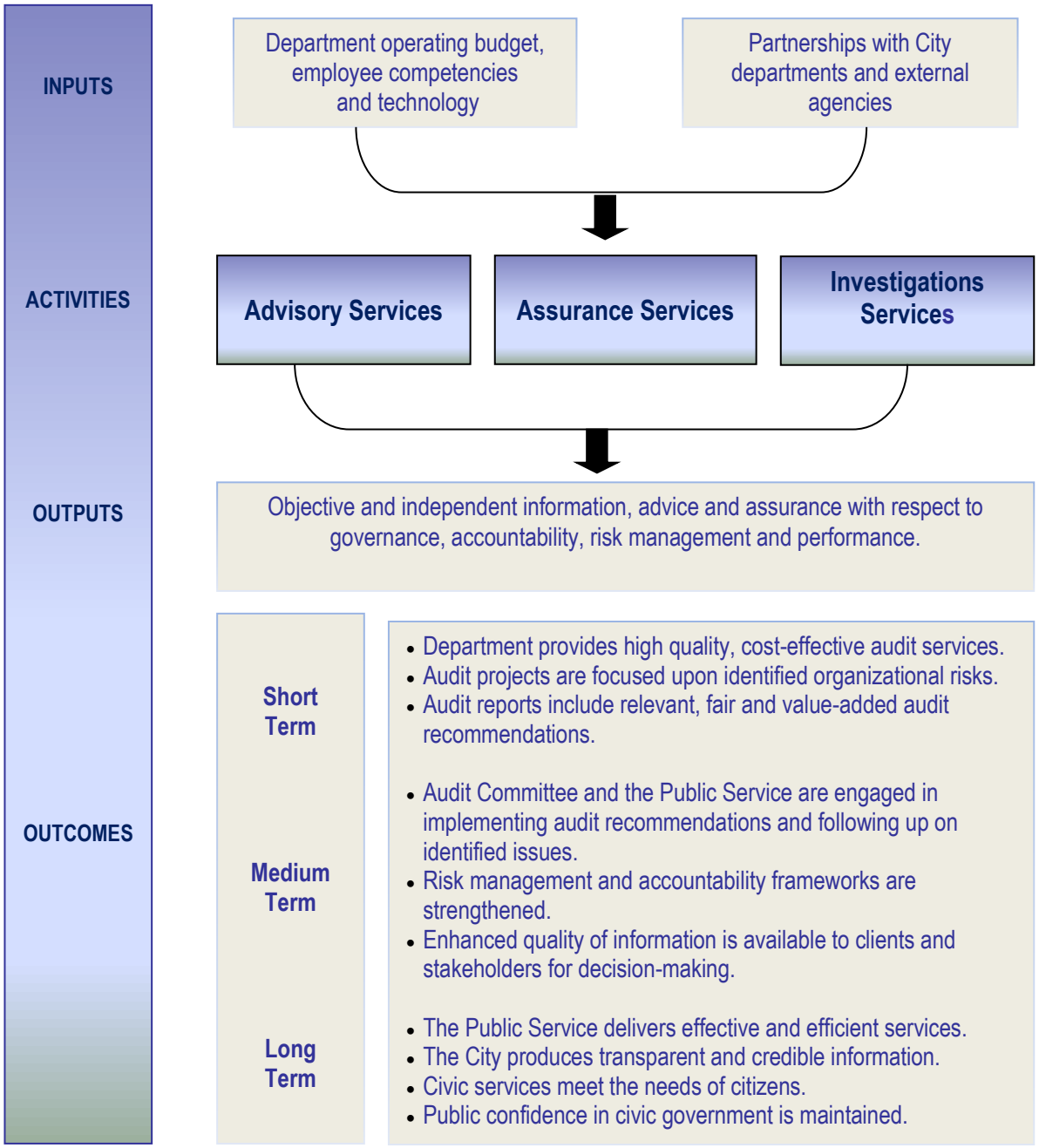
The Audit Department's budget and expenditures are shown below:

Description	Fiscal Year 2014	2015	2016
Budget	$ 1,557,215 *	$ 1,228,121	$ 1,368,146
Expenditures	$ 1,531,439	$ 794,660	$ 903,096
Surplus	$ 25,776	$ 433,461 **	$ 465,050**
	*Additional funding was allocated for Council approved projects.	** Surplus mainly due to unused funding for the Independent Fairness Commissioner (IFC) and Lobbyist Registrar roles. Surplus salaries due to departmental vacancies.	** Surplus mainly due to unused funding for the Independent Fairness Commissioner (IFC) and Lobbyist Registrar roles. Surplus salaries due to departmental vacancies.

