Winnipeg | Audit

2022 Annual Report

March 2023

Leaders in building public trust in civic government.

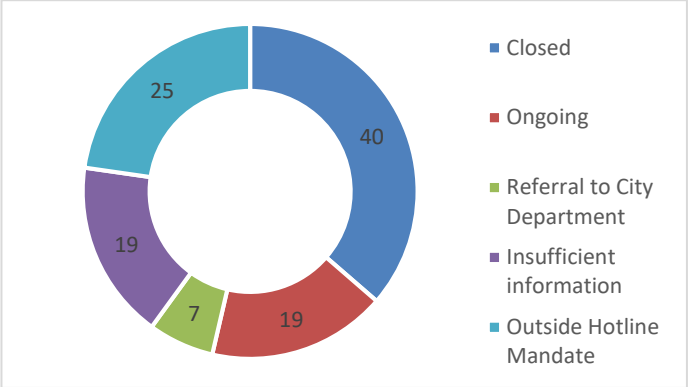
2022 Highlights

Key Performance Indicators

	Target	Actual
Direct hours dedicated to: Assurance Services Advisory Services Investigation Services	 ≥75% ≤10% ≤15%	 50 % 9 % 41%
Audit recommendations accepted	92%	100 %
Audit recommendations implemented	70%	55%
Completion of audit plan	100%	86%
Client satisfaction	4/5	4/5
Cost per billable hour	$232[1]	$159

Fraud & Waste Hotline Activity

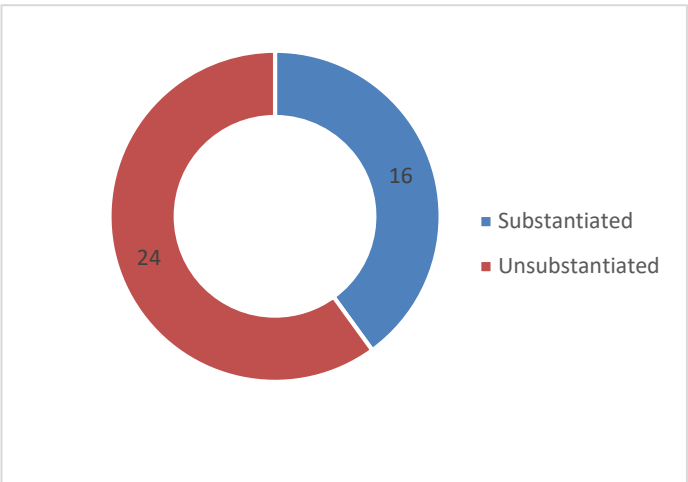
79 New Reports = 110 Total New Allegations



Completed Projects

- Due Diligence Collective Bargaining Agreement Audit (two)
- Fleet Management Audit
- Implementation of Audit Recommendation Reports
  - Quarterly Report Summary (four)
- Independent Fairness Commissioner Compliance Audits (13)
- Intersection Signal Infrastructure Investigation
- Stores Audit
- Urban Forestry Investigation
- Water and Waste Department Investigation – Brady Road Resource Management Facility

Closed Investigations = 40



In Progress Projects

- Investigation into the City's Use of Required Car Allowance
- Cybersecurity Audit
- Workforce Management Audit

Reports and additional highlights can be viewed at: winnipeg.ca/audit

[1] Based on a review of local professional services firms in 2022, a fully blended (senior manager to auditor) equivalent rate is calculated to be $232 per hour.

Projects Completed in 2022

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 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 two collective bargaining agreement reviews in 2022.

Fleet Management Audit

This audit examined management of the City's municipal light and medium fleet. In 2021, the municipal light and medium fleet consisted of approximately 782 units with a value of approximately $12 million.

A summary of the key observations includes:

- The vehicle inventory and performance data maintained by Winnipeg Fleet Management Agency (WFMA) contained errors and anomalies, and therefore the data was not sufficiently reliable, limiting the depth of analysis conducted.
- The City's decentralized approach to fleet management has contributed to autonomous Department fleets, limiting opportunity for potential efficiencies associated with a whole-of-government approach.
- The City does not have documented standards or guidance to set acceptable minimums for vehicle use in support of service delivery or to set parameters on the acceptable types and sizes of municipal light and medium vehicles required to support achievement of service delivery objectives.
- We identified 67 percent of the municipal light and medium fleet met the WFMA's definition of light utilization in 2021, accumulating under 12,000 km annually with 29% percent accumulating less than 5,000 km. We also found limited examples of sufficiently documented rationale outlining the need of a specific size, type, or feature of vehicle.
- We were informed that between 2017 and 2021, approximately 85% of municipal light and medium vehicles had been extended beyond their originally planned replacement date. Budgetary limitations, supply chain limitations, and departmental authority over individual vehicle decisions has affected WFMA's ability to adhere to the life cycle costing model, and as a result this increases the risk of higher fleet costs, and lower resale values moving forward.
- Measurable progress made towards the emission reduction goal of the Green Fleet Plan is inconclusive; fuel and emissions have not been sufficiently tracked or reported as required by the Council-approved Plan.

