

Contributing Department

City Clerk's	52%
Council	23%
EPC Secretariat	11%
Audit	9%
Mayor's Office	5%
2007 Budget: \$11.7 million	

Council Services

Includes:

- *Archives and Records Control*
- *Auditing*
- *Executive Support*
- *Citizen Access/Appeals*
- *Council Support*
- *Elections*
- *Mayor and Council*

Audit

Service Overview

DESCRIPTION

The purpose of the Audit Department is to provide independent and objective information, advice and assurance with respect to the performance of civic services in support of open, transparent and accountable government. Our primary client is City Council, through the Audit Committee (Executive Policy Committee). The value to Council is the ability to use credible information to make better decisions and to hold the Public Service accountable. Our stakeholders are civic managers and citizens who are the recipients of our public reports.

KEY GOALS

1. To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.
2. To influence organizational outcomes and accountability by promoting good governance, effective risk management and controllership, and comprehensive and transparent performance information.
3. To deliver high quality, cost-effective audit services.

SERVICE LEVEL STATISTICS

Description	2004	2005	2006
Audit Committee meetings	5	2	4
Audit Reports completed	9	7	7
Assurance Projects conducted	15	9	13
Advisory Projects conducted	4	5	4
Investigations conducted	3	2	0

Strategic Direction

LINK TO PLAN WINNIPEG

While we review relevant *Plan Winnipeg* principles and policies in the context of all projects we undertake, Audit service goals are most consistent with the Plan Winnipeg policy objectives related to *'Government and the Economy'*:

"Winnipeggers expect good government – effective and efficient in its operations and principled in its actions. As ratepayers, they want . . . the comfort of knowing that tax dollars are spent wisely."

Specifically, in reviewing public and internal services and making audit recommendations, Audit supports the following policy objectives:

- 2A – 01 Commit to citizen engagement
- 2B – 03 Commit to responsive government
- 2B – 04 Provide sound municipal management
- 2B – 05 Meet high standards of service delivery

SYNOPSIS OF POLICY DIRECTION

Audit services are mandated under The City of Winnipeg Charter; the City Auditor is a Statutory Officer. Legislation, By-law and Audit Committee Terms of Reference provide direction to the department. The Audit Department supports Plan Winnipeg principles and policy objectives, both in conducting audit services, and in reviewing public and internal services selected for audit against relevant Plan Winnipeg principles and policies. The Audit Department also supports Council's commitment to report to citizens on the effectiveness of the implementation of plans and strategies captured in Plan Winnipeg. This is done through the public release of independent audit reports and by providing assurance to Council on reports prepared by the Public Service.

In determining specific projects to be undertaken, the Audit Department considers the current priorities of City Council. In keeping with policy direction, we recently reported on the City's management of its infrastructure. We also assessed the City's investment in alternative service delivery and how well our new agency, CentreVenture, has met its goal of leading the revitalization of the downtown. In delivering our 2007-2009 Audit Plan, we will place a particular focus on providing recommendations for improving the efficiency and cost-effectiveness of City services where the achievement of business objectives is not compromised. We will be alert to identifying opportunities to reduce red tape or create partnerships with external service providers. We will also look at how well City departments are promoting a safe, healthy and sustainable community for Winnipeggers. In our own service delivery, we will be evaluating the benefits of entering into a formal

co-sourcing arrangement with private sector audit firms where it is more economical or will provide valuable perspective in performing our work.

KEY FACTORS INFLUENCING SERVICE DELIVERY

Finding a Balance

Citizens are demanding better customer service with less reliance to be placed on tax support. Senior levels of Government are introducing new legislative and regulatory requirements in areas such as the environment. The infrastructure deficit is becoming a critical concern. Council has committed to more affordable, efficient government in an environment of enhanced accountability, sustainability and transparency. To achieve both the goals captured in Plan Winnipeg and City Council's priorities, the Public Service must balance quality service with financial constraints. To realize this balance, City staff are being challenged to maintain/enhance front line services, explore alternative service delivery methods, reduce red tape and internal service costs, and produce more complete performance information. This has to be accomplished with fewer management staff and an expected increase in staff retirements within an increasingly competitive labour force. There is no doubt that this has had, and will continue to have, a substantial impact on the organization's control environment and increase the risks associated with the delivery of City services. In this context, a strong, independent audit function is particularly important to provide assurance to City Council and citizens that important goals such as safety, health and quality of life are not being compromised to achieve financial targets. Public audit reports on the results of City services also support City Council's commitment to enhance accountability and transparency of information.

Credibility

Public reports support the principle of open, transparent and accountable government. Clients and stakeholders trust and rely on the assurance and advice that we provide. Our office must maintain high standards of competence and professionalism to ensure that our credibility is not compromised.

Independence and Objectivity

Independence is the cornerstone of legislative auditing. Anything that impedes the perception of independence or objectivity can undermine public confidence in the credibility of our work. In performing our advisory role, it is important that we balance our desire to collaborate with our Public Service partners with our primary role of providing independent assurance on their operations. We must also ensure that our reports are perceived as fair and balanced.

