Winnipeg | Audit

2023 Annual Report

May 2024

Leaders in building public trust in civic government.

2023 Highlights

Key Performance Indicators

	Target	Actual
Direct hours dedicated to: Assurance Services Advisory Services Investigation Services	 ≥75% ≤10% ≤15%	 78% 10 % 12%
Audit recommendations accepted	92%	100 %
Audit recommendations implemented	70%	51%
Completion of audit plan	100%	70%
Client satisfaction	4/5	4/5
Cost per billable hour	$232[1]	$180

Completed Projects

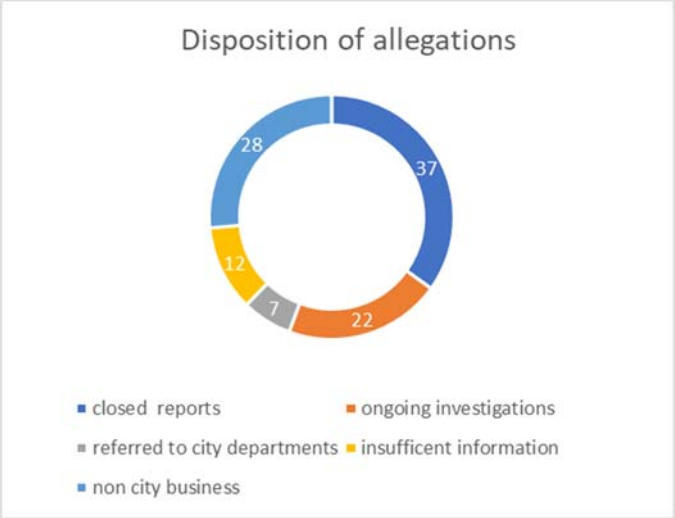
- Cybersecurity Audit
- Collective Agreement Due Diligence Reviews (three)
- Implementation of Audit Recommendation Reports
    - Quarterly Report Summary (four)
- Independent Fairness Commissioner Compliance Audits (seven)
- Implementation of Audit Recommendations Report for the Traffic Signals Branch Performance Audit, November 2010
- Investigation into the City's Use of Required Car Allowance
- ALGA Peer Review

In Progress Projects

- Traffic Signals Branch - Procurement and Contracting Audit
- Workforce Management Audit

Fraud & Waste Hotline Activity

62 New Reports = 106 Total New Allegations





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 2023

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 that they are prepared to ensure critical systems and services are restored.

The Cybersecurity Audit was included in the Council approved 2022-2023 Audit Plan to evaluate the City's ability to minimize the impact and restore its services in the event of a cyberattack.

The audit was performed by an external contractor who provided a confidential internal audit report to the City's Audit Department and the Innovation and Technology Department (IT). The report contains sensitive information, which if disclosed, could reasonably be expected to impact the safety and security of the City and its services.

The audit found that in several areas IT management is improving the City's overarching cybersecurity and cyber resiliency posture. These areas include:

- Key cybersecurity governance structures that will align security requirements, standards, and processes across all City Departments;
- New cyber incident response plan designed to provide repeatable processes for responding to cybersecurity incidents; and
- Key requirements and processes to standardize/align business continuity planning and recovery activities across City departments.

Recommendations spanned across the following four cybersecurity domains:

- Governance - Five recommendations;
- Detect - Eight recommendations;
- Respond - Seven recommendations; and
- Recover - Five recommendations.

The recommendations are being implemented by the Public Service.

The Audit report was tabled at Audit Committee on June 12, 2023. The report is available at: https://legacy.winnipeg.ca/audit/pdfs/reports/2023/Cybersecurity-Audit.pdf

Collective Agreement Due Diligence Reviews

A Council directive requires that prior to ratification of an agreement, the City Auditor and the external auditor review the costs of collective 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 three Collective Agreement Due Diligence Reviews in 2023.

Implementation of Audit Recommendations Reports

Once an Audit/Investigation is complete, the Audit Department provides a list of the project 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, the residual risk is identified and discussed with the Department and reported to Audit Committee.

We completed four quarterly reports in 2023 which were tabled at Audit Committee.

Implementation of Audit Recommendations
Summary as at December 31, 2023

	Number of Recommendations			
Audit report	**Total**	**Implemented**	**In Progress**	**Not to be Implemented**
Automatic Vehicle Locator Investigation - June 2021	6	3	3	
By-Law Amalgamation Audit - June 2018	11	0	11	
Fleet Management Audit - June 2022	10	1	9	
Intersection Signal Infrastructure Investigation - September 2022	3	1	2	
Investigation into The City's Use of Required User Car Allowance - December 2022	4	0	4	
Stores Audit - October 2022	3	0	3	
Urban Forestry Branch Investigation – September 2022	8	5	3	
Water and Waste Dept Investigation - Brady Road Resource Management Facility - August 2022	4	2	2	
Total recommendations (open reports)	49	12	37	

Audit report (closed in 2023)				
Board of Revision Audit - June 2021	18	18		
Contract Vendor Management Audit – December 2020	9	9		
Total recommendations (reports closed in 2023)	27	27		

Implementation of Audit Recommendations Report for the Traffic Signals Branch Performance Audit, November 2010

On September 22, 2022, Council adopted the Executive Policy Committee recommendation to receive the Intersection Signal Infrastructure Investigation Report as information. Additionally, the City Auditor was directed to report back on the implementation status of the 19 recommendations contained in the Traffic Signals Branch Performance Audit, November 2010.

