External Quality Control Review

of the

City of Winnipeg Audit Department

Conducted in accordance with guidelines of the

Association of Local Government Auditors

for the period December 1, 2016 to September 30, 2019

Association of Local Government Auditors

October 18, 2019

Bryan Mansky, City Auditor,
City of Winnipeg Audit Department
185 King Street
Winnipeg, Manitoba, R3B 1J1

Dear Mr. Mansky,

We have completed a peer review of the City of Winnipeg Audit Department for the period December 1, 2016 to September 30, 2019. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States and applicable legal and regulatory requirements. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and audit management, to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case but does imply adherence in most situations. Organizations can receive a rating of pass, pass with deficiencies, or fail. The City of Winnipeg Audit Department has received a rating of pass.

Further, based on the results of our review, it is our opinion that the City of Winnipeg Audit Department's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audits and attestation engagements during the period December 1, 2016 to September 30, 2019.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Kymber Waltmunson, CIA, CGAP
King County Auditor
King County, Washington

Brittney Harvey
Performance Auditor II
San Jose City Auditor's Office

Association of Local Government Auditors

October 18, 2019

Bryan Mansky, City Auditor,
City of Winnipeg Audit Department
185 King Street
Winnipeg, Manitoba, R3B 1J1

Dear Mr. Mansky,

We have completed a peer review of the City of Winnipeg Audit Department for the period December 1, 2016 to September 30, 2019 and issued our report thereon dated October 18, 2019. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- Recent audit manual updates make great progress toward aligning policy with Government Auditing Standards (GAS).
- Your staff members are committed, professional, and certified.
- Your analysis of risk and controls is in-depth and supports valuable findings.
- The explanations of impact associated with recommendations in your reports is helpful to readers.
- The Teammate configuration, including the integrated templates, checklists, and mapping to standards helps ensure staff adherence to GAS.

We offer the following observations and suggestions to help your organization achieve full compliance with *Government Auditing Standards*:

1. 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.

2. 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.

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.

3. 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.

4. 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.

We extend our thanks to you, your staff and the other city officials we met for the hospitality and cooperation extended to us during our review.

Sincerely,

Kymber Waltmunson, CIA, CGAP
King County Auditor
King County, Washington

Brittney Harvey
Performance Auditor II
San Jose City Auditor's Office