Minutes – Executive Policy Committee – December 7, 2022

AUDIT COMMITTEE

Item No. 1 Procurement and Contracting Activities of the Traffic Signals Branch – Performance Audit Estimate

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

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

1. That the Acting City Auditor be directed to prioritize in 2023 the performance audit on the last five years of contracting and procurement activities related to the Traffic Signals Branch.

2. That the Acting City Auditor be directed to revise the 2022-2023 Audit Plan, and submit the matter to Council for approval.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

DECISION MAKING HISTORY:

The Chairperson called Councillor Lukes to the Chair in order to move the following motion:

Moved by His Worship Mayor Gillingham,
That the recommendation of the Winnipeg Public Service be concurred in with the following amendments and forwarded to Council:

- Delete Recommendations 1-3 and replace with the following:

  "1. That the Acting City Auditor be directed to prioritize in 2023 the performance audit on the last five years of contracting and procurement activities related to the Traffic Signals Branch.

  2. That the Acting City Auditor be directed to revise the 2022-2023 Audit Plan, and submit the matter to Council for approval."

- Renumber the remaining recommendation accordingly.

Yea:	Gillingham, Browaty, Lukes, Mayes, Orlikow, Rollins	6
Nay:		0

Carried

His Worship Mayor Gillingham resumed the Chair.

COUNCIL DECISION:

On September 22, 2022, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1. That the Intersection Signal Infrastructure Investigation Report be received as information.

2. That the City Auditor be directed to report back on the 19 recommendations made by the City Auditor to Council in November 2010.

3. That the City Auditor be directed to report back on the last five years of contracting and procurement activities related to the traffic signals branch.

DECISION MAKING HISTORY (continued):

COUNCIL DECISION (continued):

4. That the City Auditor be directed to report back in December, 2022, regarding the resources required to perform a standard government audit of those procurement and contracting activities and the time-frame necessary to complete the audit and include recommendations.

5. That the Proper Officers of the City do all things necessary to implement the intent of the foregoing.

ADMINISTRATIVE REPORT

Title: Procurement and Contracting Activities of the Traffic Signals Branch - Performance Audit Estimate

Critical Path: Audit Committee - Council

AUTHORIZATION

Author	Department Head	CFO	CAO
J. Egert	J. Egert Acting City Auditor		

EXECUTIVE SUMMARY

On September 22, 2022 Council adopted the following motion:

> "That the City Auditor be directed to report back on the last five years of contracting and procurement activities related to the traffic signals branch.
>
> That the City Auditor be directed to report back in December, 2022, regarding the resources required to perform a standard government audit of those procurement and contracting activities and the time-frame necessary to complete the audit and include recommendations."

The estimated resources to conduct a performance audit by an external professional services firm will range from 526 to 765 hours and cost between $114,000 to $166,000. The estimated time frame will be 12 weeks. The performance audit will also require approximately 177 hours of City employees' time. The project would be scheduled to start in Q1 2023 and be completed in Q2 2023.

The estimated resources to conduct a performance audit by the City's Audit Department will be similar in terms of hours. The estimated time frame will be 26 weeks. Conducting this audit will impact the Audit Department's completion of the Council approved 2022-2023 Audit Plan. The project would be scheduled to start in Q3 2023.

RECOMMENDATIONS

1. That Council provide the Acting City Auditor with direction of whether to proceed with this performance audit.
2. That if Council decides to utilize external resources to conduct this audit, Council approve additional funds to augment the Audit Department consultant budget in the amount of $166,000.

3. That if Council directs the Acting City Auditor to proceed with this performance audit, Council direct the Acting City Auditor to revise the Council approved 2022-2023 Audit Plan, which requires Council approval.
4. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

The report is being submitted in accordance with the City Organization By-law 7100/97 section 4 19(c)(ii) that Audit Committee will "Receive and review such Special Studies and forward such Reports, either in full, or in summary, to Council."

