



Office of the City Auditor

2010 First Quarter

Activity Report

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1. Audit Plan Progress Monitoring

Bylaw 15310, *Audit Committee Bylaw*, 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.”

This quarterly report provides Audit Committee with an update on our first quarter activities and summarizes our 2010 Work Plan activities.

In the first quarter of 2010, we have provided the following eight reports to City Council, Audit Committee members, and Transportation and Public Works Committee members.

- Consulting Services Review (discussed at February 16, 2010 Audit Committee meeting)
- Vehicle Take-Home Permits (discussed at February 16, 2010 Audit Committee meeting)
- Audit Committee Report Schedule (discussed at February 16, 2010 Audit Committee meeting)
- 2009 Indy Review (In-private report discussed at February 17, 2010 City Council meeting)
- Utilities Advisor for City Council (In-private report discussed at April 6, 2010 Transportation and Public Works Committee meeting)
- Semi-annual Recommendation Follow-up Report (Separate Agenda item for April 12, 2010 Audit Committee meeting)
- 2009 OCA Annual Report (Separate Agenda item for April 12, 2010 Audit Committee meeting)
- Fraud Risk Management Review report (included as part of OCA 2010 First Quarter Activity Report)

Table 1 highlights our audit activity for 2010 to the end of March. It is divided into project categories to provide a better understanding of the type of work that is associated with each project. It also indicates the Audit Committee dates that we expect to present the reports for discussion.

Emerging issues and scope changes to existing projects may result in changing some of the projected Audit Committee report dates.

Table 1 – 2010 Annual Plan Progress Monitoring

Subject	Projected Audit Committee Dates			
	February 16	April 12	June 21	November 8
Value for Money Audits				
Consulting Services Review - Complete <i>Discussed at the Feb 16 Audit Committee meeting.</i>	✓			
Parks Branch – In Progress			X	
311 Call Centre – In Progress				X
Library Contracted Services – Not Yet Started				X
Prioritized Projects	February 16	April 12	June 21	November 8
Municipal Election – In Progress				X
Facilities Cashier Analysis - Cancelled <i>This project was cancelled as audit resources were redirected to address two separate Council motions.</i>				
Vehicle Take Home Permits - Complete <i>Discussed at the Feb 16 Audit Committee meeting.</i>	✓			
External Auditor Support – Complete <i>Met with External Auditor to discuss ongoing and future audit projects. In addition, OCA audit reports were provided to the External Auditor to help them plan their financial statement audit.</i>		✓		
Emerging Issues	February 16	April 12	June 21	November 8
Non-Profit Housing Corporation – In Progress				X
2009 Indy Review Private Report – Complete <i>Report was presented at Feb 17 City Council meeting.</i>	✓			
Audit Committee Schedule – Complete <i>This report was presented as a stand-alone report at the February 16, 2010 Audit Committee meeting.</i>	✓			
Utilities Advisor for City Council – Ongoing <i>Report was presented at April 6 Transportation & Public Works Committee meeting.</i>		✓		
Development Permit and Cornerstones Funding – In Progress			X	
Investigations	February 16	April 12	June 21	November 8
Controls to minimize overtime – In Progress			X	
Fraud Risk Management – Complete <i>Included in this First Quarter Activity Report.</i>		✓		
Hotline Administration – Ongoing <i>The 2009 Fraud and Misconduct Summary is being presented as part of the 2009 Annual Report.</i>		✓		

Cash Handling Audits	February 16	April 12	June 21	November 8
Duplicate and excess Payments – Not yet started				X
Information Technology Projects	February 16	April 12	June 21	November 8
Computer Assisted Audit Technology – Ongoing <i>We leverage the use of Computer Assisted Audit Technology to perform ongoing audit testing and to enhance our audit coverage.</i>				
Single Sign On - proactive risk and control advice - Ongoing			X	
Follow-up Reviews	February 16	April 12	June 21	November 8
Semi-Annual Recommendation Follow-up– Complete <i>This report is being presented as a stand-alone report at the April 12, 2010 Audit Committee meeting.</i>		✓		
Transportation Planning Branch Follow-up – Not Yet Started				X
Corporate Projects	February 16	April 12	June 21	November 8
Enterprise Risk Management Framework – Not Yet Started				X
Capital Project Advisory Assistance–In Progress				X
OCA Governance Activities	February 16	April 12	June 21	November 8
Audit Committee Orientation – Ongoing After the 2010 election, we will lead an Audit Committee Orientation program to facilitate the new Audit Committee's understanding of the OCA. We will provide an overview of audit functions and interrelationships within the City of Edmonton, including the role and responsibilities of Audit Committee members.				X
2009 Annual Report – Complete <i>This report is being presented as a stand-alone report at the April 12, 2010 Audit Committee meeting</i>		✓		
2011 Annual Plan – Ongoing				X
OCA Quality Assessment – Scheduled for 2011 <i>Report will be provided to Audit Committee at completion of review</i>				
Edmonton Police Commission Self-Evaluation – Not Yet Started				X
OCA Leadership Activities	February 16	April 12	June 21	November 8
Fellowship Program – Ongoing				X
Industry Sharing – Ongoing <i>We share our operating practices with various bodies that help to promote the internal audit profession.</i>				

2. Fraud Risk Management Review

There are five key principles for proactively establishing an effective Fraud Risk Management Framework (FRM):

Principle 1: Fraud-risk governance

Principle 2: Fraud-risk assessment

Principle 3: Fraud prevention

Principle 4: Fraud detection

Principle 5: Fraud investigation and corrective action

This is a multi-year program that will build on the City's existing practices to identify and mitigate fraud and risk exposures. In this phase, we focused on assessing the City's FRM Framework relative to Principle 1. Our review shows that the City's current FRM Framework does include most of the fundamental elements of a FRM Framework. However, many of the elements can be further enhanced to minimize the City's risks. Some of the FRM-related policies, directives, and manuals need to be updated and better communicated to employees and management. In addition, to strengthen the City's environment and effectively manage fraud risk, FRM elements such as roles and responsibilities, fraud risk assessments, reporting procedures, investigation process, quality assurance and continuous monitoring need to be enhanced further. The following are the actions plans with their recommended priority for implementation:

Action Plans	Priority
1: FRM-related Documents	
The OCA, in conjunction with the City Manager, will update the City's Fraud Policy and provide input in the update of the Code of Conduct Directive to provide further clarification and consistency on key points such as definitions of fraud, misconduct, and workplace issues; roles and responsibilities; and reporting procedures. Any changes to the guidance documents and processes will be clearly communicated to all stakeholders.	1
2: Fraud Awareness	
The OCA, in conjunction with the City Manager, will establish and implement a corporate communication strategy to improve staff fraud awareness using a variety of tools and methodologies, including a fraud awareness training program that meets current and ongoing needs.	2
3: Fraud Risk Assessment	
The OCA, in conjunction with the City Manager, will focus on formalizing how Administration will periodically evaluate the City's fraud and misconduct risks and implement effective internal controls to minimize the City's risks. This will involve facilitating the development and implementation of a formal FRM template that includes processes for quality assurance, continuous monitoring, and integrating with other related risk frameworks.	3

A full report outlining the detailed results of our review is attached.