Winnipeg | Audit

October 23, 2019

Ms. Kymber Waltmunson, King County Auditor
King County Courthouse
516 3rd Avenue, Room W-1033
Seattle, WA 98104

Dear Ms. Waltmunson,

On behalf of the City of Winnipeg Audit Department, I would like to thank you, and the other member of your team (Brittney Harvey, Performance Auditor II, San Jose City Auditor's Office) for the recently completed peer review of our office. Your review is a valuable part of our continuing efforts to improve the quality of our audits. We are pleased that your independent peer review team concluded that our internal quality control system is suitably designed and operated to provide reasonable assurance that our audits are conducted in compliance with *Government Auditing Standards (GAS)*.

The Audit Department is committed to continuously improving the quality of our audit work. We appreciate your thoughtful comments regarding the areas where you found our office excels including employee members who are committed, professional and certified. You also noted our in-depth analysis of risk and controls to support valuable findings and the integrated use of templates, checklists and mapping to standards within our working paper software.

I also appreciate that your team has provided us recommendations for improvement on areas where we can enhance our adherence to *Government Auditing Standards;* we obtain great value from the peer review process and, in particular, your team's insights into our practices. Our response to each of the recommendations is highlighted below:

- *Standard 3.05 (3.20, 3.44 2018 GAS revision) requires that auditors and audit organizations be independent from an audited entity during the period of professional engagement. This means that there is a structural threat to independence when the audit organization is within the reporting line of an area under audit. In the 2018 GAS revision more clarity and firmer boundaries have been added to the standard.*

  We observed that the audit department is not independent to conduct council-required audits of the Councillors' Ward Allowance and Mayor's Allowance because they report to the auditee in these cases.

  We recommend that the audit department work with council to eliminate these required audits from the department audit plan.

  City Auditor Response: Independence is often referred to as the cornerstone of legislative auditing; it is the state of being impartial and free from bias and conflicts of interest. The 2018 GAS update clearly articulates the structural threat to independence if we were to continue to conduct the Councillors' Ward Allowance Fund Policy and the Mayor's Office Expenditure Policy audits.

  The Audit Department's 2020 Audit Plan will include a recommendation that we no longer conduct these annual audits. To the best of my knowledge, Winnipeg's Audit Department is the only legislative auditor in Canada required to conduct these annual audits. City By-law No. 7100/97 Section 4(19)(d)(ii) delegates approval of the Department's annual audit plan to Audit Committee.

- *Standard 3.91 (5.22 2018 GAS revision) requires that audit organizations establish policies and procedures for audit performance, documentation, and reporting that are designed to provide the audit organization with reasonable assurance that audits are performed and reports are issued in accordance with professional standards and legal and regulatory requirements.*

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In reviewing the department's audit manual, we observed that the manual did not reference all key requirements of GAS for independence, planning, and evidence. We did note that engagement working papers include many helpful tools that generally map to requirements. Staff interviews indicated reliance on templates and post-audit checklists rather than knowledge of GAS.

We recommend that the audit manual be revised to include all key requirements of GAS and that staff be fully trained on the requirements.

City Auditor Response: We will continue to update our audit manual to ensure alignment with all key GAS requirements with a specific focus to expand the coverage on the GAS requirements for independence, planning, and evidence. As sections are updated, employees will receive appropriate training.

- *Standards 6.37, 6.73-6.77 (8.116, 8.124-8.127 2018 GAS revision) state that as part of a performance audit, when auditors identify findings, they should plan and perform procedures to develop the criteria, condition, cause, and effect of the findings to the extent that they are necessary to achieve the audit objectives.*

  We observed that this standard is not clarified in policy and templates do not consider all of the elements of a finding in the same place. In addition, staff are not consistently completing the templates and are not fully aware of the finding elements.

  We recommend the audit manual be revised to include full discussion of how to plan and perform procedures to develop all of the elements of a finding and that staff be fully trained on the requirements.

  City Auditor Response: Additional updates to the audit manual will include a full discussion of how to plan and perform procedures to develop all of the elements of a finding. The working paper templates will be realigned to ensure documentation is in the same place. File review procedures will also be updated and employees will be trained on all revisions.

- *Standards 6.12e; 6.47-6.50, 5.54 (8.20-8.26, 7.03-7.04 2108 GAS revision) state that during planning auditors should communicate an overview of the scope, objectives, methodology, timing, and reporting of performance audits and an understanding of the services to be performed in an attestation or review.*

  We observed that the audit manual does not clearly outline these communications and in practice the communications were not made consistently or completely.

  We recommend that the audit manual be revised to include a full description of communications required for performance audits, attestations, and reviews and that staff be fully trained on the requirements.

  City Auditor Response: The various elements of communications required relative to the various types of engagements will be updated in the audit manual. Once the updates are completed, employees will be trained on the requirements.

I would once again like to thank you for your professionalism and candour in the review that you have provided and would like to welcome you back to our great city at any time. Your time and commitment in providing this service to your municipal auditing colleagues is greatly appreciated. The advice you have provided to us will help us to better meet *Government Auditing Standards*, and to continue to provide high quality audit services.

Most sincerely,

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