We made ten recommendations which are being implemented by the Public Service.

The Audit report was tabled at Audit Committee on September 14, 2022. The report is available at: Fleet Management Audit - June 2022

Implementation of Audit Recommendations Reports

Once an Audit is complete, the Audit Department provides a list of the audit recommendations to the Public Service Director of the department that was audited/investigated. The Public Service prepares an action plan and target completion date, which is included in the final audit/investigation report. The implementation of the recommendations is the responsibility of the Public Service.

The Audit department monitors and reports to Audit Committee on the status of the implementation of audit recommendations on a quarterly basis. After presentation to the Audit Committee these reports are posted at: Implementation of Audit Recommendation Reports

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.

Implementation of Audit Recommendations
Summary as at December 31, 2022

	Number of Recommendations			
Audit report (open)	**Total**	**Implemented**	**In Progress**	**Not to be Implemented**
Automatic Vehicle Locator Investigation - June 2021	6	3	3	
Board of Revision Audit - June 2021	18	16	2	
By-Law Amalgamation Audit - June 2018	11	-	11	
Contract Vendor Management Audit – December 2020	9	6	3	
New report 2022 Qtr 4 Fleet Management Audit - June 2022	10		10	
New report 2022 Qtr 4 Intersection Signal Infrastructure Investigation - September 2022	3	0	3	
New report 2022 Qtr 4 Urban Forestry Branch Investigation – September 2022	8	2	6	
New report 2022 Qtr 4 Water and Waste Dept Investigation - Brady Road Resource Management Facility - August 2022	4	1	3	
Total recommendations (open reports)	**69**	**28**	**41**	

Audit report (closed in 2022)				
Business Improvement Zone Governance Review - March 2021 completed 2022 Qtr 1	1	1		
Municipal Cemeteries Investigation - June 2021 completed 2022 Qtr 2	7	7		
William R. Clement Parkway/Sterling Lyon Parkway Extension Project Audit – May 2018 completed 2022 Qtr 3	15	15		
Total recommendations (closed reports in 2022)	**23**	**23**		

Independent Fairness Commissioner (IFC) Compliance Audits

On July 9, 2014 a Council motion created the Independent Fairness Commissioner (IFC) role, the mandate was to review and provide assurance on real estate transactions before they are presented to Standing Policy Committee/Council. In May 2020 Council adopted an updated mandate which limited the review to sales, acquisition, land exchanges and leases.

The IFC audits real estate transactions for compliance to applicable policies and procedures. 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. The IFC completed 13 real estate transaction audits in 2022.

Intersection Signal Infrastructure Investigation

Council directed the City Auditor to initiate an investigation into allegations of potential waste and mismanagement surrounding intersection signal infrastructure. Our investigation focused on developing an understanding of the applicable governing laws, the Traffic Signals Branch's information systems, policies, procedures and practice and industry and technological factors that influence the design and construction of intersection signal infrastructure. This background information was used to assess a sample of work performed at selected intersections, which were among those evaluated with the highest risk while ensuring a wide coverage of potential issue types and applicable signal components.

A summary of the key observations includes:

- The Traffic Signals Branch has not developed asset management plans for the intersection signal intersection infrastructure. The intent of an asset management plan is to outline how infrastructure investment can be directed to minimize lifecycle costs, at an acceptable level of risk, while delivering an expected level of service.
- The Traffic Signals Branch lacks full documentation to support decisions on changes to the existing intersection signal infrastructure.

We made three recommendations which are being implemented by the Public Service.

The Audit report was tabled at Audit Committee on September 14, 2022. The report is available at: Intersection Signal Infrastructure Investigation - September 2022

Stores Operations Audit

This audit consisted of a high-level review and assessment of five in-scope department stores operations with the focus on inventory management and purchasing policies, processes, and controls. The assessment of the sufficiency of the current state operations considered procurement, inventory management, warehouse management and operations compared to leading practices.

A summary of the key observations includes:

- Stores operations of the five departments are consistent with leading practices in a number of key areas: purchase approval, purchase guidelines, and inventory adjustments.
- However, there do exist gaps in some key areas (e.g. manual requisitions, lack of performance targets for reviewing and monitoring inventory management, lack of documented standardized procedures) which should be addressed to ensure stores operations are operated effectively and efficiently with sufficient controls in place to manage the risks, including but not limited to obsolescence and loss.

