



City of Edmonton Office of the City Auditor

2019

Annual Plan

October 30, 2018



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Bylaws

*In accordance with Bylaw 12424, **City Auditor** Bylaw, the City Auditor is responsible for all internal auditing activities within City Programs and City Agencies.*

Bylaw 12424, The City Auditor Bylaw, establishes the position of City Auditor and delegated the powers, duties, and functions to that position. This includes:

Providing independent, objective assurance and advisory services designed to add value and improve the City's programs.

Assisting the City with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Coordinating fraud investigation activities.

Bylaw 16097, Audit Committee Bylaw, gives Audit Committee the power to approve the Annual Work Plan.

Professional Principles and Standards

As audit professionals we must uphold the principles of all the professional associations we represent and those of the City of Edmonton.

Integrity Objectivity Confidentiality Competency

We follow the **International Standards for the Professional Practice of Internal Auditing (Standards)**, established by the Institute of Internal Auditors (IIA). These Standards are the internationally accepted criteria by which the operations of internal audit departments around the world are evaluated and measured.



Annual Work Plan Development

The OCA's annual planning process is designed to ensure that it prepares a risk-based work plan and that, through its execution, adds value to the corporation.



Potential Projects

We maintain a database of potential projects. These projects are identified through suggestions from members of City Council, Executive Leadership Team, 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 assess each project using the following risk factors:

1. Volume and value of assets, expenditures, or transactions
2. Vulnerability of the area
3. Amount of regulation applicable to the area
4. Strength of internal control environment
5. Governance and ethics environment of the area
6. Sensitivity of information
7. When the area was last audited

As well, we exercise professional judgment to acknowledge varying degrees of impact on overall operations, trends within the City, or Council-directed projects in determining the final risk assessment score for each potential project.

Section Risk Self-Assessments

Each section in the City completes a risk self-assessment as required by the City's Enterprise Risk Management Directive. The assessments include a list of risks to the achievement of the goals of the section, including a corresponding analysis of identified risks, the likelihood of their occurrence, the magnitude of the impact the occurrence of the risk will have on the corporation, and mitigation strategies.

Draft Annual Work Plan Development

We combine the risk scores of the potential projects with the program area risk self-assessment scores to develop a final risk score for each program area. We then rank the program areas based on the risk score. Through an annual workshop, the OCA staff review the ranked list of program areas and identified projects and discuss project scope, potential outcomes, resources required, and audit priority. Following the opportunity for staff input, the OCA management team chooses the projects to include in the draft Annual Work Plan.

Annual Work Plan Approval

The OCA circulates the draft Annual Work Plan to Audit Committee and City Council and places it on the last Audit Committee meeting agenda of the year for discussion and approval. Audit Committee may require changes to the proposed Annual Work Plan prior to its approval.

After approval of the Annual Work Plan, the OCA meets with the City's external auditor to coordinate audit activities and ensure efforts are not duplicated.



2019 Annual Work Plan

Value for Money Audits

Assess efficiency, effectiveness, and economy

Value for money audits include projects that we have identified as high priority based on our risk assessments. This includes IT audits.

We identify the exact scope of each project during our project planning process and then provide a Terms of Reference document to Council and the public Audit Committee members. If we are required to analyze large amounts of data we will use computer aided auditing tools.

In 2019 we plan to complete the **6 projects in progress from 2018** and **start an additional 10 projects**, some of which will carry forward to 2020. Two of these are IT related audits.

Office of Emergency Management Audit
(In progress)

This audit will assess the effectiveness of the Office of Emergency Management. The Provincial Auditor General's Office and the City of Calgary City Auditor's Office are also conducting similar audits. The results of these audits will be contributed to a summary report offering a more comprehensive examination of emergency preparedness coordination and systems in Alberta.

Access to Information Technology Systems Audit
(In progress)

This audit will include a review of user access to the City's major Information Technology systems.

Roads and Parks Services Yard Operations Audit
(In progress)

This audit will determine if planning is adequate to address future operational yard needs and if yard operations are efficient, effective, and safe.

Residential Infill Audit
(In progress)

This audit will assess the efficiency and effectiveness of the City's residential infill processes.

Fraud Risk Management - Detection, Investigation, and Corrective Action
(In progress)

In 2010, we conducted an assessment of the City's Fraud Risk Management Framework. From that project, a new fraud directive was developed and general awareness of fraud risk was improved. This audit will focus on assessing the effectiveness of the City's processes for fraud detection, investigation, and corrective action.

ETS Revenue Management
(In progress)

This audit will assess the effectiveness of revenue management within Edmonton Transit Services.

Conflict of Interest
Management Audit

This audit will assess the effectiveness of the governance framework and controls around managing potential conflicts of interests.

Evaluated Receipt Settlement
Audit

Evaluated receipt settlements are transactions that are paid for without invoices. The City pays for over \$800 million dollars' worth of goods and services using this method. This audit will assess the effectiveness of controls over evaluated receipt settlement transactions.

Social Development Branch
Audit

The Social Development Branch is part of the Citizen Services Department. This audit will assess the effectiveness, efficiency, and economy of the Branch.