Our Intended Outcomes

The Audit Department's logic model describes the linkages between our resources, and our activities, outputs and 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 leaders in building public trust in our civic government

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 Strategic Goals

Support the achievement of transparent, efficient and effective City government services
Deliver value-added, cost-effective and innovative audit services
Promote a respectful, team-oriented and professional workplace

Our Key Risks

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 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 and the key conclusions reached. We will also provide an update on the status of outstanding audit recommendations. Finally, we will provide our own performance measures and results against industry standards and departmental targets in our *Balanced Scorecard.*

Current Projects

Advisory Services

The Audit Department has representatives who contribute to the following committees:

Excellence Winnipeg

The City of Winnipeg, in partnership with Excellence Canada, began the Excellence Winnipeg initiative in 2013. The initiative promotes excellence, innovation and wellness in the Public Service by focusing on improving performance in: leadership and governance; strategy and planning; citizen experience; people engagement; process and project management; and partner and supplier relationships.

Indigenous Relations Leadership Team

The Indigenous Relations Leadership Team is a cross-section of employees that raise awareness and create opportunities for Indigenous-focused initiatives across the Public Service. The Indigenous Relations Leadership Team has representatives from all civic departments.

Asset Management/Project Management Advisory Committee

The mandate of the committee is to provide guidance and advice on the performance of the Asset Management Program and to monitor progress and success of the Corporate Asset Management Plan.

Assurance Services

Due Diligence Reviews - Collective Bargaining Agreements

We completed one collective bargaining agreement review in 2016. 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 review that the forecasted net incremental costs or savings to the City have been appropriately identified, calculated and summarized in a report, and that all significant assumptions relating thereto have been disclosed.

Compliance Audits - Councillors' Ward Allowance Fund

We audited the ward allowance and chairperson expenditures incurred under the CWA Fund Policy for the year ended December 31, 2015 to evaluate compliance with the policy requirements and principles of the fund. The CWA fund provides monies to City Councillors to operate their ward offices, to communicate with constituents, to represent and support their wards and local communities, and to cover the additional expenses of chairing specific committees of Council.

The CWA funds of fifteen City Councillors and thirteen chairperson accounts were audited for 2015. The results of the audits were reported to the Governance Committee of Council in June 2016.

Quarterly Report Card

We gather and review management responses regarding the status of implementation of past audit recommendations on a quarterly basis and report the results to Audit Committee.

The Quarterly Report Card presents management's representations as to the status of recommendations implemented, in progress or not to be implemented. Documentation supporting the implementation of recommendations is reviewed by the Audit Department to confirm implementation has occurred.

The Quarterly Report Card process enables the City Auditor to provide Audit Committee with assurance that the Public Service has implemented recommendations from past audit reports. Further details of the Quarterly Report Card are provided in the section *Status of Past Audit Recommendations.*

Major Capital Project Estimate Classifications

The classification level of project cost estimates communicates the level of design work completed to support the cost estimate and can have a significant impact on the difference between the final results and the original estimated costs. We performed audits on the estimate classifications for the two major capital projects added to the City's 2017 preliminary capital budget. These audits were for:

- Expansion of Transit Vehicle Overhaul and Maintenance Facilities (Class 4)
- North District Police Station (Class 5)

We concluded that the estimate classifications were fairly presented in the preliminary capital budget for both projects. The results were reported to Council in December 2016.

Review and Oversight of the Implementation of all Recommendations from the "City of Winnipeg Real Estate Management Review"

On July 9, 2014 City of Winnipeg Council received the report *City of Winnipeg Real Estate Management Review Findings and Recommendations* dated June 19, 2014, prepared by EY (a member of Ernst & Young Global Limited). City Council adopted and forwarded all seventeen recommendations presented in the report to the Administration for implementation.