We made three recommendations which are being implemented by the Public Service.

The Audit report was tabled at Audit Committee on December 7, 2022. The report is available at: Stores Audit - October 2022

Urban Forestry Branch Investigation

The Audit Department received several Fraud and Waste Hotline reports for the Urban Forestry Branch. The reports included allegations regarding existing procurement and inventory processes, workplace relationships, and the workplace environment. The review of all contracts related to tree pruning service providers has also been included in this investigation as required by the April 29, 2021 Council motion.

Our investigation focused on assessing contracts against existing City policies and/or procedures and leading industry practices, examining internal procurement and inventory processes, administering a workplace culture survey to provide insight, and reviewing internal and external guidance related to workplace relationships.

A summary of the key observations includes:

- No evidence of favoritism was found regarding a specific vendor, however, processes related to purchase orders and over-expenditures should be enhanced.
- City's policies and/or processes were followed for internal procurement transactions, but communication between the Branch and the Winnipeg Fleet Management Agency could be improved.
- Inventory controls need to be enhanced.
- A workplace culture survey was administered for the Branch and it identified very diverse opinions among personnel. It included areas such as courage, commitment, risk and governance, and workplace violence and harassment.
- Annual performance reviews are not consistently being completed throughout the Branch.
- There is a lack of guidance within City policies related to workplace relationships.

- The tree pruning service contracts were awarded in compliance with existing City policies and procedures based on the information obtained and explanations received from the Public Service.
- An employee was not adhering to their Conflict of Interest plan, by operating a personal business during work hours, an appropriate level of discipline was provided, the employee was required to complete a new conflict of interest declaration.
- Current City of Winnipeg procurement guidance does not allow departments to effectively and efficiently respond in an emergency.

We made eight recommendations which are being implemented by the Public Service.

The Investigation report was tabled at Audit Committee on September 14, 2022. The report is available at: Urban Forestry Branch Investigation – September 2022

Water and Waste Department Investigation – Brady Road Resource Management Facility

In 2020, the Chief Administrative Office received and forwarded nine allegations to the Audit Department related to the Brady Road Resource Management Facility (BRRMF). The BRRMF is managed by the Solid Waste Division within the Water and Waste Department. During the investigation, the Audit Department received an additional allegation, for a total of ten individual allegations. The allegations related to BRRMF contracts and existing processes.

Our project focused on investigating the allegations by obtaining information and evidence to evaluate the merits of each allegation. There were ten allegations in total; five were substantiated and two of those involved other City Departments, in which the Water and Waste Department had limited control or influence over the subject matter area. The remaining five allegations were determined to be unsubstantiated based on the work performed.

A summary of the key observations includes:

- The BRRMF does not accept enough waste and other landfill materials to justify the current capacity of the dozer inventory. BRRMF management was unable to provide an analysis to support the decision to procure the current dozer capacity/inventory.
- We were unable to obtain information to support the approach for bird control implemented by previous management, however, BRRMF's current management is exploring other methods for bird control.
- The allegation suggesting that the Solid Waste Division's plans to build a roadway for an employee to avoid parking fees was unsubstantiated. The roadway is being built to provide an internal all-weather access route between the administration building and a refurbished storage building where operational equipment is stored.
- BRRMF's composting toilets installed in 2019 were removed and replaced in 2020 with conventional ones due to health and safety concerns.
- The majority of the transactions tested for the heavy equipment contractors had proper supporting documentation during the periods reviewed.
- The estimated volume usage was overestimated in the 2019 potable water contract (Bid Opportunity #105-2019).
- There is limited industry guidance to identify optimal specifications for litter control fences.

- The Solid Waste Division rehired retired employees in compliance with City protocols, however, the current Human Resource Service templates were not aligned with Collective Agreements.
- BRRMF has processes to accept clean fill, but the screening processes are not documented.

We made four recommendations which are being implemented by the Public Service.

The Investigation report was tabled at Audit Committee on September 14, 2022. The report is available at:
Water and Waste Department Investigation-Brady Road Resource Management Facility – August 2022

Engagements in Progress

Cybersecurity Audit

Cyberattacks are widely considered to be one of the most critical operational risks facing organizations. Cybersecurity threats are constantly evolving and becoming more sophisticated. With increasing numbers of cyberattacks, in particular ransomware, all types of private and public organizations must ensure they are prepared to ensure critical systems and services are restored. This audit will assess the state of the City's cybersecurity program and its ability to respond and recover from a Cyber attack. This project is in progress and expected to be presented to Audit Committee in 2023.

