Agenda – Executive Policy Committee – May 22, 2020

AUDIT COMMITTEE

Item No. 2 Continuous Monitoring – Advisory Report

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Continuous Monitoring advisory report be received as information.

ADMINISTRATIVE REPORT

Title: Continuous Monitoring - Advisory Report

Critical Path: Audit Committee - Council

AUTHORIZATION

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

EXECUTIVE SUMMARY

Continuous monitoring is a process that uses technology and data analytics to analyze large amounts of data to identify irregular or unusual transactions. The objective of a continuous monitoring program is to provide timely, valuable information to management to detect potential significant inefficiencies, errors, theft and fraud.

To evaluate the opportunity to implement a continuous monitoring program in the City, the Audit Department conducted an evaluation of a program in two stages.

In the first stage an external consultant was engaged to consider the current state of the City's PeopleSoft financial system and how risk is currently monitored and managed as well as to conduct research on continuous monitoring programs in other jurisdictions. Opportunities were identified in the City where existing control monitoring processes could be enhanced using available capabilities in the PeopleSoft financial system.

In the second stage, the Audit Department conducted a risk assessment to identify the high risk processes in the City in which continuous monitoring reports could be generated on. Based on the risk assessment exception reports were generated on overtime, standby pay and employee information. Criteria were established by the Audit Department to define the parameters on which the data would be evaluated against to identify outliers for follow up by management. The criteria were set to identify high risk transactions which may indicate a weakness in controls, fraud or errors.

The key observations from this project included:

- Various departments in the City of Winnipeg currently conduct ad-hoc monitoring activities to mitigate key process risks that are generally conducted on a reactive basis. Opportunities were identified to use the available capabilities in PeopleSoft to improve existing monitoring processes at the City through generating continuous monitoring exception reports on overtime and standby pay.
- The Acting Chief Financial Officer found value in the continuous monitoring exception reports generated for this project. The reports highlighted the employees with the highest levels of overtime and standby pay in comparison to all employees across the organization.

RECOMMENDATIONS

1. That the Continuous Monitoring advisory 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 19(d)(iv) that the Audit Committee will "receive and review audit reports, and table such reports with its recommendations at a regular meeting of Executive Policy Committee."

IMPLICATIONS OF THE RECOMMENDATIONS

The most important component of a recommendation is its implementation. The Public Service is responsible for providing a management response to the report; their responses have been included in the attached report.

The Public Service has reviewed and responded to our report, and has agreed to implement the one (1) recommendation. The implementation of the recommendation will:

- Allow for further analysis of a continuous monitoring program through a pilot project to further evaluate the actual potential benefits and value to the organization that could be realized.
- Provide management with information generated in the exception reports that can be used to identify trends in overtime and standby pay, identify areas where internal controls can be strengthened, identify possible errors and monitor the success of initiatives designed to address any areas of concern.

HISTORY/DISCUSSION

The 2015 – 2018 Audit Plan was updated in 2016 to include the Continuous Monitoring Project. The purpose of this project was to evaluate the opportunity of the Public Service to implement a continuous monitoring program to monitor financial transactions, detect unusual expenses and identify areas where internal controls should be strengthened.

The 2016 Audit Plan Update was received as information at the June 15, 2016 Council Meeting.

The Audit department conducted this project as an advisory service. The Audit Department did not audit or review any of the exceptions discussed in the report. In conducting this project, the Audit Department must be careful not to conduct services in a way that would jeopardize current or future independence. This includes making decisions for management or directing management on controls that should be implemented.

The objectives of this project were to:

- Evaluate the value to the Public Service of implementing a continuous monitoring program, in which management uses exception reports generated using information from PeopleSoft to pro-actively identify unusual transactions on an ongoing basis.

- Explore the value of using the information generated through continuous monitoring reports in Audit Department processes.

Exception reports were generated by the Public Service to identify all employees with overtime in excess of 60 percent of their average annual pay, employees with standby pay in excess of 30 percent of their average annual pay and employees with duplicate or no banking information in the PeopleSoft financial system. Department management was requested to follow up on the exceptions identified.

Explanations were provided by departments for the exceptions identified. All departments were aware of the levels of overtime and standby pay. Overtime was identified as typically required due to the job duties and the scheduling of work. Departments indicated that overtime is reviewed against budget and options were being considered to help reduce the levels of overtime. Standby pay has been identified as the most efficient way to provide coverage of essential City services. There were no concerns identified with employee banking information.

The Audit Department sees value in continuing to monitor transactions identified in continuous monitoring exception reports and to explore the value of this process through a pilot project. The exception reports provide detailed information on overtime and standby pay usage that can assist management in identifying areas of concern and transactions that fall outside of parameters defined by management. Additional benefits of reviewing the exceptions on a continuous basis include:

- Identifying high risk transactions to focus in on for a review of the controls
- Identifying possible errors, theft or fraud
- Providing management information that may assist with identifying opportunities for process improvements
- Monitoring the success of initiatives that have been designed to address areas of concern.

The information generated from these reports has also provided the Audit Department with useful information that can be applied to the City wide risk assessment processes.

FINANCIAL IMPACT

Financial Impact Statement

Date: April 17, 2020

Project Name:

Continuous Monitoring - Advisory Report

COMMENTS:

There is no financial impact associated with receiving this report as information.

electronically signed by T. Yanchishyn
Tanis Yanchishyn, CPA, CA
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

Corporate Finance
Human Resources Department
Transit Department
Water and Waste Department
Public Works Department

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: B. Mansky, City Auditor
Date: April 16, 2020

Attachments: