



Office of the City Auditor

2012 Annual Work Plan

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Introduction

Bylaw 12424, *City Auditor Bylaw*, established the position of City Auditor and delegates the powers, duties, and functions to that position. The City Auditor is responsible for all internal auditing activities within City Programs and City Agencies. The City Auditor:

- Provides independent, objective assurance and advisory services designed to add value and improve the City's programs.
- Assists the City to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- Coordinates fraud investigation activities within City Programs or City Agencies.

Bylaw 12424 states that the City Auditor will submit to City Council an Annual Work Plan for review and approval. Bylaw 15310, *Audit Committee Bylaw*, states that the Audit Committee has the authority and responsibility to report and recommend to City Council the Annual Work Plan of the Office of the City Auditor (OCA). The OCA's Annual Work Plan outlines the scope of work it intends to conduct during the year.

The OCA's 2012 Annual Work Plan includes projects within the following work categories:

- 1. Value-for-money audits** – These projects are included in the work plan because the OCA determined that an area is facing strategic, operational, governance, and/or project risks and would benefit from an audit. All audits begin with identification of goals and the assessment of risks that could keep the organization from reaching those goals. These audits determine whether a department, service, or program operates efficiently, effectively, and economically and whether risks are minimized. Results from these audits are used both by the Administration and by City Council to improve the manner in which each program delivers its services. These audits may also include use of computer assisted audit techniques that allow the OCA to analyze large amounts of data on corporate systems.
- 2. Investigations** – These are designed to prove or refute alleged fraudulent behaviour or misconduct by a City employee or other parties.
- 3. Proactive projects** – These projects allow the OCA to provide proactive, strategic, risk and control-related advice prior to the development and implementation of programs and systems. This will help to ensure that appropriate safeguards are in place prior to implementation. As well, post implementation reviews of selected applications may be undertaken when warranted. Other proactive activities undertaken by OCA staff include serving on selected corporate committees, which allows the OCA to ensure that leading practice and control-related input receive appropriate attention throughout the project. As well, OCA staff provide ongoing

monitoring of certain activities that provides assurance that specific controls are working as intended.

4. **Follow-up reviews** – These projects allow the OCA to determine the adequacy, effectiveness, and timeliness of actions taken by management on the recommendations made in audit reports. Our audit reports provide recommendations to the Administration that identify opportunities for improvement. We maintain a database of audit recommendations to facilitate the recommendation follow-up process.
5. **OCA governance and leadership activities** – The OCA participates in a number of initiatives that support City Council and Audit Committee’s governance responsibilities and contributes to leading audit practices by others. As well the OCA will coordinate our audit efforts with the external auditor to provide benefits to the City, including increased audit coverage and avoidance of duplicate audit work.
6. **Emerging issues** – These are audits or projects that are not listed in the Annual Work Plan. These projects may be identified by the OCA during a scheduled audit, by City Council, by the Administration, or by a member of the public. As stated in the City Auditor Bylaw, with the exception of projects directed by Council, the City Auditor will use discretion to consider and address emerging issues.

Audit Selection Criteria

We identify potential projects through suggestions from members of City Council, Corporate Leadership Team, and City Administration, discussion with the City’s external auditor, observations made by audit staff, hotline tips, and reviews of audits conducted in other jurisdictions. We complete an independent risk assessment on each of these potential projects to identify high priority projects.

Our assessment utilizes a weighted assessment of the following risk factors:

- Volume and Value – A measure of exposure based on the value or volume of assets, expenditures or transactions.
- Vulnerability – The probability of fraud or other loss occurring, as indicated by the ease with which assets can be converted into cash for personal gain, or by the ease of access to or distribution of sensitive information.
- Regulations – The greater the extent to which activities are required to meet enforceable standards, the greater the possibility of non-compliance.
- Internal Control Environment – A measure of the adequacy of existing controls, expertise of management, and effectiveness of operations.
- Governance and Ethics Environment – A measure of demonstrated governance and ethical leadership within the area.

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- Sensitivity – A measure of exposure to public embarrassment or loss caused by misuse or release of information.
- Last Review – A measure of how risk exposure has been mitigated due to recent reviews or audits.
- Overriding Factor – Apply a professional judgmental factor to acknowledge varying degrees of impact on operations overall, recognized trends within the City, or Council directed projects.

To determine which projects to include in the OCA's 2012 Annual Work Plan we consider the rating it received from our risk assessment as well as other factors, such as: priorities of Council and Audit Committee, how the project links to the City's Strategic Plans (the Ways), and the number of hotline tips received that relate to the project.

2012 Annual Work Plan

The following Work Plan outlines the projects that the OCA has identified as high priority based on our risk assessment. Our goal is to have a flexible work plan to facilitate the completion of outstanding projects, undertake new ones, and initiate some that will be carried forward to 2013. The exact scope of each project identified below will be developed during our project planning process.

The City Auditor will provide Terms of Reference documents for significant projects to Council Members, as well as the Public Audit Committee members. The City Auditor will also provide periodic status reports of all OCA activity to the Audit Committee.

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Title	Description
Value for Money Audits	
Drainage Services Branch Audit	<p>Drainage Services operates the Sanitary Utility (collection and transmission of wastewater) as well as the Land Drainage Utility (collection and transmission of storm water). Both are operated as public utilities under a full cost recovery model without subsidy from property tax. There are over six hundred full time employees in the Drainage Services Branch.</p> <p>This value for money audit will assess whether Drainage Services operates efficiently, effectively, and economically and whether risks are being appropriately managed.</p>

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Title	Description
Law Branch Audit	<p>The Law Branch assists City Council and client departments with managing legal risks to the City, claims and risk management services, and providing corporate security services. The Law Branch 2011 tax levy operating budget was \$10 million which includes 92 full time equivalent employees.</p> <p>This value for money audit will assess whether Law Branch operates efficiently, effectively, and economically and whether risks are being appropriately managed.</p>
City Productivity Assessment	<p>Productivity is a measure of outcomes achieved using assigned resources. The purpose of productivity is to allow stakeholders to evaluate the organization's efficiency in delivering services and the degree to which it is achieving its goals and priorities (effectiveness).</p> <p>In this audit we will conduct a corporate, high-level review to determine the extent to which meaningful data is currently available to identify trends and assess opportunities for improvement.</p>
Agencies, Boards, and Commissions Oversight and Governance	<p>There are 62 agencies, boards, and commissions to which the City appoints board members.</p> <p>This governance audit will assess whether the City (i.e., City Clerks, City Council, and the Administration) is providing appropriate oversight and has the appropriate governing relationships with the agencies, boards and commissions. It will also assess whether the agencies, boards, and commissions are still providing value to Council.</p>
Development Permit Fee Collection Review	<p>The City issues a wide range of development permits to achieve its goal of transforming Edmonton's urban form. Development permits need to be obtained for new construction, renovations, businesses, and changes to how a building is being used. Development permits are subject to a number of different types of fees and conditions. Given the complexity and number of development files handled by the Current Planning Branch it is important that files and associated fees are managed properly.</p> <p>This audit will review the fee collection process and controls in place to ensure revenue from fees is recorded, collected, and processed appropriately.</p>

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Automated Photo Enforcement Audit	<p>The operation of automated photo enforcement was transferred through a City Council motion from the Edmonton Police Service to the City of Edmonton, Transportation Department's Office of Traffic Safety in 2007.</p> <p>This audit will focus on reviewing the adequacy of controls in place to ensure that the photo enforcement program is meeting its intended objectives. We will also determine whether approved procedures are followed to ensure completeness, accuracy and timeliness of photo enforcement activities.</p>
Development Securities Audit	<p>The City's Current Planning Branch requires that developers submit deficiencies securities. The amount of the securities represents the costs to address any deficiencies. Securities are often held for a number of years and interest earned on these securities is directed to the City's general revenues. The Current Planning Branch, which operates on a cost recovery financial model, uses staff resources to renew securities and letters of credit.</p> <p>This audit will include a review of the development securities process to assess the efficiency and effectiveness of this operation and also to assess its fairness and equity.</p>
Private Vehicle Reimbursement Audit	<p>Private vehicle reimbursements to City staff amounted to \$1.8 million in 2010. In several recent audits we have identified control issues related to private vehicle reimbursement.</p> <p>This corporate level audit will review the administration of the private vehicle reimbursement directive including a review of the effectiveness of existing internal controls.</p>
Grant Administration Audit (Carry Forward)	<p>The City awards grants to numerous organizations under various programs. Organizations that receive funding from the City should provide it with evidence that they have used the funds for the purpose intended.</p> <p>This audit will review the processes and controls employed by the City to obtain sufficient documentation that provides assurance that the organizations have used the funds effectively and for the intended purpose.</p>
Corporate Contract Tendering Audit (Carry Forward)	<p>On an annual basis the City awards hundreds of millions of dollars in contracts for services and materials. The City is expected to award contracts following an open and fair tendering process that results in competitive bids.</p> <p>This audit will review the City's tendering processes and practices to ensure that competitive bids as an outcome are achieved.</p>

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Title	Description
<p>Edmonton Police Service (EPS Payroll Audit)</p> <p>(Carry Forward)</p>	<p>In May 2011, the Edmonton Police Commission passed a motion for the OCA to conduct a payroll audit of the EPS.</p> <p>The objective of this audit is to assess the effectiveness of internal controls for the EPS payroll process and how well staff are complying with payroll policies.</p>
<p>Investigations</p>	
<p>Investigation Projects</p>	<p>As specified in the City Administrative Directive <i>Fraud</i>, the City Auditor has primary responsibility for investigating suspected fraud and will involve the City Manager on investigations of suspected fraud depending on the nature and scope of the complaint. In this regard, the City Auditor will continue to monitor the progress and outcome of the investigation.</p>
<p>Hotline Administration</p>	<p>The City's Hotline program is coordinated by the OCA and is available to City employees 24 hours a day, seven days a week, all year round, by phone or via Internet. Allegations of suspected fraud and misconduct will be investigated as required in accordance with City Administrative Directive <i>Fraud</i>.</p>
<p>Proactive Projects</p>	
<p>Fraud Awareness Communication and Training</p>	<p>Two of the three action plans in the OCA's Fraud Risk Management Report issued on April 12, 2010 pertained to updating the City's <i>Fraud and Misconduct</i> Policy and implementing a fraud awareness training program. In 2011, the City Auditor and the City Manager recommended to City Council through the Audit Committee, to repeal the <i>Fraud and Misconduct</i> Policy. They approved the <i>Fraud</i> Administrative Directive and the <i>Whistleblower Protection</i> Directive in its place. The OCA, in collaboration with the Administration, will establish a communication strategy to create employee awareness of these Directives.</p> <p>In 2012, the focus will be to implement the communication strategy and improve employee fraud awareness using a variety of tools and methodologies, including a fraud prevention and awareness training program that meets the City's current and ongoing needs.</p>

