



Winnipeg

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Report on
Performance

Audit Department

Leaders in building public trust in civic government

Reflections of the City Auditor

Ghandi said, “We must *be* the changes we wish to see in the world.” For us in the Audit Department, these are words to live by. You will see this reflected in our vision: *to be leaders in building public trust in civic government*. You will see this reflected in our values and the way we conduct our business. And you will see this in the projects that we have completed on behalf of our clients, the Councillors and Administrators of the City, and our beneficiaries, the citizens of Winnipeg.

Our focus this year has been on accountability. We have looked at various programs and asked the question, “What are you trying to achieve and how do you demonstrate that you have achieved it?” While we recognize the strides that the City has made in many areas, the organization still faces many challenges. We have focused attention on these critical areas and are seeing positive change as a result.

For instance, in the *Real Estate Management Audit*, we stressed the need for Councillors and Administrators to commit to their respective governance and management roles and provided examples of what can happen when the accountability structure breaks down. We suggested updated codes of conduct for Councillors and Administrators to reinforce this accountability. We identified the need to review the new CAO model and communicate to all staff how it is supposed to work. We talked about a strengthened financial

controllership function to ensure effective stewardship over major financial transactions. We also emphasized the importance of better and more transparent reporting on performance to Senior Management and Council.

The desire to demonstrate accountability prompted our project to revise the *Ward Communication Allowance Policy* that guides spending by Councillors. We also examined how well Community Centres were complying with financial management guidelines established to ensure that our money is being spent appropriately. Since accountability also involves managing risk effectively, we are working with the Corporate Controller and Corporate Risk Manager to develop a *Corporate Risk Framework* and *Fraud Policy* for the City.

But how do we demonstrate accountability? This year, we completed our *Integrated Performance Management Model* that provides a framework for communicating our business objectives through our *Business Plan* and annual *Audit Plan* and allocates responsibility to each individual in the Department through a performance contract. We measure our performance against established targets and benchmark ourselves against peers in our profession. Finally, we share our results with City Council and the public in this, our *2000 Report on Performance*.

We are proud of what we have accomplished this year. Our work on the *Real Estate Management Audit* was

recognized by our peers through the awarding of the international *Knighon Award* for the best performance audit in its class. Our client surveys indicated that our recommendations were valued. We believe that we have made a difference to our organization. But the last word is yours. I would ask you to read our report and judge for yourself. It has been a privilege to serve you.

Respectfully,

Shannon Hunt CGA, CFE
City Auditor

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Our mission and vision



Our mission

To support City Council's governance and oversight responsibilities by providing objective information, advice and assurance with respect to civic administration accountability and performance




Our vision

To be leaders in building public trust in civic government



Supporting our profession

The Audit Department occupies a unique role in the City of Winnipeg. As legislative auditors, we report to City Council on the performance of the Administration. At the same time, to lever positive change, we provide internal audit and consulting services to senior managers across the organization. We recognize that we have limited resources to carry out these tasks. To build and sustain our capability, we encourage our staff to seek certification with, and membership in, a diverse group of professional associations. Through these relationships, we are able to benchmark our performance, share best practices and foster our reputation as innovators.

Our associations include membership in key organizations that set the standards for our profession: the National Association of Local Government Auditors (NALGA) based in the United States and CALGA, the Canadian affiliate, as well as the Institute of Internal Auditors (IIA).

In addition, we support various professional organizations that promote effective public sector management such as the Canadian Comprehensive Auditing Foundation (CCAF), the Institute of Public Administration of Canada (IPAC) and the Financial Management Institute (FMI). Various staff members are required to maintain their accreditation through their professional associations such as the Canadian Institute of Chartered Accountants (CICA), the Certified General Accountants (CGA), the Certified Management Accountants (CMA), the Certified Fraud Examiners (CFE), the Information Systems Audit & Control Association (ISACA), the Data Administration Management Association (DAMA) and the Society for Technical Communication (STC).

Institute of Internal Auditors

This year we actively participated in several programs offered by the Institute of Internal Auditors (IIA). This organization represents internal auditors across the globe and sets standards for the profession.

Certified Internal Auditors

Recently, our Audit Manager, Brian Whiteside, and two of our Senior Auditors, Bryan Mansky and Lloyd Baker, acquired the designation of Certified Internal Auditor (CIA). They join Kevin Milne, Senior Auditor, who received his designation in 1998.

The CIA designation is the Institute of Internal Auditors' premier certification. It reflects competency in the principles and practices of internal auditing and serves as the only internationally accepted designation for internal auditors.

IIA Winnipeg Chapter Activities

In 2000, Brian Whiteside represented the Department on the Winnipeg Chapter's Board of Directors. He organized a very successful seminar on managing and promoting Internal Audit that included a thought-provoking panel discussion by audit experts including the City Auditor, Shannon Hunt.