IMPLICATIONS OF THE RECOMMENDATIONS

A Council decision to proceed with this performance audit with an external professional services firm will require approval of an additional $166,000 to augment the 2023 budget, as noted in the Financial Impact Statement below, and a revision to the Council approved 2022-2023 Audit Plan. If it is completed by the City's Audit Department it will impact the Audit Department's completion of the Council approved 2022-2023 Audit Plan, and therefore, require a revision to the Council approved 2022-2023 Audit Plan, which requires Council approval.

HISTORY/DISCUSSION

On February 24, 2022, Council adopted a motion directing the City Auditor to initiate an investigation into the allegations of potential waste and mismanagement surrounding intersection signal infrastructure. The City Auditor submitted the Intersection Signal Infrastructure Investigations Report to Council through the Audit Committee at the September 14, 2022 meeting.

The project scope of the aforementioned investigation did not include an audit of the contracting or procurement activities by the Traffic Signals Branch.

On September 22, 2022 Council adopted the following motion:

> "That the City Auditor be directed to report back on the last five years of contracting and procurement activities related to the traffic signals branch.
>
> That the City Auditor be directed to report back in December, 2022, regarding the resources required to perform a standard government audit of those procurement and contracting activities and the time-frame necessary to complete the audit and include recommendations."

The Audit Department engaged a professional services firm to provide an assessment/estimate of resources that would be required to conduct a performance audit in adherence to Generally Accepted Government Auditing Standards (GAGAS). The estimate for the potential audit included the projected expenditure, person hours, and the time frame.

If the performance audit is completed by an external professional services firm it is estimated that the project will take between 526 to 765 hours. This is dependent on the number of contracts and procurements for review and the volume of review for each contract and procurement activity. It is estimated to cost between $114,000 and $166,000. The estimated time frame will be 12 weeks (utilizing four employees full-time and one quality control reviewer). The professional services firm will require approximately 177 hours of City employees' time. The professional services firm would be able to begin the audit in Q1 2023 and complete it by Q2 2023.

The Audit Department prepared an estimate of person hours and time frame that would be required to conduct a performance audit in adherence to GAGAS standards. The information is included below.

If the performance audit is completed by the City's Audit Department, it will take a similar level of effort. The estimated time frame is 26 weeks (utilizing two employees full-time and one quality control reviewer). Conducting this audit will impact the Audit Department's completion of the Council approved 2022-2023 Audit Plan. The project would be scheduled to start in Q3 2023.

FINANCIAL IMPACT

Financial Impact Statement

Date: November 20, 2022

Project Name:

First Year of Program **2023**

Procurement and Contracting Activities of the Traffic Signals Branch - Performance Audit Estimate

	2023	2024	2025	2026	2027
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 166,000	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 166,000	$ -	$ -	$ -	$ -
Less: Existing Budget	-	-	-	-	-
Net Budget Adjustment Required	$ 166,000	$ -	$ -	$ -	$ -

Additional Comments:

1. Direct Costs above represents the estimated cost for professional services if Council decides to proceed with the performance audit with utilization of external resources. An increase in the amount of $166,000 is required to Audit Department's 2023 operating budget.

2. There are no incremental financial impact if the Audit Department is to conduct the audit, however, a revision is necessary to the Council approved 2022-2023 Audit Plan.

3. There is no financial impact if Council decides not to proceed with the performance audit.

Jason Duke - November 20, 2022

Jason Duke, CPA, CGA
Acting Mgr. of Finance & Admin. (Campus)

CONSULTATION

This Report has been prepared in consultation with:

Public Works

OURWINNIPEG POLICY ALIGNMENT

Leadership and Good Governance

1. Establish and implement priority actions through evidence-informed decision-making processes.

2. Promote trust and government responsiveness through meaningful, inclusive and informed community engagement.

3. Achieve community-responsive service delivery through an aligned, integrated, collaborative and results-oriented organizational culture.

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.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

N/A

SUBMITTED BY

Department: Audit Department
Division:
Prepared by: Jason Egert, Acting City Auditor
Date: November 2022
File no:
Attachments: none