

The logo for the City of Edmonton, featuring the word "Edmonton" in white sans-serif font on a blue square background.

Edmonton

**OFFICE OF
THE CITY AUDITOR**

**REPORT
2022 ANNUAL
REPORT**

APRIL 24, 2023

Message from the City Auditor



HOA QUACH CITY AUDITOR

MISSION

Enhancing Edmontonians' trust through independent, value-add internal audit and advisory services.

GUIDING PRINCIPLES

Integrity
Accountability
Unbiased
Collaborative
Committed to continuous improvement

CITY AUDITOR BYLAW

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

The Office of the City Auditor (OCA) has an important role in supporting good governance, accountability, and transparency in the City of Edmonton. Our independence, objectivity, and expertise have led to strengthened controls and improved effectiveness and efficiency in City programs and services.

The OCA brings a systematic, disciplined approach to enhance the City's governance, risk management, and internal controls. We conduct our work in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, established by the Institute of Internal Auditors.

Our success is built on strong relationships based on mutual respect and the values we share with our key stakeholders - the public and City Council, as well as the City Audit Committee and Administration. These relationships allow our office to find a balance between independence and cooperation.

In the fall of 2021, we finalized a four-year strategic plan that focuses on continuous improvement. I want to highlight key initiatives we have implemented:

- Reviewing the OCA's organizational design, to clarify our roles and career progression, and to optimize our effectiveness.
- Updating our audit methodology to further improve the quality of our audits and audit reports.
- Building out our data analytics function, which supported two-thirds of our audits.
- Developing a plan to support team members' development of skills, competencies, and career aspirations.

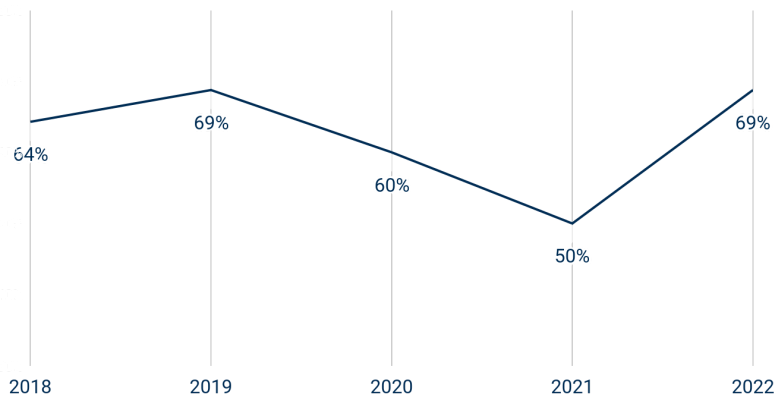
I want to personally thank each OCA team member for all their efforts over the last year. And specifically for their commitment, dedication, and professionalism in serving Edmontonians and City Council.

Quality Audit, Advisory, and Investigative Services

AUDIT PLAN COMPLETION

Our target for 2022 was to substantially complete 70 percent of the audits in the annual plan by the end of the year. To ensure consistent productivity, we schedule projects to begin and end at various times throughout the year. Completion of the projects in the Annual Work Plan is highly dependent upon the amount of emergent work we take on during the year. This includes investigations, unplanned high-priority issues, and requests from Council.

Percent of Planned Audits Completed



PERFORMANCE AUDITS

We presented nine performance audits for public discussion at Audit Committee meetings in 2022. Performance audits assess whether an operational area, service, or program operates efficiently, effectively, and economically and whether risks are appropriately mitigated.

2021 Municipal Elections Audit March 2022

The objective of this audit was to determine whether the City Clerk's Office conducted the 2021 Municipal Election planning and voting in accordance with provincial legislation and

Edmonton Elections procedures.

We found that the City Clerk's Office conducted planning and voting in accordance with provincial legislation and City of Edmonton Bylaw 19457 Elections Bylaw. We observed a couple of deviations from Edmonton Elections procedures, but none that would have impacted the municipal election results. We discussed these observations with the City Clerk's Office and did not make any recommendations.