Volunteer Instructor Program

In November, Shannon Hunt was invited to participate in the IIA Instructors Program. To be eligible, Shannon attended an Instructor's Development Course in Edmonton where her performance was evaluated against the following attributes: genuine desire to teach, enthusiasm for participants and the subject, ability to project a message and professional presence.

Based on their internal audit experience, instructors volunteer their time to deliver diverse courses on auditing, management and related disciplines to internal auditors across North America.

IIA Training Seminars

This year Audit staff attended several excellent IIA training sessions on topics such as privacy and security, use of audit software, and tools and techniques for new auditors.

The Knighton Award – a success story

The National Association of Local Government Auditors (NALGA) has awarded the City of Winnipeg Audit Department the 2000 Knighton Award for the Real Estate Management Audit.



The Knighton Award is the highest award presented by NALGA and represents the best 2000 audit report for performance auditing by a local government agency in the United States and Canada. On an annual basis, NALGA invites submissions from large, medium and small audit departments. The City of Winnipeg was selected as the winner of the Knighton Award in the medium size category. The judges unanimously agreed that the *Real Estate Management Audit* exemplified “remarkable creativeness and foresight” and that the report “delivered a clear and meaningful message to management and the public.”

The process for selection is conducted by independent audit experts from across North America who evaluate submissions on the basis of the scope and potential for significant impact, persuasiveness of conclusions, focus of the recommendations on efficient and effective government, communication style, and innovation. In addition, the report must adhere to strict standards for performance audits established for the profession.

NALGA, a professional association based in the United States, is the acknowledged leader in local government auditing with more than 425 agencies and 1200 members representing a wide diversity of audit organizations involved in the audits of cities, counties, school boards and transit systems. Audit departments from the major cities in Canada (including Calgary, Edmonton, Ottawa and Toronto) are represented in its membership. Along with these organizations, the City of Winnipeg uses standards of performance established by NALGA to benchmark its own performance.

This is the first time that this award has been granted to an audit department in Canada.

Real Estate Management Audit

The focus of the audit was on accountability and integrity in decision-making and the efficiency and effectiveness of key processes in real estate management. An important component of this focus was a review of the respective roles of Council, Standing Policy Committees and Senior Administration. In Phase I of the audit, we reviewed the leasing of property for city facilities through the analysis of two case studies and, in Phase II, we examined acquisition, sale and external leasing processes through a review of twenty transactions.

The results of our review indicated that the City did not always make sound financial decisions, and we were unable to provide assurance that, in all cases, the transactions reviewed represented value for money for the taxpayer. Our conclusions around the reasons for the issues identified were troubling. While we were struck by the dedication of professional staff involved in the transactions, checks and balances in the system did not always work as intended.

It was clear that members of the Standing Policy Committee on Property and Development stepped outside their role as policy makers and intervened in individual transactions. As well intentioned as these efforts were, we believe that this undermined the confidence and credibility of administrative staff and sent a message to the public that, in the City of Winnipeg, Councillors are the dealmakers. At the

same time, Administration did not always exercise due diligence in discharging its responsibilities and did not always provide the sound business advice Councillors need to make informed decisions.

In the report, we made 41 recommendations for improvement. We used a *control model* to assess business processes related to real estate management and made suggestions to strengthen the control portfolio. We discussed the need for Corporate Finance to play a stronger leadership and monitoring role to ensure effective controllership at both the corporate and departmental levels. We also made recommendations to strengthen the accountability framework associated with the new CAO model to ensure that roles and responsibilities are clearly understood and communicated to all staff.

At the end of the day, however, the most important recommendation was directed to our political and administrative leaders: Councillors should govern and Administrators should manage. Commitment to this basic principle is, in our view, at the heart of government accountability. We believe that this message was received by both levels. The Mayor indicated, in his comments, "*I think the auditor has hit the nail on the head about what the problem is. We are not property appraisers; we are not experts in things like net present value. No-one on Council has that expertise and, even if they did, it's not their job.*" The CAO, in her

response, stated, “*The most significant finding is the need to ensure that Council is always provided with a solid business case in support of proposed transactions. This is an*

obligation incumbent on all City employees at all levels.”

A complete copy of our award-winning report is available from the Department. Please see the back page for details.

Progress towards our strategic objectives

To realize our vision of being *leaders in building public trust in civic government*, we join Council and City Administration in placing an emphasis on good governance, accountability, risk management, controllership and effective financial management. We have established three strategic objectives to ensure that our resources are focused on these priority areas. Each year, we report on how we have progressed towards achieving our vision by linking the work performed with the objectives supported.

Strategic Objective 1 - To influence the quality of financial and operational management by providing assurance on the fairness and reliability of information reported to City Council

Our fundamental role is to provide assurance that the information presented to Council is fair and reliable. It is our belief that good information leads to better decisions which, in turn, leads to quality results. Several projects dealt with information needs.