Title	Description
<p>Information Governance Review</p>	<p>Accurate, complete, consistent, relevant, timely, and trusted information is vital for organizations to make strategic decisions, effectively manage business operations, and improve service delivery. An Information Governance Program assists organizations in optimizing, securing, and leveraging their information as an enterprise asset. The OCA will partner with the Administration in evaluating the City's Information Governance Program, its framework, design, and effectiveness.</p> <p>The aim of this review will be to facilitate the preparation of action plans to improve the quality and reliability of information used for making key decisions and minimize the risk of errors, omissions, and non-compliance with regulatory requirements.</p>
<p>Information Technology Security Baseline Review (Carry Forward)</p>	<p>For many organizations, information and the technology that supports it represents their most valuable assets. This review will evaluate the City's processes for network penetration testing and monitoring to ensure that they are effective in preventing unauthorized access to the City's information. It will assess whether the City has implemented the controls necessary to minimize security breaches and electronic frauds.</p> <p>We will conduct a preliminary security baseline assessment using external expertise if required, and provide an independent opinion on whether the City's servers, desktops and information are protected. The review will identify security gaps in the City's network if any exist, and provide recommendations as required.</p>
<p>Enterprise Risk Management Framework (Ongoing)</p>	<p>In 2005, the OCA, in collaboration with the City Administration, developed a corporate Enterprise Risk Management framework. That project helped elevate risk management awareness within the corporation. In 2012, the OCA will further support the Administration's efforts to expand the corporate role of Enterprise Risk Management.</p>
<p>Capital Projects Advisory Assistance (Multi-year)</p>	<p>The OCA will implement a proactive process to assess selected capital projects prior to and during construction.</p> <p>The objective of this review will be to determine if sound project management practices are being applied consistently and that projects are meeting their intended goals.</p>

Title	Description
Follow-up Reviews	
Follow-up of Recommendations	Our audit reports provide recommendations to the Administration that identify opportunities for improvement. We maintain a database of audit recommendations to facilitate the follow-up process. On a semi-annual basis, we will provide a report to City Council on the adequacy, effectiveness, and timeliness of actions taken by management on the recommendations.
Land and Buildings Branch Follow-Up Audit	This follow-up audit will review the Administration's progress to the implementation of the eleven recommendations in the 2008 Land and Buildings Branch Audit. The follow-up audit will include a review of the City land purchasing processes.
OCA Governance and Leadership	
Audit Committee Orientation	The OCA offers Audit Committee members and other members of Council an orientation which outlines the governing relationships and roles and responsibilities between City Council, Audit Committee, the Administration, and the internal (City Auditor) and external auditors.
2011 Annual Report	The City Auditor will provide a 2011 Annual Report which will include a summary of the observations, recommendations, and information pertaining to the audits conducted by the OCA in 2011.
2012 Annual Plan Progress	<p>Bylaw 15310, <i>Audit Committee Bylaw</i>, Section 10(1) states that "Committee will provide oversight of the City Auditor" and Section 10(2) states that "Committee will monitor the role and functions of the City Auditor."</p> <p>To assist Audit Committee and Council in their governance oversight role of the City Auditor, the City Auditor provides Activity Reports to Audit Committee that summarizes the status of projects identified in the approved OCA Annual Plan.</p>
2013 Annual Plan	<p>The City Auditor will submit an Annual Work Plan to Council at the last Audit Committee meeting in 2012.</p> <p>The Annual Work Plan outlines the scope of work the OCA intends to conduct in the next year.</p>
Edmonton Police Commission Self-Evaluation	The OCA supports the Edmonton Police Commission's self-assessment exercise by receiving and consolidating the annual questionnaires. The OCA prepares a report of the survey results for the Commission's consideration.

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Industry Sharing	<p>The OCA actively supports the internal audit profession through membership on the industry leading Boards (Institute of Internal Auditors (IIA) Canada, IIA Edmonton Chapter, Association of Local Government Auditors, Information Systems Audit and Control Association, and the Association of Certified Fraud Examiners).</p> <p>The OCA also shares operating practices with various bodies that help to promote the internal audit profession and our audit practices within the City.</p>
Emerging Issues – unforeseen priority projects undertaken at the discretion of the City Auditor.	
Emerging Issues	<p>Unanticipated events or issues arise throughout the year. The City Auditor assesses their importance and risks as they arise and may, at his discretion, assign resources to the new project.</p> <p>The City Auditor includes an appropriate resource allotment in the work plan to address these unforeseen issues. The City Auditor provides updates to the Audit Committee on emerging issue projects undertaken.</p>
SLRT Claim Process Review	<p>During and following the construction of the South LRT a number of homeowners filed damage claims and property devaluation claims resulting from the construction activity.</p> <p>This audit will review the claims processes to determine if claims were managed in a fair manner and whether there are opportunities to improve the process for future large construction projects.</p>