City of Winnipeg

Audit Department

2019 Annual Report

For more information, see: winnipeg.ca/audit

The City Auditor is a statutory officer appointed by city Council under The City of Winnipeg Charter. The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service.

The Audit Department is classified as an independent external auditor under Government Auditing Standards due to statutory safeguards that require the City Auditor to report directly to Council, through the Audit Committee. The Audit Department's primary client is City Council, through the Audit Committee (Executive Policy Committee).

The purpose of the Audit Department is to provide independent and objective information, advice and assurance with respect to the performance of civic services in support of open, transparent and accountable government. The value to Council is the ability to use credible information to support their decision- making efforts. Stakeholders are the Public Service and residents.

The City Auditor conducts examinations of the operations of the City and its affiliated bodies to assist Council in its governance role of ensuring the Public Service's accountability for the quality of stewardship over public funds and for the achievement of value for money in City operations.

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 CPA Canada auditing standards and Generally Accepted Government Auditing Standards, also known as the Yellow Book. These provide the framework for conducting high-quality audits with competence, integrity, objectivity, and independence.

Quality assurance practices have been implemented to ensure that Audit reports present information that is reliable, fair and balanced. The Audit Department provides three service lines: Advisory; Assurance and Investigation.

2019 Highlights:

► 23 reports issued
► 117 reports – 22 new investigations undertaken from Fraud & Waste Hotline reports
► 62% of audit recommendations were implemented
► Auditors (FTE) to total organizational staff 1: 1371 compared to other select Canadian Municipalities which is 1: 940*
►Internal Auditor Cost per billable hour $127.73 compared to Industry benchmark of $ 235.00*
►Monitored the implementation status of past audit recommendations with the Public Service. This included an average of 50 audit report recommendations (per quarter) contained in 12 Audit reports
►Successful completion of an ALGA Peer Review receiving a clean opinion about the Departments operation in compliance with Government Auditing Standards

*Industry benchmarking will be updated in 2020

Additional highlights can be viewed at: winnipeg.ca/audit

External Peer Review of the Audit Department

The Audit Department performs its work in accordance with *Government Auditing Standards (GAS)*. 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 had its second peer review covering the period of December 1, 2016 to September 30, 2019, and we have received a clean opinion from the peer review team. It is the opinion of the Association of Local Government Auditors (ALGA) 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.

The peer review team also made four recommendations to further enhance our department's demonstrated adherence to *Government Auditing Standards*. The City Auditor has addressed each of the recommendations in a written response, and has committed to implementing appropriate solutions.

The peer review reports and our response are available on the Audit Department's website: Peer Review Reports and on the website of the Association of Local Government Auditors: http://algaonline.org/page/peer-reviewed-organizations

2019 projects

Assurance Projects	Engagements in Progress	Advisory Services	Fraud and Waste Hotline
Due Diligence: ▶ Collective Bargaining Agreement **Compliance Audits:** ▶ Councillor's Ward Allowance Fund ▶ Mayor's Expenditure Policy **Performance Audits** ▶ Independent Fairness Commissioner ▶ Major Capital Project Estimate Classifications Projects ▶ Quarterly Report Cards	▶ Contract and Vendor Management ▶ Continuous Monitoring ▶ Southwest Rapid Transitway (Stage Two) and Pembina Highway Underpass ▶ Winnipeg Police Board Effectiveness Evaluation	▶ Asset Management Advisory committee ▶ Sustainable Procurement Committee ▶ Records Management ▶ Committee City of Winnipeg Charitable Fund	▶ 117 reports ▶ 22 new investigations