- We provided assurance to Councillors that major collective agreements have been accurately costed and assumptions disclosed. We worked with the Corporate Controller and new External Auditor to make the assurance process more efficient and administrative reports understandable, consistent and reliable.
- We participated on a task force to revise the *Ward Communication Allowance Policy* governing Councillors’ expense accounts to design an audit process that would provide assurance on the annual report tabled at Council by the City Clerk.
- Our recommendations in the *Real Estate Management Audit* focused on the need for better accountability and integrity in decision-making. We believe that improvements to administrative reports will enhance the accountability of administrators and facilitate the decision-making role of the Standing Policy Committees and Council.
- In the *Community Centres Review*, we will provide assurance that selected centres comply with financial management policies and practices

with respect to providing meaningful information to those with oversight responsibilities.

- The new *CobiT* framework we have introduced will provide the City with a framework to better manage its investment in information systems and will provide a disciplined approach to providing assurance that significant risks associated with technology have been addressed.
- We committed key resources to the *Connexus* project that is a high-risk corporate initiative. As part of the *Connexus* team we are providing assurance to Audit Committee that major risks are being identified and reported and mitigation plans are being put in place.

Strategic Objective 2 - To stimulate advances in governance, accountability and controllership concepts and practices

The concepts of governance, accountability and controllership were a major theme in our work over the past year. The keen interest in, and concentration on, developing new models and enhancing existing models is one we share with the Audit Committee and CAO. The following projects and initiatives focused on governance, accountability and controllership concepts and practices.

- We assisted the Secretariat Committee of Council with their review of the *Ward Communication Allowance Policy*. The new policy, the *Councillor's Representation Allowance Policy Requirements*, enhances accountability and transparency, clarifies roles and responsibilities, and fosters more efficient and effective administration of the fund.
- At the corporate level, we reviewed changes needed to enhance the governance model for the City with respect to the CAO model. In the *Real Estate Management Audit*, for example, we discussed the importance of communicating and committing to the distinct roles of Councillors and Senior Administrators. We pointed to the risks and outcomes resulting from overlapping responsibilities.
- We recommended the development of new *Codes of Conduct* for the Administration and Councillors and are working with the Corporate Controller to develop a *Fraud Policy* for the City.
- We made several recommendations to increase the efficiency and effectiveness of operations in the Real Estate Management function and through our work on the Steering Group overseeing the review of the Traffic Signals Branch.
- We are reviewing the financial controls in five community centres to provide recommendations to improve controls related to budgeting, authorization of expenditures and financial reporting. We may also suggest improvements to the monitoring mechanisms used by the accountable City department.
- We recommended strengthening the Financial Controllership Model in the *Real Estate Management Audit* and participated in the *Internal Services Review* to review the accountability framework for Corporate Finance and other internal services.
- Through our Risk and Control Working Group, we piloted a control self-assessment methodology to give managers and staff an opportunity to assess their control environment and provide the organization with broader assurance at less cost than traditional audits. We are also working on a *Corporate Risk Framework* to enable managers to

anticipate and manage risks
associated with their business plan
objectives

- We produced our newsletter *Audit Perspectives* that communicated our recommendations on these important matters to managers across the organization.

Strategic Objective 3 - To develop, implement and promote innovative strategies to enhance the value of audit services and optimize our resources

It is our goal to continue the pursuit of excellence. This involves two fundamental challenges—to define an end state vision and to create an infrastructure and process for achieving it. As we have reported, we have made significant progress in both of these areas. For the organization, this means an ability to rely on a professional audit department that will produce quality results and value for money for the funding commitment made. Major milestones reached and accomplishments achieved include the following:

- We hired three Senior Auditors in 2000, completing our complement of auditing staff. With the introduction of new competencies brought by these staff, we were able to increase our capacity for such projects as *Connexus*.
- We were successful in finalizing our proposed organizational structure. In 2000, our Administrative Coordinator position was permanently established and filled, allowing us to more efficiently and effectively deploy our professional resources.
- We are partnering with the External Auditor on the *Property Assessment Audit* and with KPMG on the *Community Centres Review* as well as with the Corporate Controller on several projects to leverage our resources.
- We developed a formal risk-based audit planning process that demonstrates that the Department's resources have been deployed in a disciplined manner to higher risk projects based on established criteria.
- We continue to benchmark ourselves against other North American audit organizations as an integral part of our performance measurement framework. The results indicate that we compare very favorably in most categories and, in fact, are cited as a "best practice" in many.
- Our work has been recognized by our peers through receipt of the *Knighon Award for the Real Estate Management Audit*