Assessment and Taxation
Branch Audit

The Assessment and Taxation Branch is part of the Financial and Corporate Services Department. This audit will assess the effectiveness, efficiency, and economy of the Branch.

Servicing Agreement Audit

This audit will review the controls in place to ensure that the terms and conditions of the servicing agreement are met prior to development proceeding (in particular with regard to the financial terms and conditions).

Communications and
Engagement Department Audit

This audit will assess the effectiveness and efficiency of the Communications and Engagement Department.

Major Capital Project Review

Using a risk based process we will select a capital project (either in progress or completed) to review. Our review will include project and contract management practices, communication, performance measurement, etc.

Forestry Services Audit

This audit will focus on reviewing the effectiveness and efficiency of the City's forestry related services.

IT General Controls – Process
Ownership Audit

This is a governance-level audit that will evaluate the effectiveness of controls within the Open City and Technology Branch's Process Ownership practice area. It will look at how the Branch defines IT processes, manages policies and determines responsibilities.

Cloud Computing Audit

This audit will review the City's current use and management of cloud-based technologies.

Proactive Projects

Provide proactive, strategic, risk, and control-related advice

These projects allow us to provide proactive, strategic, risk, and control-related advice prior to and during the development and implementation of projects, programs, and systems. This helps to ensure that appropriate controls and safeguards are in place to achieve the stated goals. As well, post-implementation reviews of selected information systems may be undertaken.

Other proactive activities we undertake include serving on selected corporate committees; this allows the OCA to ensure that leading practice and control-related inputs receive appropriate attention throughout the project. As well, we provide ongoing monitoring of certain activities, providing assurance that specific controls are working as intended.

In 2019 we plan to complete **1 project started in 2018 and start an additional 3 projects**, some of which will carry forward to 2020.

Continuous Auditing
(In progress)

We use advanced audit software to provide ongoing monitoring of selected information systems and activities. This helps to identify potential risks and also provide assurance that specific controls are working as intended. In 2018, we plan to include the Employee Master File and Payroll Transactions as part of our continuous monitoring work.

Fraud Risk Management

We will continue to support the City's fraud risk management efforts by updating the City's website, posting Fraud Prevention Tips and facilitating fraud awareness presentations throughout the organization as requested by business areas or initiated by us.

Enterprise Performance Management

We are working with the administration to determine how best to assist them with the implementation of the Enterprise Performance Management policy.

Census Process

In preparation for the 2019 municipal census, we will provide proactive assistance with the design and documentation of Census processes. The project will involve familiarization with Municipal Affairs guidance and providing input at various points in the process development.

Investigations

The City Auditor has **primary responsibility** for investigating suspected **fraud**.

As per the City's Administrative Directive A1454, Fraud and Whistleblower Protection, the City Auditor has primary responsibility for investigating suspected fraud and will involve the City Manager depending on the nature and scope of the complaint. We perform investigations to prove or refute alleged fraudulent behaviour or misconduct by a City employee or other parties.

We receive these allegations via the City's Fraud and Misconduct Hotline (which we administer), or directly from the Administration, Council or the public. We forward claims of harassment and discrimination to the City's third-party service provider.

Recommendation Follow-up

We report on the status of recommendations at each Audit Committee meeting.

We will monitor and report on the status of all the recommendations we make in our reports. Our monitoring program consists of reviewing the status of actions taken on recommendations in previously released reports with the appropriate management staff to determine if management has implemented the intent of our recommendation. We maintain a database of these recommendations to facilitate the recommendation follow-up process.

Governance and Leadership Activities

To support City Council and Audit Committee's governance responsibilities in 2019 we will provide them with our [2018 Annual Report](#) and our [2020 Annual Work Plan](#).

[2018 Annual Report](#)

The City Auditor will provide an Annual Report which will include a summary of the observations, recommendations, and information pertaining to the audits conducted by the OCA in 2018.

[2020 Annual Work Plan](#)

The City Auditor will submit an Annual Work Plan to Audit Committee at the last Audit Committee meeting in 2019. The Annual Work Plan outlines the scope of work the OCA intends to conduct in the next year.

To continually maintain internal audit skills and knowledge our staff has memberships with the Institute of Internal Auditors (IIA), Canadian Comprehensive Auditing Foundation (CCAF-FCVI), Association of Local Government Auditors (ALGA), Information Systems Audit and Control Association (ISACA), and the Association of Certified Fraud Examiners (ACFE).

We also share operating practices with various organizations that help to promote the internal audit profession and our audit practices within the City.

Emerging Issues

Unplanned projects arising during the year

These are audits or projects that we undertake during the year that are not listed in the Annual Work Plan. OCA staff might identify these projects during a scheduled audit, or City Council, the Administration, or a member of the public may bring the project to the attention of the City Auditor. The City Auditor assesses their importance and risks and, as stated in the City Auditor Bylaw, uses his discretion to assign resources to the new project. We include an appropriate resource allotment in the work plan to address these unforeseen issues.