Audit Reports	Issue Date	RECOMMENDATIONS			
		Total	Implemented[1]	Not to be Implemented	In Progress
Traffic Signals Branch Performance Audit	Jun-11	19	17	1	1
Review of the Hired Equipment Process	Jul-12	9	5	-	4
New Fire Paramedic Station Construction Project	Oct-13	14	12	-	2
Non-Monetary Real Estate Grants	Jan-14	12	11	-	1
Winnipeg Police Service Headquarters Project	Jul-14	19	18	-	1
Waverly West Arterial Road Project Audit (report closed in 2019)	Dec-14	6	6	-	
Review of the Employee Code of Conduct	Apr-17	6	4	-	2
By-Law Amalgamation Audit	Jun-18	11	-	-	11
Legal Services Department Audit	Feb-18	9	5	-	4
Safety Review of the City of Winnipeg Outdoor Aquatic Facilities	Apr-18	36	13[2]	6	17
William R. Clement Parkway/Sterling Lyon Parkway Extension Project	May-18	15	8	-	7
Independent Fairness Commissioner-Summary Report Recommendations-July2019	July – 19	22	12	4	6
TOTAL		**178**	**111**	**11**	**56**
PERCENTAGE (does not equal 100 due to rounding)			**62%**	**6%**	**31%**

Notes:

1. Documentation supporting the implementation was reviewed and confirmed by the City Auditor.

2. Due to the seasonal nature, not all implemented recommendations have been confirmed by the City Auditor, this will be completed in 2020 Q3 when facilities are open for season.

Current Projects – Assurance Services

Due Diligence Reviews - Collective Bargaining Agreements:

A Council directive 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. Our role is to review that the forecasted net incremental costs or savings to the City have been appropriately identified, calculated and summarized in a report, and that all significant assumptions relating thereto have been disclosed. We completed one collective bargaining agreement review in 2019.

Compliance Audit – Mayor's Expenditure Policy

We audited the Mayor's expenditures incurred under the Mayor's Expenditure Policy for the year ending December 31. The purpose of the audit is to evaluate compliance with the policy requirements and principles of the fund. The fund provides monies to the Mayor to operate their office, to communicate with constituents and to represent and support local communities.

The results of the audit were reported to the Audit Committee of Council in July 2019.

Compliance Audits – Councillors' Ward Allowance Fund

We audited the ward allowance and chairperson expenditures incurred under the CWA Fund Policy for the year ending December 31. The purpose of the audit is to evaluate compliance with the policy requirements and principles of the fund. The CWA fund provides monies to City Councillors to operate their ward offices, to communicate with constituents, to represent and support their wards and local communities, and to cover the additional expenses of chairing specific committees of Council.

The CWA funds of 15 City Councillors and 12 chairperson accounts were audited for the 2018 calendar year. The results of the audits were reported to the Governance Committee of Council in June 2019.

Major Capital Project Estimate Classifications - NEWPCC

The estimate classes for new major capital projects are audited to provide Council with assurance that the estimate classes have been appropriately determined and disclosed. Preparation of budget estimates and disclosure of the estimate classes for the capital projects is the responsibility of the Public Service. The classification system used is based on the recommended practices of the Association for the Advancement of Cost Engineering (AACE).

The estimate classification audit reports for the NEWPCC Upgrade: Power Supply and Headworks Facilities and NEWPCC Upgrade: Biosolids Facilities were provided to Council for investment decisions in 2019. Both estimates were found to be fairly presented in all material respects as Class 3 estimates based on the recommended practices of the AACE.

Independent Fairness Commissioner (IFC)

Council motion created the Independent Fairness Commissioner (IFC) role, the mandate is to review and provide assurance on real estate transactions before they are presented to Standing Policy Committee/Council.

The objective of the IFC is to ensure that real estate transactions and management services adhere to the policies and procedures of the City of Winnipeg and to consider if the goals of being open, fair and transparent have been met. Real Estate Transactions requiring Committee of Council approval are audited by the IFC and the reports are submitted to the Standing Policy Committee on Property and Development, Heritage, and Downtown Development.

A contract was awarded to Deloitte LLP, under RFP No. 288-2017, to act in the capacity of the IFC. The IFC completed 29 real estate transaction audits in 2019.