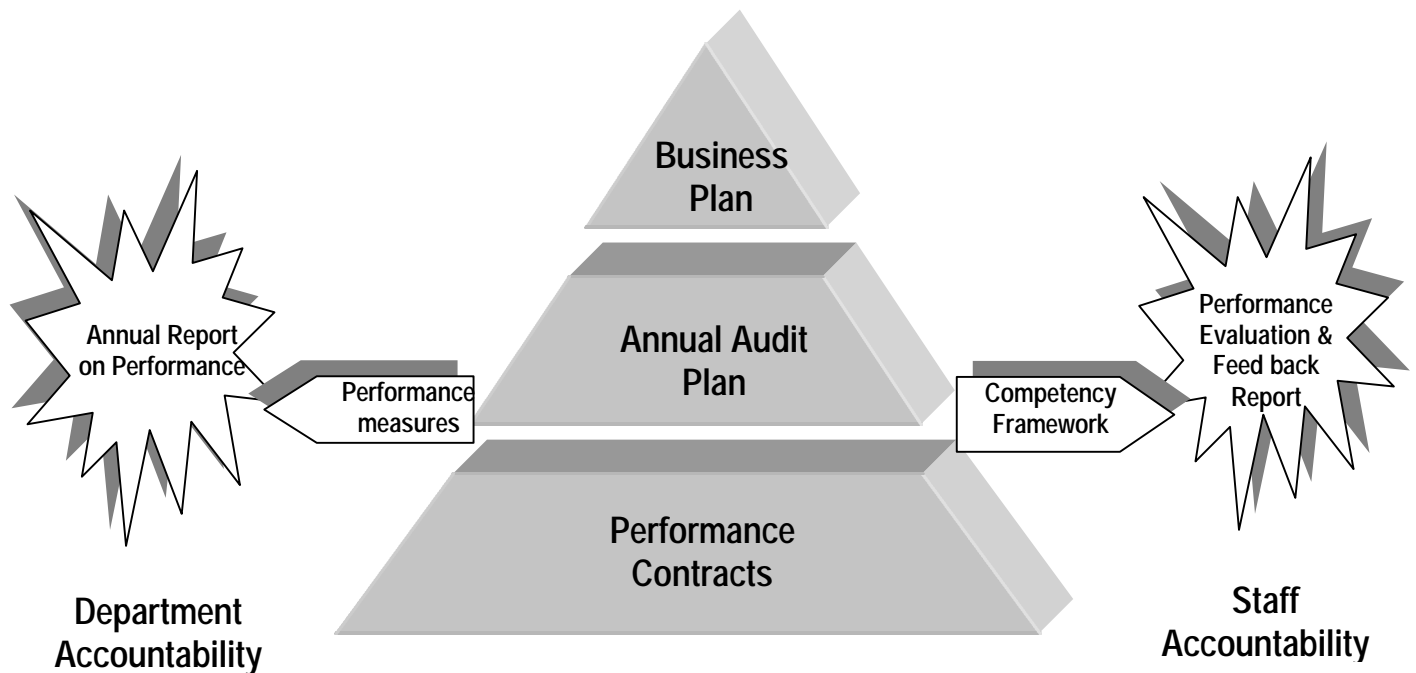


“Success is the progressive realization of a worthy goal or ideal.”
Earl Nightingale



Integrated Performance Management Model

This year, we finalized and implemented our *Integrated Performance Management Model* that links our departmental *Business Plan* and annual *Audit Plan* to expectations for each staff member through performance contracts. We report on our results in our annual *Report on Performance* and provide feedback to our staff through a formal evaluation process built on a customized competency framework.



For more information on our *Integrated Performance Management Model* or to receive copies of the different components, please contact us.

Selected project summaries

Education and consulting projects

Municipal government today faces an increasingly complex environment. Citizens are demanding better service at the same time that City Council has committed to a two percent annual decrease in the property taxes that fund these services. City Administrators are struggling to develop a new culture and methods of delivering services that will meet both of these expectations. We are committed to assisting Council and the Administration in achieving this transformation through proactive initiatives such as

- Research and innovation practices
- Educational initiatives
- Consulting services

Audit Perspectives

In 1997, we published our first newsletter entitled *Audit Perspectives*. This publication features articles on such things as governance and accountability, best practices, performance measurement, and risk and control issues. We distribute the newsletter to senior managers within the City who have an interest in such matters.

Integrated Risk and Control Working Group

Given the significant transformation in our culture and business practices, we believe that it is critical that the City adopt a corporate risk management and control strategy. We share this objective with the Corporate Risk Manager and Corporate Controller. In 2000, we continued to work on this initiative with them and other corporate managers through the Integrated Risk and Control Working Group, chaired by the City Auditor.

The overall objective of the group is to develop a common approach to and vocabulary around these concepts and to co-operate on pilots and activities of

mutual interest for the benefit of the organization as a whole.

During 2000, we participated in a pilot Control Self-Assessment (CSA) project in the payroll and benefits area and, currently, under the leadership of the Corporate Controller, members of the group are developing and testing a *Corporate Risk Framework* for the City that has been presented to the Senior Management Team.

CSA Pilot – Payroll

With the staff from the offices of the Corporate Controller and Payroll Branch, we participated on a project team to pilot control self-assessment (CSA) in the payroll and benefits area. The overall purpose was to understand

the objectives of the area, identify risks preventing the achievement of those objectives, determine the controls in place to manage these risks, and develop corrective actions where appropriate. Deloitte and Touche, the consultants for the project, conducted the sessions. It is expected that a knowledge transfer of the process to this group would enable future CSA sessions to be conducted in-house.