At the July 9, 2014 Special Meeting of Council, a motion was adopted that "the City Auditor be delegated authority to acquire an external agency, other than Ernst and Young, to oversee the implementation of all the recommendations from Ernst and Young's report by the Public Service in a timely and efficient manner, to report back to Council on the implementation of the recommendations via the Auditor's Report to Council."

A Request for Proposal - RFP No. 750-2015 for Consulting Services for the Review and Oversight of the Implementation of all Recommendations from the "City of Winnipeg Real Estate Management Review" was issued in 2015 and awarded to Deloitte LLP on October 6, 2015. The work to be done under this contract consists of monitoring and reviewing the work on the implementation of all 17 recommendations from the Real Estate Management Review report including reporting back to Council via a quarterly report to the City Auditor.

Deloitte completed reviews for the 2015 Quarter 4, 2016 Quarter 1, 2 and 3 periods and reported to Council. With respect to the 17 recommendations from the Real Estate Management Review, Deloitte's report confirms that Phase 1 of implementation is deemed to have been completed in the 3rd Quarter, 2016. This phase of implementation confirmed the related policies, directives, guidelines and tools were established in the finalized framework document, and received approval from senior leadership within the PPD.

Of the three additional recommendations adopted by Council on July 9, 2014, one recommendation is in progress. This recommendation relates to the establishment of an Independent Fairness Commissioner (IFC). On September 28, 2016, Council adopted the model for the IFC role, which will perform compliance reviews of real estate and management services transactions on a case by case basis. The Audit Department has issued a Request for Proposals to seek a qualified external firm to act in the capacity of the IFC role.

Performance Audits

Fraud and Waste Hotline Evaluation Report

The City's Fraud and Waste Hotline was made available to City employees to report unethical behaviour on April 30, 2012. In July 2013, the Hotline was expanded to provide the same reporting mechanism to the citizens of Winnipeg. A review of the performance of the Fraud and Waste Hotline was endorsed by the Audit Committee in the City Auditor's Audit Plan 2015–2018.

The objectives of our review were:

- To determine if the availability of the Hotline was properly communicated to enable it to serve as a preventative mechanism?
- To assess if the Hotline had been effective at identifying potential unethical behaviour and protecting City property, resources and information?
- To evaluate if there were opportunities to improve the cost efficiency of the Hotline's operations?

What we found:

- The communication methods used to promote awareness of the Hotline are similar to other Canadian jurisdictions. Recognizing the opportunity for continuous improvement, the Audit Department will investigate new process to communicate the availability of the Hotline. These will include identifying opportunities to include Hotline information in any mail sent out to citizens and to evaluate opportunities to provide information packages to the various unions which represent city employees.
- The Audit Department will continue to issue city-wide emails on an annual basis to remind staff of the availability of the Hotline.
- The Hotline has received substantiated reports that did identify unethical behavior. This illustrates the Hotline is contributing to the protection of City property, resources and information.
- The anonymity of the Hotline further contributes to the City's control environment by acting as a preventative measure by also deterring unethical behavior. The exact benefit derived from this aspect of the Hotline cannot be easily quantified.
- The Fraud and Waste Hotline received 42 reports in 2015, a significant increase over the previous two years. The report intake and database management aspect of the Hotline could be provided at a lower cost by using City resources; however, the inability to access a live operator 24/7, the lack of a bilingual service option and a perceived impact on independence and anonymity could all negatively impact the report volumes received by the Hotline. Altering the service delivery mechanism is not viewed as a prudent business decision at this point in the lifecycle of the Hotline.
- The Audit Department will continue to contract with an external service provider for the report intake and database management system. The current contract expires in 2017 and the department will issue a new Request for Proposal for an annual contract, with the option of four one year extensions.

Pedestrian and Cycling Strategies – Review of Procurement of Contract and Subcontract

Background:

On September 30, 2015, Council adopted the motion concerning item No. 8 – "That the City of Winnipeg Auditor and Legal Services, as appropriate and in accordance with the City of Winnipeg Auditor's and Legal Services' respective authorities, conduct a review of the contracts with all Consultants and outside entities who were contracted 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, and report their findings back to the City of Winnipeg Council."