Quarterly Report Cards

Once an Audit is complete, the next step is implementation of the recommendations. The Audit Department provides a list of the audit recommendations to the Public Service Director of the department that was audited. The Public Service prepares an action plan and target for completion date. The implementation of the audit recommendations is the responsibility of the Public Service.

Status updates are provided to the Audit Department on a quarterly basis; after presentation to the Audit Committee these are posted at: Quarterly Report Cards

The Public Service provides an update for all recommendations. For recommendations in progress this includes a target completion date. Documentation supporting implementation and progress is reviewed by the Audit Department for confirmation. If the Public Service indicates that a recommendation will not be implemented, residual risk is identified and discussed with the Department and reported to Audit Committee.

Audit recommendations are typically monitored for implementation for five years after completion of the Audit.

QRC – Safety Review of the City of Winnipeg Outdoor Aquatic Facilities

In August of 2019, the Audit Department attended to specific Outdoor Aquatic Facilities to confirm implementation of the Audit recommendations. On site observation is required to confirm the implementation of the recommendations as they involved physical improvements. The Audit Department will attend to specific sites in 2020 to further confirm implementation of recommendations.

Current Projects: Performance Audits

Independent Fairness Commissioner - Summary Report Recommendations

Council created the IFC role to have the power to review all Real Estate Transactions and Management Services before they are presented to the Standing Policy Committee and/or Council. In June 2017, the City Auditor engaged Deloitte LLP to provide certain services as part of the IFC role. The first six months of the contract was devoted to developing a Compliance Framework, which is used as the basis for the performance of compliance audits, and creating a report template to ensure consistency in presentation of audit findings to Committee members. In 2018, the IFC completed compliance audits in connection with 35 real estate and management services transactions and submitted the associated reports to the SPC PDHDD. After reviewing the findings from the IFC reports issued, the City Auditor identified that a report summarizing the IFC observations would provide meaningful information to Committee members. The summary report was presented to SPC PDHDD on March 4, 2019 and included 22 recommendaitons.

Engagements in Progress:

Winnipeg Police Board Effectiveness Evaluation

The Winnipeg Police Board (WPB) is required to comply with *The Police Services Act* to operate in accordance with the policy and procedures manual developed for police boards by the Manitoba Police Commission (MPC). Chapter 3.9 of the MPC Manual sets out a policy and related procedures to evaluate the effectiveness of the police boards in carrying out their legislative mandates. The policy requires the police board to evaluate its effectiveness at least every three years, and provides guidance for carrying out the evaluation.

The Board has engaged the Chief Performance Officer (City Auditor) to administer the evaluation and ensure objectivity. The methodology involves a questionnaire and policy and procedure checklist. The City of Winnipeg's Audit department completed the last engagement in 2016.

The purposes of the engagement are:

- To ensure that the Board maintains compliance with the MPC Manual, which reinforces that measuring the Board's effectiveness forms part of good governance practice.
- To identify aspects of the Board's operations that can be improved and incorporated into the goals of subsequent annual business plans.

The engagement was in progress at the end of 2019. We expect to report on the results in 2020.

Contract & Vendor Management

An audit of the City of Winnipeg's Contract and Vendor Management was included in the Strategic Plan and Audit Plan 2017 – 2018. The scope of the audit is city-wide with a focus on non-capital contract/vendor management practices post contract award. Individual contracts can range in value from a few hundred dollars to several million dollars. Ensuring that contractors are held accountable for compliance with requirements and City contract administrators are fulfilling their required roles is key to protecting the City's investment.

The objectives of this audit are:

1. Evaluate the performance of contract/vendor management within the City of Winnipeg.
2. Examine processes and procedures, adequacy of systems and effectiveness of controls in place to achieve contract/vendor management goals and objectives.
3. Determine whether sufficient performance information is provided to Council for contract management.