Ward Communication Allowance Policy Review

Following a recommendation arising from our 1999 review, the Secretariat Committee of Council asked for our participation in a task force to review the *Ward Communication Allowance (WCA)* policy. The purpose was to address apparent gaps in the policy, governance structure and administration of the *WCA*. To provide perspective, we surveyed policies from other jurisdictions across Canada.

The result was a revised policy that supports Councillors in the performance of their duties and recognizes the costs associated with doing their job while providing adequate direction to ensure that the allowance is used for its intended purpose. The changes made enhance accountability and transparency, clarify roles and responsibilities, and foster more efficient and effective administration of the fund.

The Assessment Appeals Task Force

The Assessment Appeals Task Force (AATF) meets monthly and consists of representatives from the Assessment Department, the Corporate Finance Department, the Board of Revision and Legal Services. The AATF fosters communication, monitors the status of outstanding appeals, discusses strategies, and resolves issues related to appeals. As a member of the AATF, our department ensures that risks related to appeals are identified and that mitigation plans are implemented.

Internal Services Review

In early 2000, we participated in a focus group related to the Internal Services

Review initiated by the CAO. As a member of this focus group, we provided input and advice regarding the content of the 'Provider Survey', and helped to test the electronic version of this survey on-line.

Traffic Signals

We participated on a Steering Group to oversee an operating and accounting review in the Traffic Signals Branch of the Public Works Department. Over several months, we assisted the project team in prioritizing issues of concern and then developing action plans to achieve efficiencies and effectiveness within the functions reviewed. These efforts resulted in the development of a comprehensive action plan that is currently in the implementation stage.

External Auditor Contract

The External Auditor contract expired December 31, 1999. The Audit Department and Corporate Finance worked together to develop a process and criteria for the selection of a firm to serve as our External Auditors for the next five-year period. Following this process, Ernst & Young were awarded the contract.

Connexus

In May 2000, the Chief Financial Officer identified a need to study the potential replacement of existing financial, human resource and other shared administrative systems in the City. An enterprise solution was suggested as a preferred option that would become the platform for the City's transition to e-government and part of the solution for dealing with a changing workforce and competencies.

Subsequently, a Project Director was retained to put together a project team and the *Connexus* Project was launched. Our participation is two-fold: a Senior Auditor serves as the risk and control leader for the project and our Audit Manager serves on the Alignment and Directions Committee to provide our department's perspective and to support the development of a business case.

Audit intranet site

In 2000, we assumed ownership of our intranet site. The site contains information about our department and our business plans. It allows us a forum to communicate the results of our work through our audit reports and newsletters. We are working towards providing this information to the World Wide Web.

Information Security Review (CobiT)

Critically important to the success and survival of an organization is effective management of information and related technology. *CobiT* has been developed as a generally applicable and accepted standard for good information technology security and control practices. It provides a reference framework for management, users and auditors to develop policy, evaluate risk and benchmark existing and planned IT practices. We believe that *CobiT* may prove to be a useful tool to assist the City to better manage

its investment in information technology and the associated risks.

In 1999, we initiated discussions with the former Corporate Services Department about piloting *CobiT* in the City of Winnipeg. In 2000, we agreed to co-operate on a joint project to perform a risk assessment of Corporate IT Security processes and controls using the *CobiT* methodology. We look forward to presenting the City's new Chief Information Officer with the results of our pilot in the near future.

Assurance projects

Assurance services are defined as *independent professional services that improve the quality of information or its context for decision makers*. Assurance can be provided on financial or non-financial information and performance and incorporates both traditional types of audits and newer participative processes where the auditor facilitates client self-assessment. Assurance services provided by our department include

- Performance audits
- Compliance audits
- Due diligence reviews
- Control and risk self assessments

Risk-based audit plan

In the Audit Department, we balance our role as legislative auditors with our role as internal consultants to management. It is also critical that we focus our scarce resources on high-risk areas as well as reserve resources for mandatory assignments such as due diligence activities. A formal risk-based Audit Plan provides a disciplined approach to the identification of audit projects. The process for developing such a plan as well as a formal Audit Plan for 2000 was presented, for the first time, to Audit Committee this year. We believe that this represents a significant achievement for our department.

In the long term, we believe that the corporate risk assessment model for the organization should explicitly link risks and controls to the achievement of business objectives and be incorporated into business planning activities. Audit's role would be to provide independent advice and assurance on the self-assessments developed by management. We are working with corporate specialists on developing this *Enterprise Risk Management* model through our Integrated Risk and Control Working Group activities. The process developed this year is an interim step in this journey.

The planning process involves the selection of appropriate projects evaluated against risk criteria developed for each of our audit services as well as consultation with senior managers. We attempt to provide coverage, over time, across the organization and with respect to different services. We also accommodate an increasing number of special requests for service that are consistent with our mandate and strategic objectives.

