



OFFICE OF THE  
**City Auditor**

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# **Office of the City Auditor 2013 First Quarter Activity Report**

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## **1. Audit Plan Progress Monitoring**

Bylaw 16097, *Audit Committee Bylaw*, Section 5 states that the “Committee assists Council in fulfilling its oversight responsibilities by reviewing reports from the City Auditor.”

This quarterly report provides the Audit Committee with an update on the Office of the City Auditor’s (OCA) first quarter activities and the status of our 2013 Annual Work Plan activities.

To date in 2013, we have provided the following seven reports to City Council and Audit Committee members.

- City Productivity Audit – *February 19, 2013 Audit Committee*
- Drainage Services Branch Audit – *February 19, 2013 Audit Committee*
- Law Branch Audit – *February 19, 2013 Audit Committee*
- Development Securities Review – *April 22, 2013 Audit Committee*
- Follow-up of Recommendations – *April 22, 2013 Audit Committee*
- 2012 Annual Report – *April 22, 2013 Audit Committee*
- OCA 2013 First Quarter Activity Report – *April 22, 2013 Audit Committee*

Table 1, on the following page, provides an update of our progress toward completion of our 2013 Annual Work Plan. The purpose of this table is to assist the Audit Committee and Council in their governance role by enabling them to effectively monitor the OCA’s progress towards completing the approved Annual Work Plan.

Table 1 is divided into project categories to provide a better understanding of the type of work that is associated with each project. It also indicates when reports were discussed at Audit Committee meetings or when we expect to present reports for discussion.

**Table 1 – 2013 Annual Plan Progress Monitoring**

✓ - Completed projects and Audit Committee date report discussed  
 X – Projects In-Progress or Not Yet Started and expected Audit Committee date

Project Description	Status	Audit Committee Date				
		Feb 19	Apr 22	Jun 11	Aug 29	Nov 13
<b>Value for Money Audits</b>						
Fire Rescue Services Branch Audit	<i>In-Progress</i>					<b>X</b>
Law Branch Audit	<b>Complete</b>	✓				
City Productivity Assessment	<b>Complete</b>	✓				
Civic Agencies Review	<i>Postponed</i> See Section 2					
Transit Administration Review	<i>In-Progress</i>			X		
Social Media Review	<i>Not Yet Started</i>					
Contract Administration and Project Management Audit	<i>Not Yet Started</i>				X	
Automated Photo Enforcement Review	<i>In-Progress</i>			X		
Landscaping Securities Review	<i>Not Yet Started</i>					
Community Programs Audit	<i>Not Yet Started</i>					
Drainage Services Branch Audit	<b>Complete</b>	✓				
Building Permit and Inspection Services Audit	<i>Not Yet Started</i>				X	
Fleet Safety Review	<i>Not Yet Started</i>					X
<b>Investigations</b>						
Investigation Projects	<i>As required</i>					
Hotline Administration	<i>Ongoing</i> All hotline reports are assessed and investigated to the extent the City Auditor deems necessary.					
<b>Proactive Projects</b>						
Performance Measures Validation	<i>Not Yet Started</i>					X
Information Protection Readiness for Securing Personal Information	<i>Not Yet Started</i>					X

Project Description	Status	Audit Committee Date				
		Feb 19	Apr 22	Jun 11	Aug 29	Nov 13
Information Governance Review	<b>Complete</b> Summary included as part of this Activity Report		✓			
Development Securities Review	<b>Complete</b>		✓			
Investment Tracking System	<b>Complete</b> Summary included as part of this Activity Report		✓			
Enterprise Risk Management Framework	<b>Ongoing</b> We are providing support to the Administration in their efforts to expand the corporate ERM role.					
Edmonton Police Commission Self-Evaluation	<b>Not Yet Started</b>					X
Capital Projects Advisory Assistance	<b>Multi-year</b>					
2013 Municipal Election	<b>Not Yet Started</b>					
<b>Follow-up Reviews</b>						
Follow-up of Recommendations	<b>Complete</b>		✓			
<b>Emerging Issues</b>						
Wichitowin Circle of Shared Responsibility Society Review	<b>In-Progress</b>				X	
<b>OCA Governance and Leadership</b>						
Audit Committee Orientation	<b>Ongoing</b> The City Auditor participated in an Audit Committee orientation session for the new Public Member meeting.					
2012 Annual Report	<b>Complete</b>		✓			
2013 Annual Plan Progress	<b>Ongoing</b> This report summarizes the status of our 2013 projects to date.		✓			
2014 Annual Work Plan	<b>Not Yet Started</b>					X
Industry Sharing	<b>Ongoing</b> We share our operating practices with various bodies to promote the internal audit profession.					

## **2. Report Summaries**

We have completed five projects in the first quarter of 2013. We will present the Follow-Up of Recommendations Report for the period of May to December 2012 and the Development Securities Review as standalone reports for discussion at the April 22, 2013 Audit Committee meeting.

