Winnipeg | Audit

Audit Plan 2021

December 2020

STRATEGIC OVERVIEW

Our Mandate

The City Auditor reports to Council through the Audit Committee (Executive Policy Committee) and is independent of the City's Public Service. The City Auditor conducts examinations of the operations of the City and its affiliated bodies and submits a report of its findings to assist Council in its governance role of ensuring the accountability of the Public Service for the quality of stewardship over public funds and for the achievement of value for money in City operations.

Our Vision

To be leaders in building public trust in our civic government.

Our Mission

To support City Council and the Public Service by providing objective and independent advice and assurance with respect to governance, risk management, performance and accountability.

Our Service Value

The value of an independent audit function to Council is the ability to use credible information to make better decisions and to hold the Public Service accountable. Our principle stakeholder is the Audit Committee. The Audit Committee is chaired by the Mayor and includes the Deputy Mayor and the chairs of the Standing Policy Committees of Council. The Audit Committee's primary role is to ensure that due diligence has been directed towards ensuring that an effective control framework is in place. This framework provides reasonable assurance that the financial, operational and regulatory objectives of the City are achieved and that governance and accountability responsibilities of Council and the Public Service are met.

The Audit Department's stakeholders also include the Public Service and citizens. Audit reports are made public once they have been communicated to City Council.

Our Standard of Work

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 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.

AUDIT PLAN OVERVIEW

Purpose of an Audit Plan

The purpose of a formal audit plan is to provide a disciplined approach to the identification of potential audit projects. Formal planning has several benefits:

- It focuses limited resources on priority or high-risk areas.
- It provides the basis for the involvement of clients and stakeholders.
- It ensures that all business units (and associated risks) are considered.
- It serves as a standard against which to measure the performance of the Audit Department.

Audit Planning Process

The Department undertakes a comprehensive audit planning process every two-years. The process comprises several activities:

- identification and classification of auditable entities;
- evaluation of audit entities against standard criteria and risk factors;
- consultation with City Councillors and Senior Administrators;
- updating of *Service Risk Profiles*;
- consideration of resources available and required by project type;
- selection of Audit Projects;
- presentation of our proposed Audit Plan to Audit Committee; and
- communication of our final Audit Plan to City Council.

Audit Plan 2021

The Department proposes to temporarily suspend the two-year audit planning process for a single year. The focus of the Department for 2021 will be a number of investigations based on areas identified as high-priority through preliminary investigation of previous year's Fraud and Waste Hotline reports. The hotline helps deter fraud, waste, and wrongdoing; strengthen internal control and mitigate risks; and improve policies and operating procedures. It is for this reason we believe it is in the best interests of our clients and stakeholders, to increase the resources dedicated to investigations and demonstrate our commitment to corporate accountability, transparency and a sound, ethical work environment.

Every new Fraud and Waste Hotline report is assessed based on the information submitted by the reporter. Investigations are initiated when sufficient, credible information is available. As identified in the Audit Department's 2019 Annual Report the volume and complexity of investigations has been increasing in recent years. The table below illustrates the significant increase in the number of investigations initiated in each of the past three years.

	# of Fraud & Waste Hotline Reports	# of Investigations
2020 (To October 31)	122	65
2019	117	58
2018	114	27

Individual investigations need to be conducted on a timely basis since in many cases there is a time sensitivity to the report contents. As the number of investigations has increased so has the number of hours required to perform the investigations. The Department has engaged a professional services firm to support internal resources in the timely investigation of the reports.

	Internal Resource Hours	External Resource Hours	Total Hours
2020 (To October 31)	880	519	1,399
2019	1,152	0	1,152
2018	657	0	657

The greater number of investigations undertaken over the last couple years has afforded an opportunity to identify some areas of concern warranting broader investigation. The Audit Department has identified four organizational units and two process-oriented systems that we intend to perform investigations on in 2021. Reports on these special investigations will be brought forward to Audit Committee as deemed appropriate based on the findings. The specific areas to be investigated are not identified at this time to ensure continued preservation of evidence.

The table on the next page will identify other projects to be performed in 2021. **Appendix A** will highlight the status of our previously approved projects.

Projects Proposed for 2021

Mandatory Projects		
Investigations	Fraud & Waste Hotline	Conduct investigations arising from new reports submitted to the Fraud and Waste Hotline. Investigations conducted over the past couple of years have identified specific areas of concern that merit broader investigation. These investigations will provide assurance by evaluating key controls and internal processes. The Audit Department has identified four organizational units and two process-oriented systems that we intend to perform investigations. Reports on these special investigations will be brought forward to Audit Committee as deemed appropriate based on the findings. Over the past three years, between 5-12% of available direct internal hours have been dedicated to conducting investigations. For 2021, the Department is expecting to dedicate 55-65% of available hours to investigations.
Assurance	Collective Agreements Due Diligence	Council policy 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.
	Independent Fairness Commissioner	The IFC is required to conduct a compliance review of real estate transactions and management services which require presentation to SPCPDHDD. The IFC will submit an independent report on each compliance review prior to political approval and concurrently with the related administrative report.
	Quarterly Report Card	Follow-up on the implementation status of previous audit recommendations.
New Projects		
Advisory	Enterprise Risk Management	Audit employees will support the Public Service in evaluating the feasibility of implementing an organization-wide enterprise risk management program.
	Special Operating Agency (SOA) Governance	Achieve the City Charter requirement to review the process for developing, implementing, operating and evaluating the special service units.
Assurance	Capital Project Estimates	The capital budget estimate documentation supporting a new major capital project is reviewed to confirm it supports the identified estimate class (AACE).
	Fleet Management	Performance audit to evaluate the size, economic value, utilization, and care/maintenance of the City's light fleet assets. This project supports the City's Green Fleet Plan which is to reduce the environmental impact of the City's vehicle and equipment fleet by reducing fuel consumption, emissions and overall fleet costs through right-sizing the fleet.

APPENDIX A – STATUS OF PREVIOUSLY APPROVED PROJECTS

2019 Project Status

Name	Overview	Status
Capital Project Estimates	The capital budget estimate documentation supporting a new major capital project is reviewed to confirm it supports the identified estimate class (AACE).	No new major capital projects were identified in 2020.
Collective Agreements Due Diligence	Council policy requires that prior to ratification of an agreement, the City Auditor and the external auditor review the projected costs of collective bargaining agreements reported by the Public Service.	Complete. One Review Engagement Report submitted in 2020.
Independent Fairness Commissioner	The IFC is required to conduct a compliance review of real estate transactions and management services which require presentation to SPCPDHDD or Council. The IFC submits an independent report prior to political approval and concurrently with the related administrative report.	Ongoing. Twenty three (23) transaction audit reports submitted in 2020 to SPCPDHDD as of October 31, 2020.
Quarterly Report Card	Follow-up on the implementation status of past audit recommendations.	Complete. Fourteen (14) report cards were submitted in 2020.
Southwest Transitway Capital Project	Limited scope engagement to provide assurance on a proactive basis of specific aspects of the capital project. Reports are submitted reviewing quarterly operations.	Complete. Two (2) audit reports, including the final project audit report, were submitted in 2020.
Board of Revision	Performance audit to review the property assessment appeal process by evaluating the quality of information and support provided to the Board, adherence to governing authorities, and communication and consistency of rendered decisions.	In-progress. Report expected to be presented to Audit Committee in Q1 - 2021. .
Continuous Monitoring (Phase 2)	To implement proactive continuous monitoring on select financial transactions to detect unusual expenses and identify where supporting internal controls should be strengthened.	Complete Final report presented to Audit Committee in Q2 - 2020.

2019 Project Status (Continued)

Name	Overview	Status
Contract / Vendor Management	Review processes to ensure contracts contain adequate provisions for oversight, and that contractors are held accountable for compliance with requirements.	Complete. Report expected to be presented to Audit Committee in Q1 – 2021.
Business Improvement Zones (BIZ)	Examine mechanisms in place against best practices to provide Council assurance that BIZ Associations are fulfilling their legislated roles and providing value to members.	In-progress. Report expected to be presented to Audit Committee in Q1 – 2021.
Special Operating Agency (SOA) Governance	Achieve the *City Charter* requirement to review the process for developing, implementing, operating and evaluating the special service units.	Not yet initiated. In discussion with Interim Chief Administrative Officer, project was postponed to 2021.
Winnipeg Police Board Effectiveness Evaluation [1]	Section 50 of the Police Board's Rules of Practice and Procedure requires that a formal, comprehensive evaluation of the Board's effectiveness be requested every three years of the City's Chief Performance Officer. The last effectiveness evaluation was presented to the Board in January 2017.	Complete. Final report presented to Winnipeg Police Board and Audit Committee in Q3 - 2020.

Note 1: The final report of this project is initially communicated to the Winnipeg Police Board. The report is then also communicated to Audit Committee.