Due Diligence Reviews

Council policy requires that, prior to ratification, the City Auditor and External Auditor report on the full and long-term costs of collective bargaining agreements presented by City Administration. During 2000, we completed several of these reviews. In addition, we worked with the Corporate Controller and new External Auditor to streamline the reporting process, resulting in improved information for Council's deliberations.

Ward Communication Allowance

The policy for expenditures for the Ward Communication Allowance requires that a report which lists all Councillor expenditures by ward be referred to the City Auditor for review and comment.

We reviewed the WCA for 1999 and identified specific items for consideration by the Secretariat Committee whose responsibility it is to establish formal guidelines or policies as necessary.

Customer Information and Billing System

We were asked by the director of the Water and Waste Department to conduct a due diligence review on the *Report on the Customer Information and Billing System Project*. Our objective is to provide independent assurance that the report is fairly stated in all material respects and to provide our opinion on whether the project team has taken appropriate action to resolve implementation problems encountered to date and to mitigate the risk of future problems.

Community Centres Review

Responding to concerns about several incidents of fraud, we are partnering with KPMG to review financial management at five community centres. The objective of the review is to determine the level of compliance with the *Standards of Financial Accountability for Community Centres* and to review the adequacy of key financial controls. In addition, we will assess the monitoring and review procedures conducted by the Community Services Department, the City organization that is accountable for oversight of this program. We anticipate that the report will be released in July.

Property Assessment Audit

The focus of the audit, launched in 2000 and still on-going, is to review the plans developed to ensure a successful 2002 General Assessment and to identify improvements to systems and processes that will enhance the effectiveness of the function in the longer term. The audit will incorporate processes and activities that are the responsibility of the Planning, Property, and Development Department, the Property Assessment Department and the Board of Revision.

Special services

Through our Special Services, we provide services to our clients in response to special requests or in a planned introduction of a new business line which meets the specific needs of the organization as a whole or in part. Examples of special services are information technology, forensic audits and investigations, environmental audits and effectiveness evaluations of special operating agencies.

Information technology reviews

During the past couple of years, we have developed our information technology expertise and are now able to offer consulting and assurance services in that area. For example, we are currently using *CobiT* to conduct a review of information security and are participating actively in *Connexus*, the project to develop a new enterprise solution to replace our administrative systems.

Investigative services

This year we also provided investigative services requiring cooperation, in some cases, with the Winnipeg Police Service and external regulatory agencies. Details of on-going investigations are, of course, confidential.

Fraud policy

At the invitation of the Corporate Controller, the City Auditor and Audit Manager participated on a committee to develop a fraud policy for the City of Winnipeg. The objective of this project is to establish a policy for the conduct of examinations into allegations or suspicions of fraudulent acts. The policy establishes the cross-departmental roles and responsibilities of senior management, the City Auditor and employees in dealing with these matters. A draft policy has been developed and is expected to be approved in 2001.



“The time is always right to do what is right.”
Martin Luther King, Jr.



Measuring our performance

The National Association of Local Government Auditors (NALGA) represents local government audit organizations in both the United States and Canada. Based on annual surveys of members, benchmarks are established for audit organizations in three categories: small, medium and large departments. A medium audit organization is defined as having 3 to 12 auditors and an annual spending range of \$245,850 to \$2,179,333 (Canadian). The City of Winnipeg Audit Department falls into this category. Our results for 2000 are below.

Resource inputs

CATEGORY	NALGA	WINNIPEG
Average annual spending	\$914,235	\$914,424
Audit budget to organization budget	\$1 : \$1009	\$1 : \$1380
Audit staff size (excluding support staff)	7.2	8
Auditors to total staff in organization	1:574	1:910
Average annual salary (by level)		
o Director	\$108,542	\$90,480
o Manager	\$91,434	\$78,676
o Senior Auditor	\$75,913	\$64,168
Percent of auditors with advanced degree and/or professional certification	76%	86%

Performance and outcome measures

CATEGORY	NALGA	WINNIPEG
Audit recommendations accepted	95%	98%
Audit recommendations implemented	63%	59%
Audit effectiveness rating (out of 5.0)	4.1	4.35
Cost per billable hour	\$109.69	\$89.31
Direct hours to total time available	63%	57%
Percent of audit plan achieved	91%	96%
Percent of projects met target date	76%	92%

Percent of projects met target time budget	68%	New for 2001
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Best practices

BEST PRACTICE IMPLEMENTED	NALGA %	WINNIPEG
Strategic (multi-year) planning	50%	Yes
Formal risk assessment document	59%	Yes
Audit function markets services	47%	Yes
Customer satisfaction surveys	36%	Yes
Professional auditing standards in use	82%	Yes
Audits focus on business processes	85%	Yes
Management consulting service offered	41%	Yes
Information systems audit services	39%	Yes
Control self-assessments performed	12%	Yes
Control model (CoCo/CoSo) used	46%	Yes
Audit recommendations followed up	74%	Yes
External peer review every 3 years	49%	Planned for 2002

Evaluation of results

While our resources are more modest than most audit organizations in our category, our staff are better qualified and our performance exceeds the NALGA benchmarks in many categories. In fact, the City of Winnipeg Audit Department is cited in the 2000 NALGA Survey as a “**Best Practice Organization**” in several categories. This was confirmed with the receipt of our **Knighton Award** this year.