The following are summaries of the three other projects we completed in this quarter.

### **2.1. Investment Tracking System**

In 2012, the Investment Management Section, Financial Services and Utilities Department initiated a system change to the Investment Tracking System for the City's internally managed bond portfolios. This change automated the transmitting of trade instructions to the City's custodian and facilitated the implementation of electronic settlement of bond investments using the custodian's web-based trade entry system.

At the request of the Branch Manager of Client Financial Services, the OCA participated in the system change in an advisory capacity. To help meet their objectives, we provided proactive risk and control-related advice to the project team responsible for implementing the system change. We participated as an advisor only, and did not make decisions or set direction for the implementation process. An OCA representative performed the advisory role, but this will not preclude the OCA from using other audit staff to undertake audits of the Investment Management Section in an objective manner.

Our overall objective was to ensure that controls in the City's Investment Tracking process were not compromised due to the system change, and where the functionality could not provide the required controls, procedural changes were implemented to minimize the risk of loss to the City. We met this objective by facilitating a risk and control session for the project team to identify risks and implement controls to minimize the identified risks.

The project team developed and implemented a conversion plan, a parallel test plan, an integration test plan, a training plan, a documentation plan, and access administration procedures with our input. During the test periods, we also reviewed the reconciliations performed by the project team to ensure the completeness, accuracy, and timeliness of processing the City's internally managed bond transactions. As well, we reviewed the electronic settlement of bond investments using the custodian's web-based trade entry system. This provided the assurance that all identified risks were addressed by the Investment Management Section for the system change to the Investment Tracking System.

## 2.2. Information Governance Review

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 partnered with the Administration in evaluating the City's Information Governance Program, its framework, design, and effectiveness.

The City of Edmonton's Information Governance Program is based on guidance from relevant legislation, Bylaws, Administrative Directives, and Procedures. The City's Information Management Council, the City Manager, General Managers, the City Clerk, the Branch Manager of Information Technology, Records Managers, FOIP Coordinators, and employees are charged with specific responsibilities for records and information management.

We worked with an Evaluation Team consisting of the General Manager of Corporate Services, the City Clerk, the City Solicitor, as well as the Chief Information Officer and Branch Manager of Information Technology. The team surveyed four groups to obtain feedback on the City's Information Governance Program – the Corporate Leadership Team, the Information Governance Council, the Records Managers, and the FOIP Coordinators. A response rate of 72% was achieved. The Evaluation Team analyzed the results of the survey to obtain a better understanding of how respondents perceive the City's Information Governance Program.

We also facilitated a session for the Evaluation Team to determine what is working well, what is in progress, and where improvement is needed pertaining to six criteria chosen to evaluate the City's Information Governance Program.

Based on the overall analysis, the following general action plans with specific steps were agreed to by the Evaluation Team:

1. Enhance information and knowledge management as well as the City's culture towards effective information management by completing the implementation of Cit-e-file, corporate records training, and other corporate information management initiatives.
2. Establish and implement clear accountability and responsibility for information and system management, and communicate this effectively to all City employees.
3. Take steps to improve the timeliness, relevancy, accuracy, completeness, and ease of use of the City's information by enhancing quality control procedures.
4. Provide input on information risk management to the City's Enterprise Risk management program.

The Evaluation Team has formalized the parties responsible for implementing these action plans and is planning the implementation in conjunction with other corporate initiatives.

### **2.3. Civic Agencies Review**

We included a review of the City's Agencies, Boards, and Commissions in our 2012 Annual Work Plan. We initiated the planning of this audit in October 2012. During the planning phase we conducted a risk assessment. This included:

- Discussions with the City Clerk, and members of her staff responsible for supporting the City's Agencies, Boards, and Commissions.
- Discussions with staff from the Law Branch.
- Review of risks found in other similar audits in other municipalities.
- Review of relevant documentation, including consultant reports, council reports, and results of surveys conducted by the Office of the City Clerk (OCC).

The results of our risk assessment found potential risks relating to the following:

- Ineffective appointments to agencies (i.e., City is not getting demonstrated value from the citizens appointed to the agencies).
- Lack of agency accountability due to inappropriate reporting structure.
- Unclear roles for agency members, City Clerk staff, and City Council.
- Unclear purpose for agency (i.e., agency may have fulfilled its original purpose but there is no set way to dissolve it).
- Poor governance practices.

However, we also found that the OCC is aware of these risks and is already taking steps to address them. The OCC has recently hired a consultant to amalgamate and modernize the existing five policies relating to Civic Agencies into one policy. The new policy and related procedures will help to deal with many of the risks and issues we identified in our risk assessment and improve the effectiveness and efficiency of Civic Agencies. This new policy is set to be presented to Council in June of 2013. In order to not duplicate the work of the consultant, we have formally postponed this project.

However, we will keep this project in our audit universe and reassess the risks associated with Civic Agencies after the implementation of the new policy and determine if an audit is warranted.