The engagement was in progress at the end of 2019. We expect to report on the results in 2020.

Continuous Monitoring

A Continuous Monitoring Program is the ongoing review and identification of financial transactions that fall outside parameters defined by management. The objective of a continuous monitoring program is to provide reports to management that assist in monitoring financial transactions, detecting unusual expenses and identifying areas where internal controls could be strengthened.

The objectives of this project are:

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

This project was completed in two stages. In the first stage, a contract was awarded to Deloitte LLP, under RFP 57-2017, to evaluate the opportunity to implement a program in the City's PeopleSoft financial system. Deloitte provided a report in 2018 which identified that while the City does not have an ongoing continuous monitoring program various departments within the City employ ad-hoc control monitoring activities to mitigate key process risks. The report presented improvement opportunities to develop a continuous monitoring program and made recommendations based on leading practices.

The second stage of this project was conducted by the Audit Department. A risk assessment was conducted on the business processes identified by Deloitte in which continuous monitoring reports could be generated on. Payroll was identified as the first business process to evaluate. The data on overtime, standby pay and employee information was analyzed and follow up was requested on the transactions which fell outside of the defined criteria. An analysis on the data identified in the reports was conducted by the Audit Department.

The project was in progress at the end of 2019. A final report will be issued in 2020.

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass Audit

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass is one of the largest capital projects that the City has embarked upon. Appropriate communication is important to allow key stakeholders to fulfill their roles in relation to the project; it also keeps the public informed on project performance. The Audit Department will be releasing quarterly audit reports that provide assurance on the reporting processes and selected key project management areas throughout the construction of the project.

The objectives of the quarterly audit reports are:

- To provide assurance that appropriate reporting is occurring for the project based on regulatory requirements, City policies and procedures, and agreements with third parties
- To provide assurance that appropriate financial status reporting is occurring for the project
- To provide assurance that appropriate risk management is occurring in the project

In 2019, three quarterly audit reports were released covering the periods of January 1 – March 31, 2018, April 1 – June 30, 2018 and July 1 – November 30, 2018. Due to the 2018 Municipal election the Standing Policy Committee on Finance approved a revised major capital project reporting schedule. The quarterly audit report for this period was also extended to accommodate the change in the project reporting schedule; the third quarter report was for five months. The remaining quarterly audit report for 2018 was in progress at the end of 2019. We expect to continue to report quarterly on the project until construction is completed.

The report of the third quarter period included one recommendation to implement a process to ensure that new or additional reporting requirements adopted by Council or its committees are embedded into existing reporting processes. The Public Service agreed to implement this recommendation.

Investigation Services

The Audit Department provides investigation services based on information identified in reports submitted through the Fraud and Waste Hotline , audit projects, Council, Public Service or resident's request. The Public Service is required to report fraud, theft, misappropriation or related irregularities in accordance with an Administrative Standard.

The Fraud and Waste Hotline is a confidential and anonymous service accessible to everyone to make reports 24/7/365. We review every report that is received and will investigate when appropriate supporting information is provided.

While maintaining an independent and objective perspective, we conduct our services using a cooperative approach. Investigations are in accordance with internal procedures, guidelines, as well as professional standards. We consult with and work closely with the Public Service who are responsible for taking appropriate action to resolve concerns identified during an investigation.

Report Category	2017	2018	2019
Financial Reporting and Accounting	1	0	1
Health and Safety, Environment	0	0	5
Unethical Conduct and Conflict of Interest	16	9	15
Manipulation or Falsification of Data	1	4	3
Harm to People or Property	0	1	1
Theft, Embezzlement, Fraud	41*	62	58
Violation of Laws, Regulations, Policies, Procedures	8	25	16
Organization	0	0	0
Management/Supervisor	1	0	0
Compensation, Pension and Benefits	2	2	1
Product/Customer Service	0	0	0
Office and Equipment Requirements	0	0	2
Safety and Security Issues	0	1	3
Suggestions for Improvement	0	1	1
Miscellaneous	8	7	9
Undefined	6	2	2
*a duplicate report required only one investigation Total	84	114	117

Disposition of reports:

We gather and review evidence to substantiate or dispel all reports.