The scope of work for this review was divided between the Audit Department, which audited the contract for the Pedestrian and Cycling Strategies Project to determine that the contract was enforced, and the Legal Services Department, which reviewed the Request for Proposal for the Project, and the supporting contractual documents, to determine whether they contained the necessary protections for the City of Winnipeg.

What we found:

- Project expectations were met and deliverables were fulfilled according to the contract.
- In regards to the procurement process, the Project was tendered according to Council's *Materials Management Policy* and the Public Service's *Materials Management Administrative Standard* as it went through a competitive bidding process and the evaluation of all proposals was conducted appropriately and the contract was awarded fairly.
- Based on preliminary questions from potential bidders on the Project, the Project Manager identified that there could be a risk of conflict of interest involving a sub-consultant. In consultation with the Legal Services Department and Materials Management, action was taken to mitigate the potential conflict. The Audit Department evaluated the steps taken and believes there was sufficient action and documentation to adequately address the risks of conflict of interest for the Project.
- Media reports noted that a sub-consultant made public commentary through social media on how the Project was being accepted by Council. The City's *General Conditions for Consultant Services* state that consultants "shall not make any statement of fact or opinion regarding any aspect of the Contract to the media or any member of the public without the prior written authorization of the Project Manager." The Public Service did not provide the Audit Department with a reason why the social media commentary was not followed up with the consultants; however, the Audit Department has observed that the social media comments have been removed from the forum in which they were originally issued.
- The Public Service noted that the City did have a contractual relationship with the primary consultant but was unsure whether the prohibition on public statements extended to sub-consultants.

What were the key outcomes:

1. The Legal Services Department prepared revised terms and conditions for Requests for Proposals to expand upon prohibitions concerning public announcements involving consulting contracts and related matters, and revised the *General Conditions for Consultant Services* to expand the scope and application of terms and conditions concerning confidentiality.

Audit of WFPS Emergency Mechanical Services Branch

Background:
Safe and well-maintained fire apparatus and emergency response equipment are an essential component of a quick-responding, reliable fire and paramedic service. An audit of the Winnipeg Fire Paramedic Service's heavy fleet operations was added to the 2012 update of the City Auditor's 2011-2014 Audit Plan, which was endorsed by the Audit Committee. The heavy fleet for the department is maintained by the Emergency Mechanical Services Branch ("EMSB").

The objectives of the audit were:

- To assess the efficiency and effectiveness of the branch based on commonly accepted industry performance measures
- To assess whether adequate systems, processes, practices, and controls are in place for the branch to achieve its goals and objectives

What we found:

- The EMSB did not have an operational performance measurement system, which prevented us and WFPS senior management from determining how well the branch was operating. WFPS senior management was forthright and sincere in their desire to have the audit completed and to implement any recommendations made to improve the management of the branch.
- Some of the well-functioning areas that we observed in the EMSB operations included:
    a. The EMSB was consistently performing annual maintenance and mandatory government inspections on heavy fleet vehicles.
    b. Shop space and equipment were well-maintained.
    c. The EMSB was generally compliant with regulatory requirements, industry standards, and City policies.
- Improvements required to management of the operations included:
    a. More diligent maintenance records should be kept for vehicles.
    b. Labour hours should be tracked to vehicles.
    c. Quality assurance should be completed on work done.
    d. Parts inventory counts should be completed.
- Other observations that we made on the management of the branch included:
    a. The branch required an information system that could capture and report on standard fleet industry performance metrics.
    b. The departmental guidance was not sufficient to clarify the educational qualification requirements for the Director of EMSB role. There was also no job description for the Supervisor position.
    c. Readily available standard operating procedures and functional information should be made available to staff.
    d. Risks of resource shortages were not planned for, causing several important management and staff functions to be abandoned for extended periods when staffing levels were below complement.
- The Public Service agreed to and accepted all fifteen recommendations of the audit.

What were the key recommendations:

- Further refine the performance measurement system by creating outcome measures and targets relating to community group partnerships.
- Develop procedures for better maintenance record keeping.
- Develop and implement a quality control program.
- Clarify required qualifications for the Director of EMSB.
- Develop a needs assessment for and source an information system that meets the branch's needs.
- Develop a risk management plan for the branch.

