Winnipeg

Audit Plan

October 2004 to October 2006

Audit Department

Leaders in building public trust in civic government

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City Environment in October 2004

In October 2004, the citizens of Winnipeg are enjoying a renewed optimism about the future of their City. Over the past several years, they have witnessed a revitalization of their downtown and have watched some exciting new capital projects take form. While contributions have been made by all levels of government and private sector partners, there is no doubt that City Council and its Administration have played a strong leadership role in making things happen. City Council approved bold initiatives intended to create a better quality of life for our citizens, and the Administration responded by launching projects that would help to build the models and processes that would enable Council's vision to be realized. In recent months, citizens have also been encouraged to become more involved in understanding the financial challenges facing the City and have come to better appreciate the dynamics of public sector funding and its impact.

In recognition of its maturity as a government body, in 2002, the Province of Manitoba passed the City *of Winnipeg Charter Act* to replace the former enabling legislation. The Charter expands the powers of the City government while reducing the oversight requirements of the Province. In 2003, the City appointed its second Chief Administrative Officer who has an impressive track record in facilitating downtown initiatives. Then, in June 2004, the citizens of Winnipeg elected a new Mayor and two Councillors providing the opportunity to refresh City Council with their new ideas.

State of Risk and Control

An overall opinion on an organization's state of risk and control requires a mature risk management environment that produces reliable information on the following:

- Business Objectives
- Risk Identification
- Risk Management Strategies
- Control Framework
- Performance

Over the past several years, the Audit Department has been involved in several initiatives to improve risk management and controllership in the City. The department provided reports that launched business planning in the City,

provided an analysis of City services through the *Management Reference Model*, and provided research on service based budgeting. We worked with the Corporate Controller to implement control self-assessment and to develop a draft corporate risk framework for the City. In addition, our reports have frequently made recommendations to improve the quality of information available to Council on the Administration's ability to identify and manage its business risks. We have also provided models and frameworks that can be used both to establish effective risk management regimes and to measure the effectiveness of controls implemented. While we are pleased to report progress, at the present time there is not sufficient information available to provide an overall opinion on the state of risk and control in the organization.

This year, however, significant progress was made in moving towards a regime that would allow the City Auditor to express such an opinion. The Administration, working with the Audit Department, launched an *Integrated Risk Management* framework and process that produced risk profiles of all key city services using standard evaluation criteria. An important by-product of the process was the clarification of business objectives associated with the services. The risk profiles, along with risk management plans, were incorporated into departmental business plans. In addition, the senior management team developed a corporate risk profile for consideration in developing the *Corporate Plan and Budget* and establishing relative funding priorities.

The *Integrated Risk Management* initiative has provided a basis for the City Auditor to advise Audit Committee that a comprehensive risk management framework is in place, that significant threats and opportunities that may impact business objectives have been identified, and that plans have been produced to manage these risks. As the Audit Plan is implemented, the City Auditor will be in a position to provide independent assurance, on a project-by-project basis, on the extent to which effective risk management strategies have been implemented and controls are operating as intended. And, as performance information is improved, similar assurance can be provided on performance reports on the services reviewed.

Audit Planning Process

The Audit Planning process was updated in July 2004 and presented to Audit Committee in September 2004 for communication to Council. The process is comprehensive and comprises several activities:

- Identification and classification of auditable entities
- Evaluation of potential audit projects against standard criteria and risk factors
- Review of risk profiles contained in departmental business plans
- Consultation with Councillors, the Chief Administrative Officer, Department Heads and other senior managers such as the Corporate Controller

- Development of a *City Risk Profile* from the Audit Department's perspective
- Consideration of resources available and required by project type
- Selection of Audit Projects

Complete information on these activities can be found in the *Audit Planning Process 2004* document. The *City Risk Profile* developed by the Audit Department is attached as Appendix 1.

Audit Resources

The Audit Plan presented represents the period October 2004 to October 2006. This time period was chosen because it represents the time remaining in the current Council mandate. It must also be recognized that audit planning is a dynamic process and that risk profiles and priorities can change over a two-year period. In addition, only minimal time has been reserved for investigations that might arise during the period. The amount of time allocated to each project is an estimate and can vary depending upon the project level risk assessment carried out when a project is initiated. Significant additions to the plan would require either additional resources or a substitution of a planned audit project with a new project.

Proposed Audit Projects

As explained in the Audit Planning Process update, the Department has shifted more of its resources to providing independent assurance on Administrative processes and services. In the past few years, we dedicated significant resources to assisting the Administration make the transition to the new CAO governance model and develop supporting accountability frameworks, policies and business processes. We believe that the model has matured and it is time for us to shift our focus to providing independent assurance on new structures and processes. We are also cognizant of the increasing pressure to deliver City services in the most cost-effective manner. The pressure on our own budget requires us to ensure that our primary role as legislative auditors is not compromised by a diversion of resources to our discretionary role as internal auditors. While we will continue to respond to Administrative requests for service, we intend to dedicate the majority of our resources (up to 80%) to our assurance business line.