"No Action" is typically due to insufficient information being provided to support the allegation.

Report disposition	**2018 Carried over**	**2019**	**Reports Closed**
No Action	0	8	8
Referral to external agency	2	59	61
Investigation by Audit Department/other City Department	9	27	36
Ongoing investigation	6	22	

Closed Reports		
Substantiated	3	Closed
Unsubstantiated	102	Closed

A closed report will be marked as unsubstantiated if there is a lack of evidence to support the specific allegation(s) contained within the report. It is important to note that through the investigation process, opportunities to revise internal processes and controls may be identified and result in recommendations to management.

Through the investigations conducted in 2019, the following actions were taken:

- Theft of City property was identified and confirmed through an investigation by the Winnipeg Police Service. The employee was terminated.
- Communication was sent out by department management to City of Winnipeg employees reminding them of the City's Code of Conduct and appropriate use of City property.
- Department management is working with human resources to update internal policy on the use of City property for personal use.
- PeopleSoft access privileges for human resources data was reviewed and updated.
- Department management is developing guidance to define acceptable flexible work arrangements for employees.
- Various departments issued communications to employees on appropriate use of city vehicles including idling times.
- Employee time reporting processes were revised in a couple of departments to ensure time is accurately recorded in PeopleSoft.
- Identification of an employee using employment position for personal benefit, the investigation is ongoing.

Visit: Fraud and Waste Hotline or call: 1- 866- 840- 5837

Vimy Arena

The Auditor General of Manitoba received a concern from a member of the Manitoba Legislative Assembly regarding the sale of the Vimy Arena from the City of Winnipeg to the Province of Manitoba. The Office of the Auditor General initiated an investigation into the transaction and brought the concern to the attention of the City Auditor. The Audit Department assisted the Office of the Auditor General in obtaining and reviewing documentation related to the transaction.

Current Projects – Advisory Services

The Audit Department has representatives who actively participate on the following committees:

Asset Management Advisory Committee:

The committee is comprised of Senior Management from all departments that have responsibility for the construction and maintenance of physical assets. The committee provides guidance and advice on the performance of the asset management program. This supports the Infrastructure Planning Office in their role of overseeing the management of the City's infrastructure by setting corporate direction and by recommending and influencing corporate policy changes.

Sustainable Procurement:

The sustainable procurement working group is responsible for incorporating sustainable procurement through the City's procurement policy and developing administrative standards that include environmental, social and economic aspects. Departmental representatives share current practices and ideas to contribute to sustainable procurement. This aligns with a Sustainable Winnipeg (an OurWinnipeg Direction Strategy), which requires the city to demonstrate its commitment to improving sustainability of its operations through the products and services it purchases.

Records Management Committee:

The role and mandate of the Records Committee is specified in Section 110 (2) of *The City of Winnipeg Charter*, as follows:

- to make recommendations to Council regarding the management, retention, safekeeping, disposition and destruction of records in all City departments;
- to implement policies and procedures approved by Council for the management, retention, safekeeping, disposition and destruction of records in all City departments.

The Charter further emphasizes the importance of sound recordkeeping in Section 111, where it states that a record created or held by the City must not be destroyed or removed from the custody and control of the City by any employee unless permitted under Records Management By-Law No. 86/2010 or upon receipt of written approval of the Records Committee.

The City of Winnipeg Charitable Fund (CWCF):

The CWCF is the official charitable fund for the City of Winnipeg employees/retirees. The goal of the CWCF is to provide City employees and retirees with opportunities to support local charities through payroll deductions.

For more information about the Audit Department visit: winnipeg.ca/audit