Use of IT Contracted Resources Audit
March 2022

The objectives for this audit were to determine if the City complied with its directives and procedures for procuring and managing IT resources.

We found that the City followed its procurement directives and procedures. For example, it followed a competitive procurement process to enter into a contract for IT staff augmentation. We also found that the City managed the contracted IT resources according to its contract terms.

However, the City lacked documentation on why it needed to obtain IT contracted resources through an IT augmentation contract. As well, contractor fees were not always consistent with the pay schedule stated in the IT staff augmentation contract. When we reviewed direct contracts with IT vendors outside of the IT staff augmentation contract, we observed that these contracts require additional support to justify non-competitive procurements. We made two recommendations to address these issues.

IT Process Ownership Audit
March 2022

The objective for this audit was to assess the effectiveness of the Open City and Technology (OCT) Branch's process ownership practice area. This audit included OCT's supporting frameworks, policies, directives, and procedures.

We found that OCT has not maintained its IT governance framework. Nor has it identified opportunities to improve IT practices related to process ownership. We made one recommendation to address these issues.

Arterial Roadway Assessment Audit

June 2022

The objectives of this audit were to determine if the Development Services Branch developed guiding documents that were clear and understandable, and whether the Branch administered its arterial roadway assessments program to meet program goals.

We found areas for improvement in the guiding documentation. The lack of clarity related to:

- The initial arterial lanes developers construct
- Timing for subsequent road widening
- Inclusion of contingency costs in the City's cost estimation process

We also found opportunities for the Branch to document the detailed calculations to determine the ARA cost per hectare and perform more detailed reviews of the calculations to prevent errors. We made two recommendations to address these issues.

City's Response to Homelessness Audit

June 2022

The objective of this audit was to determine if the City of Edmonton coordinates its internal homelessness activities to achieve its intended outcomes.

We found that the City does not have:

- A corporate-wide plan that defines the strategy and integrates and coordinates the activities that support its internal response to homelessness
- A single dedicated position or body that is accountable and has the proper authorities to coordinate this work
- An evaluation process to assess the overall impact that its internal response to homelessness activities is having on Edmonton's homeless population

We made three recommendations to address these issues.

Safety Codes Permits and Inspections Services Audit

October 2022

The objective of this audit was to determine whether the Safety Codes Permits and Inspection (SCPI) team's building permits process is effective, efficient, and aligns with regulatory requirements. The audit also assessed whether SCPI is

managing the building permit process to meet stakeholder expectations.

We found that the City is accredited to administer the Safety Codes Act and that staff in SCPI obtain and maintain their Safety Codes Officer certification. However, we also found that:

- The number of inspections required for a new single-detached home building permit was not clear
- SCPI was not making the most of its risk-based model to decide which inspections to complete
- SCPI lacked comprehensive, documented procedures
- Processes for issuing permits and booking inspections can cause increased timelines
- Some SCPI performance measures were not reliable, understandable, comparable, and lacked clear targets

We made five recommendations to address these issues.

City Financial Condition Update
October 2022

The objective of this project was to provide the City with an update on the nine financial indicators we reported on in our November 2020 City Financial Condition Review. We also included historical information on indicators from 2000 to 2021. We did not make any recommendations.

City Governance of Fort Edmonton Park Audit
December 2022

The objectives of this audit were to determine if the Community Recreation and Culture Branch has a governance framework for Fort Edmonton Park that achieves the long-term strategic goals set out by City Council and is managing the City's support of Fort Edmonton Park at the appropriate level.

The City created the Fort Edmonton Management Company to operate and manage the Park on the City's behalf. We found that the City's documents for governing the Company:

- Are outdated
- Include clauses that are no longer accurate or consistent with the City's current practices
- Have unclear roles and responsibilities

We also found that:

- The Company's long-term strategic goals do not align with the City's governing documents
- The City's management agreement with the Company includes unclear roles and responsibilities, funding approaches, and service provisions

We made four recommendations to address these issues.