Liabilities for Contaminated Sites Review

Background:
The Public Sector Accounting Board issued a new accounting standard—PS 3260 – Liability for Contaminated Sites—which affects the presentation of the City's liabilities in its financial statements. In anticipation of the implementation deadline for this standard, a process review was added to the City Auditor's Audit Plan 2011-2014 to determine whether the Controllership Division of the Corporate Finance Department had developed sufficient processes to successfully implement the requirements of the standard.

What we found:
As part of our mandate to coordinate our work with the external auditor to identify areas for reduction in duplication of effort, the Audit Department worked with and reviewed the interim audit work that KPMG performed on the liability account for contaminated sites. We attended the regular meetings that KPMG held with the Corporate Controller's office to monitor the implementation of the standard. We reviewed the supporting documentation prepared by the Corporate Controller's office that identified the contaminated properties. We also discussed with KPMG the audit procedures that were planned for the external audit to assess whether the work was sufficient to meet our objectives of reporting to Council that appropriate processes were in place to implement the new accounting standard.

We believe that these procedures provided us with sufficient evidence to conclude that the Public Service had developed appropriate processes to incorporate the requirements of the new standard into the City's financial reporting systems.

The results of our collaborative work with KPMG did not result in any findings that would result in recommendations to the Public Service from the Audit Department.

Winnipeg Police Board Effectiveness Evaluation

Background:

- The Winnipeg Police Board ("the Board") is required to comply with *The Police Services Act* to operate in accordance with the policy and procedures manual developed for police boards by the Manitoba Police Commission (MPC).

- Chapter 3.9 of the MPC Manual sets out a policy and related procedures to evaluate the effectiveness of the police boards in carrying out their legislative mandates. The policy requires the police board to evaluate its effectiveness at least every three years, and provides guidance for carrying out the evaluation.
- The Board has been in operation for three years as of June 2016 and decided to initiate the evaluation process of its activities by requesting assistance from the Chief Performance Officer to administer the evaluation and ensure objectivity.

The purpose of the evaluation was:

- To demonstrate the Board maintains compliance with the MPC Manual, which further reinforces measuring effectiveness to demonstrate overall good governance. It also identifies aspects of the Board's operations that can be further improved and incorporated into the goals of subsequent annual business plans.
- The effectiveness evaluation consisted of questionnaires and a policy and procedure checklist that were provided by the Board's Risk Management and Audit Committee.

<u>What we found:</u>

Evaluation Questionnaire:

- There was a 59% response rate for the evaluation questionnaire that was distributed to the Board and stakeholders selected by the Risk Management and Audit Committee. There may be future opportunities for the Board to improve the response rate by increasing its communication with desired stakeholders about the contribution of the feedback to the Board's future success.
- Based on the analysis performed, the respondents were pleased with the overall effectiveness of the Board. The majority of the average scores in each section were satisfactory; however, some of the quantitative results as well as the comments expressed by respondents indicated areas for potential improvement.
- The questionnaire competencies that received more favorable responses included restrictions on the mandate, strategic planning, and the Board-Chief relationship. Areas with lower satisfied results were training and capacity and risk management.

Policy and Procedures Checklist:

- Overall, the Board provided support that it is following the guidance of the vast majority of the items included in the Risk Management and Audit Committee's policy and procedure checklist.
- The Board staff have openly communicated that there are a few checklist items that the Board is not following. These include:
    - Not all complaints about the WPS or individual officers other than the Police Chief are forwarded to the Chief or designated for appropriate action. Instead, the Board explains to complainants the options they have available for making a complaint and encourages complainants to contact the appropriate agency directly. The Board believes this is the best way to act in accordance with the complainants' wishes for their concerns, and is currently holding discussions with the Manitoba Police Commission on this policy.
    - The Board has not reviewed the results of its 2015 informal assessment.
    - No formal set of individual and/or collective competencies are currently in place.
    - A process for the Board Chair to review its members' self-evaluations has not been implemented. This is because the Board has not yet determined whether it is appropriate and/or a priority for Board members to have individual performance evaluations on an annual basis.

External Peer Review of the Audit Department

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 had its first peer review covering the period of January 1, 2015 to November 30, 2016, and we have received a clean opinion from the peer review team. 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.

The peer review team also made five accompanying recommendations to further enhance our department's demonstrated adherence to *Government Auditing Standards*. The City Auditor has addressed each of the recommendations in a response letter, and has committed to having the solutions implemented by the end of 2017.