Relevance

Our recommendations will only be implemented if our clients perceive value in the results. We have to ensure that we select projects that are based upon transparent and objective criteria and that are meaningful to our clients and stakeholders. We must also present high quality reports that clearly demonstrate the benefits to be realized from recommended improvements.

Resources

Our audit universe is broad, complex, and diverse. To provide an appropriate level of assurance to Council on the civic services within our scope, as well as be able to resource our advisory and investigation roles, an adequate level of resources must be maintained. Current staffing levels are already significantly lower than comparable organizations, and a further reduction would jeopardize the ability of the department to achieve its mandate. The department must continue to satisfy Council that the value of audit services justifies its share of increasingly scarce resources.

The Public Service recently implemented a new directive entitled “*City of Winnipeg Fraud, Theft or Related Irregularities*”. The City Auditor has accepted responsibility for conducting investigations into any suspected acts of fraud, theft, misappropriation or other related irregularities that are referred by the Chief of Human Resources and Corporate Services. Other jurisdictions that have implemented a new Fraud Policy have found that it can result in the need for additional Audit resources to prevent a significant re-deployment of resources dedicated to assurance activities. It may be necessary to retain external forensic professionals for complex investigations. We will continue to monitor the situation.

Capacity

The quality of our assurance and advice is dependent upon the knowledge, skills and ability of our staff. Staff turnover has made it difficult to retain appropriate competencies. The local market of qualified audit professionals to draw on is small, and new audit partners require extensive orientation. The department must rely on innovative partnerships, re-engineered audit processes and technological solutions to supplement staff resources and optimize audit coverage and productivity.

Summary of Goals and Strategies

1. To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.

- Maintain a three-year, risk-based Audit Plan in consultation with clients and stakeholders.

- Conduct selected audit projects in accordance with established criteria and professional standards.
- Ensure that the majority of audit resources are dedicated to assurance projects while reserving a portion of resources for advisory and investigation services.
- Present timely, balanced reports to Audit Committee and Council that include relevant, value-added recommendations for improving City services.
- Partner with the CAO to produce *Quarterly Report Cards* on the status of audit recommendations for Audit Committee.
- Continue to solicit client feedback through our post project survey to Departments.
- Introduce a Councillor survey to measure the relevance and usefulness of audit reports to our primary clients.
- Enhance the perception of audit value by quantifying, where feasible, recommended potential cost savings/avoidance due to service efficiencies, reduction of ‘red tape’ or opportunities for revenue generation.

2. To influence organizational outcomes and accountability by promoting good governance, effective risk management and controllership, and comprehensive and transparent performance information.

- Educate clients and stakeholders on the identified areas of focus through the department’s website, presentations, advisory services and research into best practices.
- Continue to conduct risk management workshops as part of the Corporate Education curriculum, performance audits, and at the request of the departments.
- Quantify audit recommendations directed at the areas of focus and survey clients and stakeholders on perceived value.
- Publish an Annual Report that provides comprehensive performance information on Audit activities.

3. To deliver high quality, cost-effective Audit services.

- Update the department’s *Competency Framework, Succession Plan, and Performance Management Model* to ensure appropriate staff competencies are developed and retained.
- Build on partnerships to supplement needed competencies and provide perspective. Explore secondment opportunities and a formal co-sourcing arrangement with Audit firm(s).
- Collaborate with the Public Service to coordinate, conduct and communicate the results of investigations in conjunction with the new *City of Winnipeg Fraud, Theft or Related Irregularities* directive. Explore a potential Fraud and Waste Hotline.

- Coordinate audit activities with the External Auditor to eliminate duplication in audit coverage.
- Use cost-sharing arrangements with customers to supplement resources for non-mandatory audit requests.
- Promote a positive work environment for staff.
- Maintain an effective quality assurance regime to ensure that audits are conducted in accordance with professional standards and best practices and be ready for an external peer review by 2008.
- Implement new audit management software to increase audit productivity.
- Review the costs/benefits of a new audit management system to improve efficiency and lower audit costs.

Performance Information

BENCHMARKING INFORMATION

The *Association of Local Government Auditors (ALGA)* represents local government audit organizations in both the United States and Canada. Based on annual surveys of members, performance benchmarks are established for audit organizations by size. The City of Winnipeg falls within the group having 6 - 10 auditors and an annual budget of \$600,000 to \$1,378,000. Results for 2006 are included in the *Balanced Scorecard* for each performance category for which benchmarks are available.

THE BALANCED SCORECARD

We have adopted the *Balanced Scorecard* model as our framework for performance measurement. The *Balanced Scorecard* is a performance management system that can be used to align vision with customer requirements, manage and evaluate business strategy, and monitor operational performance and organizational capacity. In the *Balanced Scorecard*, vision, mission and strategy are decomposed into different perspectives as seen through the eyes of customers and other stakeholders, managers and process owners, and employees. Three different dimensions of organizational performance can be viewed: results (financial and customer), operations, and capacity. For each perspective, we have identified performance measures, actual prior year results and targets for the future.