The key observations include:
Of the 19 recommendations 11 were fully implemented, two partially implemented, one was not implemented, and two were not to be implemented. We were unable to conclude whether three recommendations were implemented. (Unable to conclude is defined as insufficient information in order to determine whether the recommendation was implemented. Certain outcomes were present which indicated that the recommendation may have been implemented, but the findings were inconclusive.)

The Audit report was tabled at Audit Committee on June 12, 2023. The report is available at: Implementation of Audit Recommendations Report for the Traffic Signals Branch Performance Audit.pdf

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. The IFC completed seven real estate transaction audits in 2023.

Investigation into the City's Use of Required User Car Allowance

This investigation was included in the Council approved Audit Plan - 2022-2023, 2023 Update (Amended). 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.

The key observations include:

- The Public Service was not able to provide proper documentation needed to demonstrate the fulfillment of the required user criteria for 23 out of 40 employees.
- The departmental reviews of employees' car allowance user category eligibility were inconsistent across all departments.

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

The Investigation report was tabled at Audit Committee on March 13, 2023. The report is available at: Investigation Into The City's Use Of Required User CarAllowance.pdf

Peer Review

The Audit Department performs its work in accordance with *Government Auditing Standards*. These standards provide professional guidance for government-related audits and 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.

A peer review of the Audit Department was completed for the period of October 1, 2019 to September 30, 2022. We have received a rating of pass from the peer review team. It is the opinion of the Association of Local Government Auditors (ALGA) that the Audit Department's internal quality control system was adequately designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* and applicable legal and regulatory requirements for audit engagements for the period reviewed.

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

The Peer Review report was tabled at Audit Committee on July 5, 2023. The report is available at: https://legacy.winnipeg.ca/audit/reports.stm#tab-PeerReview

Engagements in Progress

Traffic Signals Branch – Procurement and Contracting Audit

On December 15, 2022 a Council motion directed the City Auditor to conduct a performance audit on the last five years of contracting and procurement activities related to the Traffic Signals Branch.

Workforce Management Audit

The Workforce Management Audit was included in the Council approved 2022-2023 Audit Plan. This audit examines the tools and processes the City has in place to support leaders manage their employees and optimize performance, build competency across the organization and ensure the organization meets its goals in providing service to the residents of Winnipeg. The areas included in this audit are governance and oversight, communication, performance management, span of control and training opportunities for leaders.

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 anyone 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 2023, the following actions were taken:

- an employee retired during the investigation
- an employee was terminated
- a review of the related Administrative Standard was completed with an employee
- process improvements were implemented by three departments
- three employees were required to reimburse the City for overpayment
- suggestions for improvement during the collective bargaining process were considered for contract negotiations

For 12 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, and where the Hotline reporter did not respond to requests for additional information.

Fraud and Waste Hotline Report Category[2]	2021	2022	2023
Compensation, Pension and Benefits	1	1	3
Financial Reporting and Accounting	0	4	1
Harm to People or Property	2	1	2
Health and Safety, Environment	9	4	4
Manipulation or Falsification of Data	5	3	4
Miscellaneous	3	5	8
Office and Equipment Requirements	1	1	1
Organization	0	1	0
Product/Customer Service	0	0	1
Safety and Security Issues	2	0	1
Suggestions for Improvement	1	2	1
Theft, Embezzlement, Fraud	39	25[3]	16
Training and Development	1	0	1
Undefined	1	2[3]	4
Unethical Conduct and Conflict of Interest	13	15	10
Violation of Laws, Regulations, Policies, Procedures	13	15[3]	5
Total Reports	91	79	62
Total Allegations	122	110	106

Disposition of Allegations	Carried over from Prior Years	2023	Carried over to 2024
Investigated – Substantiated	1	9	
Investigated – Unsubstantiated	22	28	
Ongoing investigation (Carried over from previous years)	9	22	31
Outside Hotline Mandate - Referral to City Department		7	
No Action / Insufficient Information to Proceed		12	
Outside Hotline Mandate - Non-City Business		28	
Total	32[4]	106	31

[2] Category is selected by the Hotline reporter
[3] Includes duplicate reports which required only one investigation (six duplicate reports in total)
[4] Difference from previous year due to additional allegation(s) received during investigation

Whistleblower and Public Interest Disclosure

The City Auditor received a complaint from a whistleblower under the Administrative Standard HR-017 – Whistleblower & Public Interest Disclosure on November 30, 2022 alleging three instances of wrongdoing. All three allegations of wrongdoing were investigated by the Audit Department and were found to be unsubstantiated. However, during our investigation we did find opportunities for improvement to processes in the related departments.
We made five recommendations which are being implemented by the Public Service.

Advisory Services

The Audit Department has representatives 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.

Business Continuity Planning Committee

The City of Winnipeg's Business Continuity Management Program consists of the plans, procedures, tools, processes, and people that form the management system used by the City to prepare for, respond to, and recover from threats that may disrupt the City's operations and the delivery of critical services. To coordinate planning efforts the City has formed a group of Business Continuity Planning (BCP) Leads from City departments who lead departmental BCP work including risk assessment and impact analysis, plan development, and continuous improvement. These Leads meet with staff from the Office of Emergency Management to participate in training and coordinate planning efforts across the City.

Sustainable Procurement Committee

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, economic, and cultural 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
To report Fraud and Waste Hotline or call 1.866.840.5837