The peer review reports and our response are available on the Audit Department's website, and on the website of the Association of Local Government Auditors.

Engagements In-Progress

Audit of Procurement for the Pedestrian and Cycling Strategies Report and Review of the Employee Code of Conduct

A motion was made by City Council that the City Auditor carry out an independent review of the procurement of the contract and subcontracts related to the Pedestrian and Cycling Strategy to ensure that the City of Winnipeg Code of Conduct was upheld, and to provide recommendations in the event that there is a need to update and modernize the City of Winnipeg Employee Code of Conduct.

The objectives of our audit are:

- To provide assurance on whether the City's Employee Code of Conduct had been upheld for the procurement of the Pedestrian and Cycling Strategy.
- To assess and provide recommendations on whether the City's Employee Code of Conduct needs to be updated and modernized.

The audit was in progress at the end of 2016. We expect to report on the results in 2017.

Continuous Monitoring

Leading practices are moving towards implementing processes and procedures that create an environment where risk is managed proactively rather than reactively.

A "Continuous Monitoring Program" involves the ongoing review and identification of transactions that fall outside usual parameters. The objective of continuous monitoring is to provide periodic reports to management that assist in proactively monitoring financial transactions, detecting unusual expenses and identifying areas where internal controls could be strengthened.

We recognize the advantages of implementing a Continuous Monitoring Program, and are in the process of contracting a consultant to evaluate the opportunity to implement such a program within the City's PeopleSoft financial system. The intent is to develop a program with built in parameters that will monitor and analyze financial transactions, with a focus on high-risk and high-value transactions, reporting on errors, irregularities or exceptions.

The procurement process was in progress at the end of 2016. We expect to award the contract and receive a report from the successful proponent in 2017.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Audit

Stage 2 of the Southwest Rapid Transitway and Pembina Highway Underpass is one of the largest capital projects that the City has embarked upon. Appropriate communication is important to allow key stakeholders to fulfill their roles in relation to the project; it also keeps the public informed on project performance. In a proactive effort, the Audit Department will be releasing quarterly audit reports that provide assurance on the reporting processes and selected key project management areas throughout the construction of the project.

The objectives of the ongoing audit are:

- To provide assurance that appropriate reporting is occurring for the Project based on regulatory requirements, City policies and procedures, and agreements with third parties
- To provide assurance that appropriate financial status reporting is occurring for the Project
- To provide assurance that appropriate risk management is occurring in the Project

By the end of 2016 one quarterly audit report had been released covering the period of project initiation to March 31, 2016. The report made one recommendation to revise major capital project status reports to incorporate the recommended practices of the Government Finance Officers' Association, which the Public Service agreed to. The remaining quarterly audit reports were in progress at the end of 2016. We expect to continue to report quarterly on the project until construction is completed.

Investigation Services

Fraud and Waste Hotline

The Fraud and Waste Hotline is a confidential and anonymous service accessible to City staff and citizens to report complaints 24 hours a day, 7 days a week.

The Audit Department provides investigative services as a result of information arising from reports submitted through the Fraud & Waste Hotline, through audit projects, or at the request of Council, the Public Service (pursuant to the City of Winnipeg's Administrative Standard: *Fraud, Theft, Misappropriation or Related Irregularities*), City managers and citizens.

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 department management who are responsible for taking appropriate action to resolve concerns raised during a review.

Hotline Activity

The following table summarizes the types of complaints received through the Fraud and Waste Hotline by the Audit Department during the calendar year.

Report Category	2014	2015	2016
Financial Reporting and Accounting	2	0	0
Health and Safety, Environment	1	0	1
Unethical Conduct and Conflict of Interest	2	12	9
Manipulation or Falsification of Data	1	0	2
Harm to People or Property	0	3	1
Theft, Embezzlement, Fraud	2	11*	23
Violation of Laws, Regulations, Policies, Procedures	1	3	10
Organization	0	0	0
Management/Supervisor	0	0	0
Compensation, Pension and Benefits	0	1	2
Product/Customer Service	0	1	0
Office and Equipment Requirements	0	0	0
Safety and Security Issues	1	1	2
Suggestions for Improvement	0	1	1
Miscellaneous	0	7	3
Undefined	0	2	2
Total	**10**	**42**	**56**

Note: * a duplicate report required only one investigation

Disposition of Complaints

We investigated all complaints received in 2016 in accordance with internal procedures and guidelines, as well as professional standards. We gathered evidence to confirm or dispel the allegations reported. We consulted with other appropriate internal or external experts as deemed necessary. If "No Action" is taken on a report, it would typically be due to insufficient information being supplied to support the allegation. Despite attempts by the Audit Department staff to obtain additional information through the hotline system, there may not be sufficient information to proceed.