For the next couple of years, we have a particular interest in assessing how well the City has made the shift to a business-oriented culture. We want to focus on results – the extent to which services have achieved their business objectives and delivered value for money; the reliability, relevance and transparency of information; and the effectiveness of processes used to determine resource allocation, manage risks, and measure and report on results. We also want to

evaluate how well our investment in alternative service delivery models has paid off and what lessons were learned that could be applied to tax-supported City services.

Projects selected for the 2004-2006 Audit Plan are attached as Appendices 2 and 3.

Appendix 1

City of Winnipeg Audit Department - City Risk Profile

Context Risks

Context risks relate to internal and external factors that impact the environment in which the City operates or business processes are conducted.

External Environment	Compliance	Organizational Culture	Business Process
Strategic alliances and partnerships	Capacity to deal with changing legislation and regulations	Clarity of objectives	Integrated business planning, budgeting, & reporting
New funding arrangements for cities		Balancing competing objectives/addressing change fatigue	Mature risk management framework
Downtown revitalization/safe neighourhoods		Employee conduct and an ethical environment	Alternative service delivery models
Needs of the Aboriginal Community		Results management focus	Business resumption planning and disaster management

Resource Risks

Resource risks relate to the resources used by the City to accomplish its goals.

Human Resources	Financial Resources	Information Resources	Physical Assets
People management strategies	Financial resource constraints	Strategic integration of information	Infrastructure Management
Labour relations	Reliance on property taxes	Performance information to drive business decisions	New capital projects
Workplace health and safety		Access to information	

Risk is defined as a future event that may impact the achievement of an organization's business objectives. Risks can take the form of either threats that would prevent the City from achieving its objectives or opportunities that would enhance the ability to achieve organizational objectives.

Appendix 2

Audit Plan 2004 to 2006

Corporate Business Processes Audit Unit

Resources Available

- Audit Manager
- Senior Auditor
- Auditor (part-time)
- Administrative Coordinator (part-time)
- Consulting budget of $25,000

Advisory Services Projects

- Control Reviews of Documented Systems (with the Corporate Controller)
- Professional Commitments

Assurance Projects

General Audit Scope

- Accountability Framework
- Risk Management Practices
- Effectiveness of Key Controls
- Compliance with Authorities
- Performance Monitoring

Estimated Project Budget

- 500 to 1200 hours (varies by project)
- $46,500 to $112,000 (using internal resources @ $93 per hour)

Administrative partners or external consultants may supplement resources. The blended 2002 average rate for the major audit firms is $177 per hour.

Selected Audit Projects

The following table includes the projects selected for audit during the period of the plan:

October 2004 to October 2005	October 2005 to October 2006
Corporate Credit Card (in progress)	Councillors' Allowance (mandatory)
WFPS Mechanical Services (in progress)	Grants Administration
Councillors' Representation Allowance (mandatory)	Human Resources Classification & Compensation
Car Allowances	Travel Expenses
Procurement & Contract Administration	Connexus – Post implementation review
Human Resources Governance	

Appendix 3

Audit Plan 2004 to 2006

Performance Audit Unit

Resources Available

- Deputy City Auditor
- 4 Senior Auditors (one position currently vacant)
- Consulting budget of $25,000

Advisory Services Projects

- Risk Management Training
- Leadership Training
- Assessment Tax Communications Task Force
- ISMAT Committee
- Professional Commitments

Investigation Services Projects

- Fraud Directive (with Corporate Controller)
- Fraud Prevention and Detection Strategy (with Corporate Controller)
- Investigations (upon request where resources permit)

Assurance Projects

General Audit Scope

- Business Objectives
- Accountability Relationships
- Risk Management and Controls
- Performance Results and Information
- Value for Money
- Protection of Public Assets
- Compliance with Authorities

Estimated Project Budget

- 1000 to 1500 hours (varies by project)
- $93,000 to $139,500 (using internal resources @ $93 per hour)

Administrative partners or external consultants may provide additional resources. The blended 2002 average rate for the major audit firms is $177 per hour.

Selected Audit Projects

Performance audits proposed for the period of the plan are captured in the table below:

October 2004 to October 2005	October 2005 to October 2006
Due Diligence Review (Mandatory)	Due Diligence Reviews (Mandatory)
Asset Management: Roads (in progress)	Fleet Management Agency
Asset Management: Facilities	Medical Response
Performance of Special Operating Agencies	Winnipeg Housing & Homeless Initiative
CentreVenture	Wastewater Treatment Plan
Planning, Budgeting & Reporting for Results	Reserves Administration
Photo Safety Technology	