Investigation into the City's Use of Required Car Allowance

Our investigation focused on the employees' eligibility to be in the required user category of car allowance as defined by the Administrative Standard No. FM-008, as well as the Winnipeg Association of Public Service Officers (WAPSO) and Canadian Union of Public Employees (CUPE), Local 500 collective agreements with the City of Winnipeg. This project is in progress and expected to be presented to Audit Committee in 2023.

Workforce Management Audit

Evaluation of how well the City of Winnipeg is positioned to support the management of its workforce. Areas that will be included in this audit are the levels of supervision and oversight, span of control, training opportunities and performance management. The project is in progress and is expected to be presented to Audit Committee in 2023.

Investigation Services

The Audit Department provides investigation services based on information identified in reports submitted through the Fraud and Waste Hotline, audit projects, Council, the 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. We gather and review evidence to substantiate or dispel all reported allegations.

While maintaining an independent and objective perspective, we conduct our services using a cooperative approach. The work performed for investigations conforms to Audit Department standards for independence, objectivity and quality. We consult with and work closely with the Public Service who are responsible for taking appropriate action to resolve concerns identified during an investigation.

Through the investigation process, opportunities to enhance internal processes and controls may be identified and result in recommendations to the Public Service.

Through the Fraud and Waste Hotline investigations conducted in 2022, the following actions were taken:

- Abuse of leave entitlements resulted in an employee's termination.
- An employee was required to pay for City services that were provided.
- An employee was not adhering to their Conflict of Interest plan by operating a personal business during work hours, an appropriate level of discipline was provided, the employee was required to complete a new conflict of interest declaration.
- An employee resigned during the investigation
- Two employees were reminded of workplace standards and expectations.
- An employee removed themselves from a perceived conflict of interest situation.
- An unsafe workplace was identified and immediate remediation was undertaken.
- The employee's actions were not in accordance with established procedures, the employee was terminated.
- An employee was required to complete a Conflict of Interest form, Management and the employee are working on a plan to address the conflict.
- A Department reviewed contractual obligations with a contractor.
- A Department is reviewing the employee check-in system to ensure its accuracy.
- The Division has sent out communication to all staff reinforcing the expectations surrounding parking in the visitor area.

- The weekly street cleaning schedule of P2 and P3 Active Transportation routes will be reviewed for the 2023 season.

- Two investigations (Urban Forestry Investigation; Water and Waste Department -Brady Road Resource Management Facility Investigation and one audit (Stores Audit) completed in 2022 were based on Fraud and Waste Hotline reports received in prior years.
    - Fifteen recommendations were made to address the findings in the reports.

- For nineteen allegations there was no action/insufficient evidence to proceed with investigating the allegations. This is for a variety of reasons including general reports in which employees or departments were not identified. Additionally, in instances where the Hotline reporter did not respond to request for additional information.

Fraud and Waste Hotline Report Category	2020	2021	2022
Compensation, Pension and Benefits	1	1	1
Financial Reporting and Accounting	5	-	4
Harm to People or Property	1	2	1
Health and Safety, Environment	7	9	4
Manipulation or Falsification of Data	2	5	3
Miscellaneous	14	3	5
Office and Equipment Requirements	-	1	1
Organization	1	-	1
Product/Customer Service	1	-	-
Safety and Security Issues	5	2	-
Suggestions for Improvement	1	1	2
Theft, Embezzlement, Fraud	66	39	25[2]
Training and Development	-	1	-
Undefined	3	1	2[2]
Unethical Conduct and Conflict of Interest	16	13	15
Violation of Laws, Regulations, Policies, Procedures	16	13	15[2]
Total Reports	139	91	79
Total Allegations	182	122	110

Disposition of Allegations	Prior Years Carried over	2022	Carried over to 2023
Investigated - Substantiated	15	16	
Investigated - Unsubstantiated	13	24	
Ongoing investigation (Carried over from previous years)	12	19	27
Outside Hotline Mandate - Referral to City Department		7	
No Action / Insufficient Information to Proceed		19	
Outside Hotline Mandate - Non-City Business		25	
Total	40[3]	110	27

[2] Includes duplicate reports which required only one investigation (Six duplicate reports in total)
[3] Correction to previous year's data

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 2045 Direction Strategy), which requires the city to demonstrate its commitment to improving sustainability of its operations through the products and services it purchases.

Records Committee

The records committee is a committee appointed under subsection 110(2) of the City of Winnipeg Charter. This is required by the City of Winnipeg Charter to have a by-law for the management, retention, safekeeping, disposition and destruction of records.

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 deduction.

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

Fraud and Waste Hotline or call 1.866.840.5837