	Carry Forward from Prior Year	Complaints Received in 2016	Closed
No Action	0	4	4
Referral to Another Agency	0	22	22
Referral to Department	0	2	2
Investigation	0	28	16

Outcomes of Reports

	Closed
Substantiated	2
Unsubstantiated	42
Conclusion pending	12

Note – counts may include complaints received in prior year.

Through the investigations conducted this year, the following resulted from actions taken as a result of the investigation into the reports:

- Human Resources developed an internal policy on the use of personal cell phones and social media while at work due to inappropriate behavior by City staff.
- Inappropriate use of City property resulted in management communicating to staff that City property, tools, and equipment should not be used for personal convenience or gain, as per the City of Winnipeg Employee Code of Conduct.

Status of Past Audit Recommendations

The Audit Department's work does not end when an audit report is presented to City Council. The most important component of an audit recommendation is its implementation. The Public Service provides a response to each audit recommendation in the Audit Report along with an action plan for completion. The subsequent implementation of the audit recommendations in accordance with the action plans is the responsibility of the Public Service.

The Audit Department provides a template of outstanding audit recommendations to the Department Director responsible for implementing the recommendations. The templates are forwarded to the Audit Department for review and compilation. Documentation supporting the implementation of recommendations is reviewed to confirm implementation has occurred. For recommendations in progress, an implementation strategy and timeframe is provided. For recommendations not to be implemented, an explanation is provided.

The Quarterly Report Card summarizes the status of:

- the specific recommendations targeted for completion in the current quarter as indicated by the Public Service;
- the specific recommendations from each Audit report currently in progress and the target date for completion; and
- the number of Audit recommendations implemented to date.

Overall, the Quarterly Report Card presents management's representations as to the status of recommendations implemented, in progress or not to be implemented. The Quarterly Report Card is produced at the end of March, June, September and December and is presented by the City Auditor at the next Audit Committee meeting along with any observations he may have.

Quarterly Report Cards are typically completed for five years following the issue date of an audit report, which may be extended as circumstances warrant. After the reporting period, the Audit Department prepares a final report to Audit Committee that provides a summary of recommendations implemented, in progress and not to be implemented. Included is a complete history of status updates relating to those recommendations not 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.

Summary Status Report

Below is a summary of the implementation status of recommendations made in our audit reports.*

AUDIT REPORTS	Issue Date	RECOMMENDATIONS			
		Total	Implemented	Not to be Implemented	Pending
Capital Project Management	Feb-09	29	26	2	1
Building Permits & Inspections Service Audit [1]	Nov-09	6	4		2
Review of the Councillor's 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	4	7	
Traffic Signals Branch Performance Audit	Jun-11	19	14	1	4
Operational Review of the Winnipeg Parking Authority	Jun-11	27	24	2	1
Animal Services By-law Enforcement Audit	Jun-11	13	10	1	2
Risk Management Audit	Jun-11	16	15	1	
Corporate Leadership Training & Development Audit	Jan-12	6	6		
Review of the Assiniboine Active Transportation Bikeway	Jan-12	3	3		
Review of the Winnipeg Public Library Services	Jan-12	9	7	1	1
Contract with Winnipeg Airports Authority Inc.	Jul-12	13	13		
Review of the Hired Equipment Process	Jul-12	9	4		5
WPS Civilianization	Oct-12	7	7		
Safety Review of Aquatics Services	Feb-13	15	13	1	1
New Fire Paramedic Station Construction Project	Oct-13	14	12		2
Non-Monetary Real Estate Grants Audit	Jan-14	12	11		1
Real Estate Management Review [1]	Jun-14	17	15	2	
Workplace Safety Audit [1]	Nov-13	7	7		
Winnipeg Police Service Headquarters Project	Jul-14	19	17		2
311 Contact Centre Audit	Dec-14	13	12		1
Waverley West Arterial Road Project Audit	Dec-14	6	5		1
Community By-law Enforcement Services Audit	Sept-15	6	4	1	1
Emergency Mechanical Services Branch Audit	Feb-15	15	4		11
FIVE YEAR TOTAL		**298**	**243**	**19**	**36**
FIVE YEAR PERCENTAGE			**81%**	**6%**	**13%**