Enforcement Services Management and Support Audit

December 2022

The objectives of the audit were to determine if the Community Standards and Neighbourhoods Branch has:

- Guiding documents to support consistent enforcement services
- Enough enforcement staffing resources to meet expected service levels
- Information systems to support the branch's operational needs

We found areas of improvement related to performance measures. The Branch's service objectives did not all have performance measures and only one of them had targets. They are also not fully evaluating the results of the performance measures. We also found an opportunity to update their policies and procedures to reflect staff members' understanding of current practices and to improve the functionality of their GPS system. We made three recommendations to address these issues.

Reports Master Listing

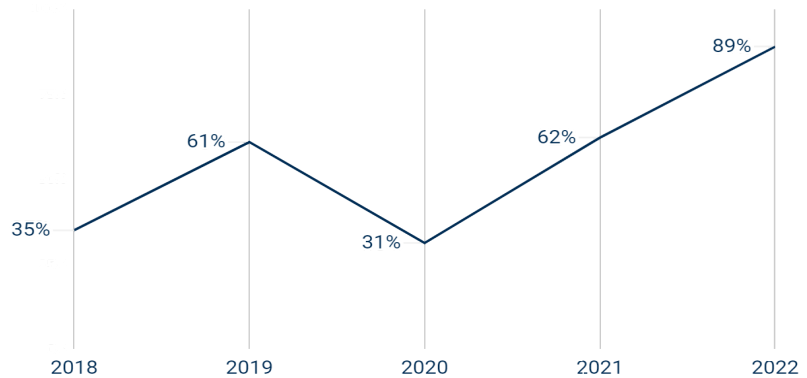
All current and historical reports by the OCA are available at edmonton.ca/auditor.

RECOMMENDATIONS

The OCA makes recommendations to improve the City's operations, programs, and services. For each recommendation, we assess the adequacy, effectiveness, and timeliness of actions taken by management. This provides assurance that management has implemented our recommendations or provided appropriate explanations when actions are delayed, or if they have decided not to implement recommendations.

Our target for 2022 was for Administration to implement 70 percent of our recommendations by the due date they provided.

Percent of Recommendations Implemented by Due Date



2022 Closed Recommendations

At each Audit Committee meeting, we present an updated Recommendation Follow-up Dashboard report. These reports provide the status of our recommendations and note any changes to planned implementation dates. In 2022, Administration implemented 24 recommendations, which improved efficiency, effectiveness, economy, governance, and risk management within the organization.

We highlight the improvements and implications of some of the implemented recommendations below.

Construction quality measurement for transportation infrastructure projects

In 2022, we audited the City's project management of transportation infrastructure projects. In response to the audit recommendations, Administration has developed and reported performance measures for the construction quality of transportation infrastructure projects.

Improved management of electrical services contracts

In 2021, we audited the City's electrical services contract management. In response to the audit recommendations, Administration has improved its processes for paying invoices with correct supporting documentation. They have developed key performance indicators to monitor and compare the

contracts and are applying formal contract controls to help enforce the terms and conditions of the contracts.

Improved guiding documents, performance measures, and pruning budgets for Forestry Services

In 2020, we completed an audit of the City's Forestry Services. In response to the audit recommendations, Administration has reviewed and updated their guiding documents to improve on their clarity, accuracy, and consistency. They have reviewed and updated publicly reported performance measures to improve on their understandability, comparability, and accuracy. Forestry has also reviewed their pruning budget, including a review of pruning task standards, unit cost per tree, pruning scheduling and coordination, and pruning cycle. Forestry will be using this information to examine various options for optimizing their operations.

Update governing document to promote the consistent administration and use of reserve funds

In 2021, we audited the governance and management of the City's reserve funds. In response to the audit recommendation, Administration updated the primary governing document to include a discussion on the purpose, allowable uses, and responsible business areas for each reserve fund. This was done to provide clarity on the intended use of each reserve fund and to promote consistent administration of the City's reserve funds.