**“We keep moving forward, opening up new doors, and doing new things
because we’re curious and curiosity keeps leading us down new paths.”
Walt Disney**



Audit recommendations implemented

Our work does not end with the release of an audit report to Council. The most important component of an audit recommendation is its implementation. We follow-up annually on prior audit recommendations and present to Audit Committee a comprehensive status report on the progress of implementation. The report is coordinated by us and distributed to all departments through the Office of the Chief Administrative Officer. The CAO signs off the report to indicate concurrence with the action plans developed by the department heads to deal with those recommendations that have not yet been implemented.

Below is a summary of the implementation status of recommendations made in key audits conducted in the years 1997 to 2000:

Summary status report

Previous Years Reports	Recommendations	Status		
		Implemented	Pending	Not Implemented
Real Estate Management Audit, 2000	41	12	29	
Community Centres, 1999	12	5	7	
Winnipeg Police Service Overtime, 1999	12	10	1	1
Main & Norwood Bridges Project, 1999	11	5	6	
MRM, 1998	4	4		
Community Revitalization 1998	8	1	7	
Petty Cash Control, 1998	12	12		
Transit Cash Handling, 1998	4	4		
Fleet Management 1997	5	4	1	
CAMA Report 1997	8	8		
Library Report 1997	24	19	3	2
Parkades & Parking Meters, 1997	10		10	
Review of Flood 1997	7	7		
Car Allowance 1997	13	10	3	
Budget Process Study, 1997	1	1		

This is the last year that we will be reporting on audits issued prior to 1999. In some cases, circumstances have changed and the original recommendations are no longer relevant. In the majority of cases, where recommendations are still appropriate, satisfactory progress has been made or long-term changes are required.

Our financial report

2000 Annual departmental expenses

2000 ANNUAL DEPARTMENTAL EXPENSES

	Actual 2000	Budget 2000	Variance Actual to Budget	Actual 1999
Salaries and benefits	652,899	746,274	93,375 (A)	624,495
Services	80,198	99,000	18,802 (B)	89,129
Materials, parts and supplies	5,324	5,750	426	4,605
Assets-purchases, renovations, additions	41,682	4,287	-37,395 (C)	8,266
Debt & Finance Charges	0	0	0	0
Grants, transfers & other expenditures	41,041	59,113	18,072 (D)	59,113
	821,144	914,424	93,280	785,608

Explanation for Variances:

- (A) Actual lower than budget as department was not at its full staff complement.
- (B) External consultants and legal consultants were not required as originally projected.
- (C) Purchase of necessary computer equipment and office renovations.
- (D) Reduction in facility costs.

Who we are

The Audit Department's greatest strength is its people. Our multi-disciplinary team shares common values and is dedicated to the pursuit of excellence. Although our team is small, we possess a wide range of knowledge, skills and experience and take pride in supporting our profession. We are pleased to present brief profiles of our people.



Our Values

Integrity	Professionalism	Openness
Honesty	Dependability	Initiative
Creativity	Objectivity	Fairness



Shannon Hunt, CGA, CFE **City Auditor**

Shannon was appointed City Auditor in 1998. Originally from Winnipeg, Shannon spent twenty years in Toronto in a variety of positions with the federal and provincial governments. Through out her public service career, she has promoted audit as a catalyst of organizational change and a champion of best practices. Shannon has a Bachelor of Arts in English from Carleton University and a Bachelor of Education from the University of Toronto. She has taught management and auditing courses for the Certified General Accountants of Ontario and is a Certified Fraud Examiner.

Brian Whiteside, CA●CIA **Audit Manager**

Brian joined the Audit Department in 1997 and was appointed Audit Manager in May 1999. Previously, Brian worked for the Office of the Provincial Auditor of Manitoba as an auditor in the Value for Money Audit Division. Brian has several years experience in all facets of legislative auditing including value for money, attest and compliance auditing. Brian is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) with a major in accounting. He holds the designations of Chartered Accountant and Certified Internal Auditor.

Lloyd Baker, MBA, CA ● CIA
Senior Auditor

Before joining the Department in 1999, Lloyd worked for the Province of Manitoba, where he was an auditor with Internal Audit and Consulting Services Branch within the Department of Finance. He brings several years experience in a variety of areas including value-for-money, attest and effectiveness reviews. Lloyd is a graduate of the University of Manitoba with a Bachelor of Commerce (Honours) and an MBA, and is a Chartered Accountant and a Certified Internal Auditor.