*** Note: Stats from 2016 4th Quarterly Report Card**

[1] Audit reports closed in 2016

Audit Department Balanced Scorecard

Strategies	Performance Measure	Actual 2014	Actual 2015	Actual 2016	Target	Industry* Benchmark
Support the achievement of transparent, efficient and effective City government services	**Customers & Stakeholders Perspective**					
	• # of reports issued	13	35	27	25	32
	• The audit report was relevant and addressed the priority issues (out of 5)	4	3.2[2]	5	4	n/a
	• Audit recommendations accepted	100%	100%	100%	100%	92%
	• Audit recommendations implemented	78%	79%	81%	80%	63%
Deliver value-added, cost-effective and innovative audit services	**Customers & Stakeholders Perspective**					
	• % direct hours dedicated to:					
	Assurance Services	68%	66%	80.9%	≥75%	n/a
	Advisory Services	12%	25%	11.5%	≤10%	n/a
	Investigation Services	20%	9%	7.5%	≤15%	n/a
	• Clients/stakeholders rating of the audit recommendations as 'value-added' (out of 5)	4	3.2[2]	4	4	n/a
	Financial Accountability Perspective					
	• Operating Budget variance	-1.7%	-35.3% [3]	-34.0% [3]	0%	n/a
	• Cost per billable hour	$118.03	$124.60	$116.54	$118.00	$235.00 [1]
	• Cost savings/avoidance identified through Audit services	$0	$11,700	$0	n/a	n/a
	Internal Processes Perspective					
	• % Completion of Audit Plan	81%	87%	79%	75%	98.6%
	• % Target budget hours met within 10%	90%	92%	98%	80%	n/a
	• Direct project hours to total hours available	74%	76%	75%	75%	70%
Maintain a respectful, team-oriented and professional workplace	**Learning & Growth Perspective**					
	• Approved staff complement	7	6.72	6.72	6	6-10
	• Number of Auditors (FTE) to total organizational staff	1:1458	1:1518	1:1525	1:1701	n/a
	• % of auditors with professional designations	100%	100%	100%	100%	n/a
	• Annual evaluation for each staff member	100%	100%	100%	100%	n/a
	• Number of training hours/FTE	14	43	42.25	40	40
	• Average level of staff satisfaction per annual survey [4]	4.90 / 5	4.90 / 5	5.8 / 7	6 / 7	n/a

* Industry is represented by the Association of Local Government Auditors (ALGA) which represents local government audit organizations in both the United States and Canada. The latest comparative survey was published in October 2016.

[1] In 2016, our billing rate was $116.54 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.

[2] The Department has initiated a post-project meeting process with all clients and will also look for opportunities identified through the Peer Review.

[3] Surplus is mainly due to unused funding for the Independent Fairness Commissioner (IFC) and Lobbyist roles. Surplus salaries due to departmental vacancies.

[4] Staff satisfaction levels are expressed out of 5 based on a set rating scale for Actual 2014, Actual 2015. The rating scale was revised in 2016 for staff satisfaction levels to be expressed out of 7.

Who We Are

Our greatest strength is our 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.

Bryan Mansky, MBA, CPA, CMA, CIA
City Auditor

Micheal Giles, CPA, CA, CIA
Deputy City Auditor

Larissa Klimchak, CPA, CMA, CIA
Senior Auditor

Sadia Aslam, CPA, CA
Acting Senior Auditor

Oiza Momoh, CPA, CA
Senior Auditor

Marisol Gil Reyes, CPA, CA, MPacc
Auditor

Kim Fox, BBA
Executive Assistant

How to Reach Us

All of our reports become public documents and are available on our website once submitted to City Council.
To receive more information about our department, please contact us at:

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