Improve governance structure, use of program resources, and strengthen program processes and operations for the Snow and Ice Control Program

In 2021, we completed an audit of the City's Snow and Ice Control Program. We made 11 recommendations; 5 were closed in 2021 and the remaining 6 were closed in 2022. This year, Administration:

- Implemented a process to regularly assess the costs of in-house versus contracted services
- Entered into a partnership agreement with the Fleet and Facility Services Branch
- Looked into a number of cost-reduction and revenue generation opportunities
- Implemented steps to improve internal decision-making processes, staff oversight, and change management processes

Clarified the role of the Social Development Branch and evaluate the achievement of its activities and outcomes

In 2020, we completed an audit of the Social Development Branch. In response to the audit recommendations, the Branch implemented a strategic document that formally defined and clarified its role, goals, key activities, and intended outcomes. This document was then used to inform the creation of an evaluation process that the Branch will use to evaluate and assess the achievement of its activities and outcomes. The Branch also created a process to ensure the consistent administration of its municipal funding arrangements. This process included the use of a centralized information system and a procedure to input and facilitate the monitoring and reporting of the Branch's funding arrangements.

Strengthen IT staff augmentation process and requirement for documented support for non-competitive procurements

In 2022, we audited the use of IT contracted resources. In response to the audit recommendations, Administration improved its IT staff augmentation process by adding requirements for documented support for justification for hiring IT contracted resources and providing guidance for what is a suitable business case to justify paying higher rates.

In addition, the Corporate Procurement and Supply Services Branch implemented a new Procurement Standard. Among other changes, the new standard:

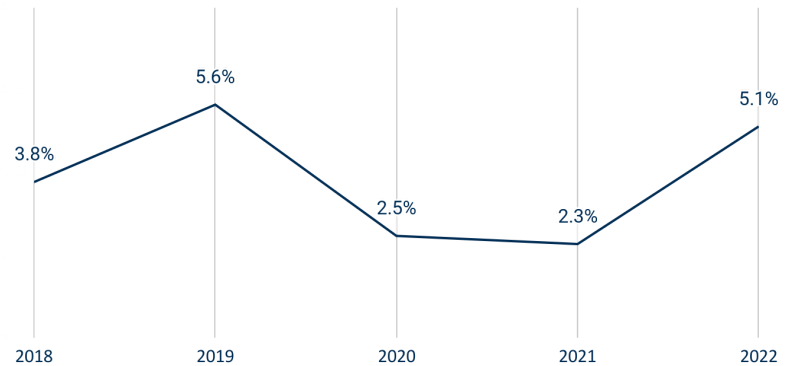
- Strengthens the requirement for documented support for non-competitive procurements
- Replaces the City's Procurement Administrative Policy and its related procedures
- Consolidates 13 guiding documents into 1 comprehensive standard
- Provides clearer guidance on the use of invitational processes, in particular for non-competitive procurements

ADVISORY PROJECTS

Advisory projects allow the OCA to provide strategic, risk, and control-related advice prior to and during the development and implementation of projects, programs, and services. The advisory projects we perform do not impede our ability to

conduct objective audits in an area at a future date. Our target for 2022 was to use eight percent of our audit staffs' available hours on advisory work.

Percent of Available Audit Staff Time Spent on Advisory Projects



In 2022, we undertook a number of advisory projects as requested by Administration. These include:

- Supporting the City's Enterprise Risk Management (ERM) by working with the ERM Subject Matter Experts workgroup to provide advice on the development of the City's ERM Framework.
- Identifying the gaps between the current practice and best practice in grant administration for the City's Revitalization Grants Program.
- Reviewing the selection process for the Community Safety and Well-being grant program and providing advice to improve the design of future selection processes for similar grants.
- Providing advice to improve the City's Hybrid Work Arrangement check-in process and staff survey.

