Agenda – Executive Policy Committee – December 3, 2019

AUDIT COMMITTEE

Item No. 2 Audit Plan 2020 Update

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That this report be received as information.

DECISION MAKING HISTORY:

Moved by Councillor Rollins,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Gilroy,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

ADMINISTRATIVE REPORT

Title: Audit Plan 2020 Update

Critical Path: Audit Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Mansky	B. Mansky City Auditor		

EXECUTIVE SUMMARY

The Audit Department's Audit Plan 2020 Update sets out a list of departmental projects planned for the coming year and highlights the status of the projects undertaken in 2019.

The Department has diverted resources from performance audit projects to undertake investigations that primarily originate from the Fraud & Waste Hotline. The result is that performance audit projects identified for completion in 2019 are behind schedule. In addition we did experience some staff turnover in 2019 that also contributed to the lack of project completion.

An important note is that this update includes the deletion of two (2) previously approved audit plan projects based on the 2018 revisions to *Government Auditing Standards*. The Audit Department strives to operate in compliance with *Government Auditing Standards* as we believe it provides transparent accountability for the quality of our work to Council and to the public. Our recently completed peer review recommended we no longer conduct the *Councillors' Ward Allowance Fund Policy* and the *Mayor's Office Expenditure Policy* audits as we are not independent from the audited entity. This means that there is a structural threat to independence when the audit organization is within the reporting line of an area under audit.

RECOMMENDATIONS

1. That this report be received as information.

REASON FOR THE REPORT

The report is being submitted in accordance with the City Organization By-law 7100/97 section 4(19)(d)(ii) that the Audit Committee will "approve the Audit Department's annual audit plan."

IMPLICATIONS OF THE RECOMMENDATIONS

Upon approval of the Audit Plan 2020 Update both the *Councillors' Ward Allowance Fund Policy* and the *Mayor's Office Expenditure Policy* should be revised to remove the requirement for the Audit Department to conduct an annual audit. This would include complete deletion of Section 4.3 in *The Councillors' Ward Allowance Fund Policy* and deletion of Section Three: Roles and Responsibilities: Audit Department from the *Mayor's Office Expenditure Policy.*

HISTORY/DISCUSSION

Performance on Audit Plan

The attached Audit Plan 2020 Update identifies the areas considered a priority for 2020 and highlights the status of the projects undertaken in 2019. The purpose of a formal audit plan is to provide a disciplined approach to the identification of audit projects and to hold the department accountable for performance. A comprehensive organization wide risk assessment and audit planning process is undertaken every two (2) years with the next occurring in the latter half of 2020.

Reports to the Fraud & Waste Hotline have grown significantly over the last 2 years and the increased trend is continuing in 2019. The growth in Hotline reports is illustrated in the table below.

Year	2013	2014	2015	2016	2017	2018	2019*
# New Hotline Reports	16	10	42	56	84	114	103
# New Investigations Opened During the Year	3	1	8	28	27	18	34
# Investigations Ongoing at year End	0	0	3	16	17	16	19
# Investigations Closed During the Year	3	1	5	15	26	19	31

*Up to November 13

When the Hotline was launched in 2012, it was done within the existing resource complement. The Fraud and Waste Hotline is a Council approved program that requires that "The City Auditor ensures an appropriate, objective and impartial investigation is conducted, regardless of the alleged wrongdoer's position, title, and length of service or the relationship with the City of any party who might be involved in such an investigation."

While a portion of reports are diverted to external agencies (e.g. Employment and Income Assistance) or cannot be acted upon due to insufficient information in the report, the quantity of investigations being conducted by Audit resources continues to increase as noted above. In conjunction with increased volume, the quality of information within the reports has improved resulting in more extensive investigations that require more time to properly investigate and has resulted in the Department being behind schedule on completion of the performance audit projects identified for 2019.

The Audit Department is now devoting a full-time equivalent positon to conducting these investigations which is directly impacting our ability to fulfill our primary mandate of providing

assurance to Council on civic operations through the conduct of performance audits. Many other major Canadian cities with Hotline operations have dedicated investigation staff.

Adjustment to 2020 Audit Plan

In October 2019, the Audit Department successfully passed a peer review that evaluated our compliance with *Government Auditing Standards*. The peer review did issue an accompanying report with recommendations to further strengthen our quality control system. Of particular importance is the recommendation on the elimination of the requirement to conduct the *Councillors' Ward Allowance Fund Policy* and the *Mayor's Office Expenditure Policy* audits.

In 2018, a revision to *Government Auditing Standards* was approved which included stronger language surrounding the concept of independence. The 2018 revision of *Government Auditing Standards* is effective for these types of audits beginning on or after July 1, 2019. Standard 3.20 and 3.44 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. The peer review team noted that the Audit Department is not independent to conduct these Council-required audits because we report to the auditee and recommended they be removed from our audit plan.

Continued compliance with *Government Auditing Standards* is critical for the Audit Department as it provides transparent accountability for the quality of our work to Council and to the public. That credibility is paramount in our line of work and should not be compromised.

FINANCIAL IMPACT

Financial Impact Statement

Date: November 5, 2019

Project Name:

Audit Plan 2020 Update

Comments:
There are no financial implications associated with receiving this report as information.

(Original signed by T.Yanchishyn)
Tanis Yanchishyn
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with: N/A

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity - Direction 1 - Provide Efficient and Focused Civic Administration and Governance

This report supports the demonstration of accountability through reporting and to continuously pursue innovative, streamlined service delivery and decision-making processes.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

The City of Winnipeg Audit Department provides assurance on the efficiency, effectiveness and economy of City programs and activities, thus enabling an organizational operating environment that promotes support of the vision and targets of the Winnipeg Climate Action Plan."

SUBMITTED BY

Department: Audit Department
Prepared by: Bryan Mansky, City Auditor
Date: November 4, 2019

Attachment: Audit Plan 2020 Update