AUDIT DEPARTMENT BALANCED SCORECARD

Our Goals

- To provide independent and objective assurance on the efficiency and effectiveness of City operations as well as timely, relevant and value-added recommendations for improvement.
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Strategies	Performance Measure	Actual 2004	Actual 2005	Actual 2006	Industry * Benchmk	Annual Target
Customers & Stakeholders Perspective						
Deliver quality audit reports to clients and stakeholders	• Collaborative risk-based Audit Plan in place	100%	100%	100%	66%	100%
	• # of Audit Committee meetings	5	2	4	n/a	4
	• # of reports issued to clients/ stakeholders	9	7	7	n/a	6
	• Post project satisfaction rating (out of 5)	4.7	3.9	3.9	4.3	4.5
	• % of clients/stakeholders who rate the quality of audit reports as 'reliable and credible'	n/a	n/a	new	n/a	75%
	• % of clients/stakeholders who rate the audit as 'value-added'	n/a	n/a	100%	n/a	75%
Provide timely, value-added and relevant recommendations	• % of projects that met target date	82%	68%	71%	61%	80%
	• Audit recommendations accepted	99%	97%	99%	92%	95%
	• Audit recommendations implemented (3-5 years)	73%	80%	72%	79%	82%
	• % of clients/stakeholders who rate audit recommendations as 'relevant' or 'very relevant'	n/a	n/a	new	n/a	75%
Educate clients and stakeholders on strategic areas of focus (governance, risk management & controllership, performance information)	• # of advisory projects	4	5	13	n/a	2
	• # of presentations and workshops	5	1	2	n/a	2
	• % of recommendations dealing with focus areas	83%	77%	83%	n/a	75%
	• % of clients/stakeholders who believe that audit recommendations improved focus areas	n/a	n/a	new	n/a	75%
Maintain focus on primary assurance role while dedicating some resources to advisory and investigative roles	• % direct hours dedicated to assurance	68%	92%	88%	n/a	80+%
	• % direct hours dedicated to advisory	24%	6%	12%	n/a	0-20%
	• % direct hours dedicated to investigations	8%	2%	0%	n/a	0-20%

AUDIT DEPARTMENT BALANCED SCORECARD

Strategies	Performance Measure	Actual 2004	Actual 2005	Actual 2006	Industry* Benchmk	Annual Target
Financial Perspective						
Prudently manage public resources	<ul style="list-style-type: none"> Budget commitment met (within 10%) 	100%	100%	100%	n/a	90%
Deliver cost-effective audit services	<ul style="list-style-type: none"> Cost of audit services (per billable hour) 	\$92.46	\$88.53	\$116.36	\$89.38	\$105.00
Potential cost savings/avoidance or revenue generation opportunities	<ul style="list-style-type: none"> Total dollars identified in Audit reports 	new	\$10 million	\$463,801	\$1,462,842	50% of Dept budget

Strategies	Performance Measure	Actual 2004	Actual 2005	Actual 2006	Industry* Benchmk	Annual Target
Employee and Organizational Perspective						
Maintain staff capacity through recruitment and/or secondment	<ul style="list-style-type: none"> Approved staff complement Audit staff to total organizational staff 	10 1:1140	10 1:978	10 1:850	6 - 10 1:861	10 1:861
Supplement competencies with external and internal partnerships	<ul style="list-style-type: none"> # of collaborative projects 	3	5	2	n/a	1
Build a competent and diverse workforce	<ul style="list-style-type: none"> % of auditors with professional designations Training hours per year per staff member % of staff from designated group 	100% 42 10%	100% 39 20%	100% 33 43%	75% 40 n/a	90% 40 10%
Promote positive working environment	<ul style="list-style-type: none"> Average level of staff satisfaction on several attributes per annual survey (out of 5) 	4.24	4.1	4.2	n/a	4
Ensure effective performance management model and process	<ul style="list-style-type: none"> On-going feedback at project level Bi-annual evaluation for each staff member 	76% 38%	68% 30%	100% --	n/a n/a	100% 50%

AUDIT DEPARTMENT BALANCED SCORECARD

Strategies	Performance Measure	Actual 2004	Actual 2005	Actual 2006	Industry* Benchmk	Annual Target
Internal Business Processes Perspective						
Assure professional standards are maintained	• Risk assessment for each project	100%	100%	100%	n/a	100%
	• Projects meet quality assurance standards	100%	100%	100%	n/a	100%
	• Peer review standards met (per external review)	n/a	n/a	n/a	100%	100%
Complete committed projects on budget	• % Target budget met within 10%	91%	88%	71%	74%	80%
	• % Completion of Audit Plan	80%	75%	71%	90%	80%
Implement best practices	• % of industry best practices implemented	88%	88%	88%	n/a	90%
Optimize productivity	• Direct hours to total hours available	62%	67%	64%	69%	65%
	• Audit management software implemented	n/a	n/a	n/a	55%	by 2008

* Industry is represented by the Association of Local Government Auditors. The latest comparative year is 2006.