He brings several years of experience in many types of audits including compliance, fraud, comprehensive and risk-based operational. Kevin is a Certified General Accountants and a Certified Internal Auditor.

Stewart Bidinosti, CGA
Senior Auditor

Before joining the Department in September of 2000, Stewart worked for the Province of Manitoba, where he was an auditor with Internal Audit and Consulting Services Branch within the Department of Finance. He brings several years experience in a variety of areas including IT auditing, value for money reviews and ERP system control design and testing. Stewart holds a Bachelor of Commerce (Honours) from the University of Manitoba and is a Certified General Accountant.

Kevin Milne, CGA, CIA
Senior Auditor

Kevin joined the Audit Department in September 2000. Previously he was an internal auditor with the Canadian Wheat Board for three and a half years and with Ducks Unlimited Canada for seven years.

**Linda Reis, BA
Senior Auditor**

Linda has eleven years of experience with the City, including five years as a Human Resource Specialist with Corporate Services. She has a Bachelor of Arts in Economics from the University of Manitoba, a Business Administration diploma, an FLMI insurance designation, and a certificate in Human Resource Management. Currently she is working on her Certified Internal Auditor designation. Prior to joining the City, Linda worked as a Compensation Analyst for the Great-West Life Assurance Company, and previous to that, in a variety of other capacities in the private sector.

**Bryan Mansky, MBA, CIA
Senior Auditor**

Bryan joined the Audit Department in 1999. Previously, Bryan worked as a management consultant specializing in the areas of quality management systems (ISO 9000), feasibility analysis, business planning and strategic planning. Prior to that, he worked as a commercial loans manager. Bryan is a graduate of the University of Manitoba with a Master of Business Administration with emphasis in finance and management science. He recently earned his Certified Internal Auditor designation and will be writing his Certified Management Accountant exams in June 2001

**Autumn Robbie-Draward, BSA, BA
Research Analyst**

Autumn has been the Department's Research Analyst since 1998. She has seventeen years of experience with the City, including ten years experience as Research Supervisor for the Insect Control Branch. Autumn is experienced in the areas of scientific research, public relations and technical communications including the preparation of reports, manuals, newsletters and web pages. She holds a Bachelor of Science in Agriculture and a Bachelor of Arts in Labour Studies from the University of Manitoba and a Certificate in Technical Communications from Red River College.

Donna Woytowich
Administrative Coordinator

Donna joined the Audit Department in 1998. Donna has been with the City for 14 years and gained most of her experience working in the Finance Division of the Social Services Department and prior to that in

Corporate Finance. In addition to her general administrative duties, Donna is responsible for accounts payable, budget preparation and financial reporting as well as serving as the Department's human resources representative. She is currently working towards her Certified General Accountant designation.



“One can never consent to creep when one feels an impulse to soar.”

Helen Keller



Our legislative mandate

Sections 58(1) to 63 of the City of Winnipeg Act establish the position and mandate of the City Auditor. In 1989, City Council added additional responsibilities. The current audit mandate includes the following duties:

- To examine and evaluate the adequacy of the City's systems of internal control, both financial and operational.
- To determine whether applicable sections of the City of Winnipeg Act, by-laws, regulations, orders of Council, directives of the Board of Commissioners (now CAO) and other Council and management directives have been complied with, as well as applicable federal and provincial legislation.
- Reviewing the performance of operations to ensure money was expended with due regard to economy and efficiency.
- Reviewing whether satisfactory procedures were established to measure and report to Council on program effectiveness.
- To act as an internal consulting group to provide information and help to civic departments within the capabilities and resources of the Audit Department.
- To examine problem areas, within the capabilities of the Audit Department,

which are brought to the Auditor's attention by taxpayers, department heads, employees, Council, Standing Committees of Council, members of Council and The Board of Commissioners (now CAO).

The 1989 change introduced the organization to operational auditing. While attest auditing concentrated on the past, operational auditing focuses on the future. Operational or value-for-money (VFM) audits, as they are mostly referred to, are valuable tools for a complex environment. VFM reports deal with management systems and practices and also include observations and conclusions about the achievement of results. Such information is both qualitative and quantitative.

This expansion of Audit's mandate required auditors to have a broader background and a diversity of disciplines. During the same time, the City contracted the attest function to an external firm. This allowed the Audit Department to focus its attention on operations.

Independent of the Administration, the City Auditor reports directly to City Council through the Audit Committee (EPC). Independence is essential to building public trust and preserving the objectivity and integrity associated with the audit function.

While independence is an important, we recognize that we must maintain a

cooperative relationship with the Administration if our recommendations are to lever positive change. We can only

realize our role as *change agents* if we achieve credibility and the respect of the Administration.

A final thought



**“ You see things and say,
‘Why?’ but I dream things and
say, ‘Why not?’ ”**

George Bernard Shaw

How to reach us

If you would like to obtain copies of one of our reports or newsletters, provide comments or receive more information about the department, please contact us at any of the addresses or phone numbers listed below.

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Notes