Winnipeg

Audit Department
Service de vérification

Strategic Plan
&
Audit Plan
2019 – 2020

January 2019

Leaders in building public trust in civic government

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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 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 inherent 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 2017, our billing rate was $119.21 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.*
  - *Maintain direct hours dedicated to assurance services of greater than 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.*
  - *Finish implementation of the Peer Review recommendations by updating our internal audit manual by September 2019.*

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*;
- 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' Ward 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 2019 - 2020 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 2019

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 & Mayor's Office Expenditure Policies	The City Auditor is required to audit the expenditures incurred under the CWA Fund and Mayor's Office Expenditure policies annually to ensure compliance with the policy requirements and principles of the funds.
	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.
Projects In-Progress		
Assurance	Continuous Monitoring (Phase 2)	To implement proactive continuous monitoring on select financial transactions to detect unusual expenses and identify where supporting internal controls should be strengthened.
	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.
	Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project. Reports are submitted reviewing quarterly operations.
New Projects		
Advisory	Special Operating Agency (SOA) Governance	Achieve the *City Charter* requirement to review the process for developing, implementing, operating and evaluating the special service units.
Assurance	Board of Revision	Performance audit to review the property 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.
	Capital Project Estimates	The capital budget estimate documentation supporting a new capital project is reviewed to confirm it supports the identified class estimate (AACE).
	Winnipeg Police Board Effectiveness Evaluation	Section 50 of the Police Board's Rules of Practice and Procedure requires that a formal, comprehensive evaluation of the Board's effectiveness be requested every three years of the City's Chief Performance Officer. The last effectiveness evaluation was presented to the Board in January 2017.

PROJECTS PROPOSED FOR 2020

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 & Mayor's Office Expenditure Policies	The City Auditor is required to audit the expenditures incurred under the CWA Fund and Mayor's Office Expenditure policies annually to ensure compliance with the policy requirements and principles of the funds.
	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.
Projects In-Progress		
Assurance	Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project. Final report to be submitted for last quarter of project construction.
New Projects		
Advisory	Business Improvement Zones (BIZ)	Examine mechanisms in place against best practices to provide Council assurance that BIZ Associations are fulfilling their legislated roles and providing value to members.
Assurance	Capital Project Estimates	The capital budget estimate documentation supporting a new capital project is reviewed to confirm it supports the identified class estimate (AACE).
	Fleet Management	Performance audit to evaluate the size, economic value, utilization, and care/maintenance of the City's fleet assets throughout all departments.

PROJECTS PROPOSED FOR SUBSEQUENT YEARS

The following projects have also been identified as potential projects (alphabetical order). They will be considered for 2021 and subsequent years. All projects will be re-evaluated annually to ensure continued relevance and priority.

Name	Overview
311 Contact Centre	Performance audit of the 311 Contact Centre to evaluate efficiency, effectiveness and whether adequate systems, processes, practices and controls are in place to achieve the goals and objectives of the service.
Asset Rationalization	Evaluation of the utilization of the City's building assets for purposes other than Public Service operations.
Budget Process	Assess the efficiency, effectiveness, and whether adequate systems, processes, practices and controls are in place to provide appropriate decision making information to achieve City priorities and goals.
Development Agreement Parameters	To review recent development agreements executed between the City and developers and compare to the Council approved Development Agreement Parameters.
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 Social Services	Review the organizational placement of the service, the level of resourcing and performance metrics for this emerging and growing service demand.
Grant Accountability Follow-up	Evaluate whether 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.
Inventory/Stores Management	Examination of inventory control practices across the Public Service to safeguard assets and achieve economy and usefulness of material stockpiles.
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.
Medical Response & Transfers	Evaluate performance of the Emergency Medical Services division in relation to commonly accepted standards, and on the prior service provision contract with the Province of Manitoba.
Overtime Management	Evaluate the governance structure and corporate guidance on overtime management, and oversight and controls over incurrence of overtime. Specific departmental circumstances and risks could also be examined.
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.
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.
Transit Fleet Management	Evaluate the sizing, specification, and lifecycle management practices of the Transit fleet to determine that policy direction is being achieved and sound management principles applied, including progress in the electrification of Transit fleet vehicles.

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. Four Review Engagement Reports submitted in 2017 and two submitted in 2018.
Councillors' Ward Allowance & Mayor's Office Expenditure Policies	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. Annual CWA reports were presented to Governance Committee in July, 2017 and June, 2018. The inaugural Mayor's Office Expenditure Policy report was presented to Audit Committee in July, 2018.
Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.	Complete. Four report cards submitted in 2017 and four in 2018.
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. One Audit report related to the 2018 Capital Budget submitted to Audit Committee in November, 2017. One audit report related to the 2019 Capital Budget is in progress.
Pedestrian and Cycling Strategies – Review of Consultant Contracts – Employee Code of Conduct	Examination 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.	Complete. Report presented to Audit Committee on June 7, 2017.
Audit of the Legal Services Department	Examination of the structure and risk management systems in place, including those for pursuing legal action against contractors, to determine whether the department's significant risks are being appropriately mitigated.	Complete. Report presented to Audit Committee on February 13, 2018.
Audit of the William R. Clement Parkway/ Sterling Lyon Parkway Extension Project	Examination of the systems and processes in place to support City staff and Council for identifying and communicating material information to decision makers, including detailed review of the Sterling Lyon/William Clement Parkway study, with particular focus on the accountability of various parties, a timeline of key milestones and communications, and the scope and execution of work performed by consultants.	Complete. Report presented to Audit Committee on June 13, 2018, with a follow up report presented to Audit Committee on September 12, 2018.

Name	Overview	Status
By-law Amalgamation Audit	Review of the existing strengths and emerging opportunities for the City's by-law enforcement operations in light of legislative changes to the City's role in screening, adjudicating, and collecting fines issued.	Complete. Report presented to Audit Committee on September 12, 2018.
Safety Review of the City of Winnipeg Outdoor Aquatic Facilities	Review of all outdoor swimming pool facilities, and a sample of the City's numerous wading pools and spray pads, to determine that facilities are operating in accordance with Manitoba regulation. The consultant (The Lifesaving Society) also provided feedback based on its own research, guidelines and best practices.	Complete. Report presented to Audit Committee on September 12, 2018.
Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project.	Ongoing. Four (4) quarterly audit reports presented to Audit Committee in 2017 and three (3) quarterly audit reports presented to Audit Committee in 2018.
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.	Ongoing. Thirty-five (35) transaction audit reports submitted to SPCPDHDD in 2018.