INVESTIGATIONS - FRAUD AND MISCONDUCT HOTLINE

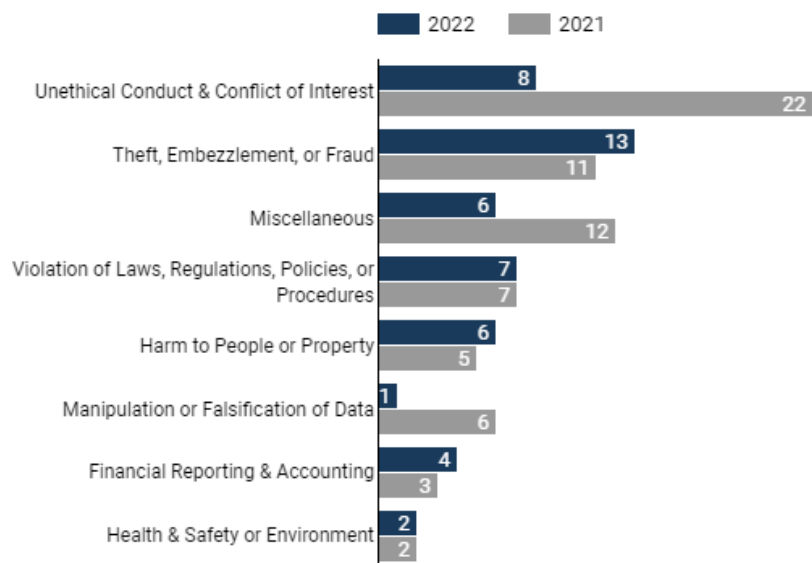
The Fraud & Whistleblower Protection Administrative Directive prescribes procedures for the prevention, detection, reporting, and investigation of suspected fraud, as well as the processes for reporting and resolving complaints.

Employees can provide reports of suspected fraud and misconduct through a third-party service. The information provided by hotline reporters is anonymous. The OCA manages the hotline. Employees can also submit reports directly to the OCA or through their supervisors. Depending on the available details and the nature of the complaints, the City Auditor decides whether or not the OCA will start an investigation.

If the report is about a workplace issue we refer it to the City Manager to decide how to investigate it. If the reports are about harassment and discrimination we send them to the City’s Safe Disclosure Office.

TYPES OF REPORTS

In 2022, we received 47 reports of alleged fraud or misconduct. In 2021, we received 68 reports. Report topics fall into the following categories.



INVESTIGATIONS

We do not investigate all the tips that we receive. We forward tips relating to employee misconduct to Administration for investigation. In 2022, the OCA or Administration started investigations for 31 of the 47 reports we received. We completed 16 investigations from 2022 and 12 from 2021.

Outcomes of Investigations Closed in 2022

	Allegation Substantiated	Allegation Not Substantiated	Total
2021 Reports	4	8	12
2022 Reports	5	11	16
TOTAL	9	19	28

DETAILS OF SUBSTANTIATED INVESTIGATIONS

Investigations are designed to prove or refute alleged fraudulent behavior or misconduct by a City employee or other parties. Below are the details of the nine investigations that resulted in confirmation of the allegations or recommendations to address identified risks.

Suspected Misuse of City Time

A reporter alleged that a co-worker was not working his full shift. Administration investigators found the employee was leaving work early but that they had permission to amend their assigned shift to start and end at an earlier time to deal with personal issues. The investigator recommended the manager document any adjustments to shifts.

Conflict of Interest

A reporter alleged that a manager had acted unethically by misusing their position of authority in the hiring of a friend, who later became a business partner. Administration investigators could not confirm that the manager was involved in the original hiring of their friend. They did confirm that the manager had intervened to prolong their friend's time at the City upon the conclusion of their temporary position. Additionally, the investigator confirmed that the manager and the friend became business partners while both working for the City. They also confirmed that neither had disclosed this potential conflict of interest. The manager left employment with the City prior to the close of this investigation.

Suspected Misuse of City Time

A reporter alleged that a co-worker was using the internet for personal use during work hours. Administration investigators

substantiated this claim. The employee was told that if they are going to watch videos or other personal browsing, they should do this on breaks in a break area using their personal phone, or on their off hours.

Assuming and Sharing Vaccination Status

A reporter alleged that a supervisor made assumptions of the reporter's vaccination status and told them the vaccination status of another supervisor. Administration investigators interviewed the supervisor, who admitted to making the comments. They recommended that the supervisor be coached to refrain from making assumptions about staff's vaccination status and that they refrain from sharing other employees' vaccination status.

Recording Conversations

A reporter was concerned about a co-worker illegally recording other people's conversations on his cell phone and then reporting them to their supervisor. Administration investigators could not substantiate the report. However, they recommended that the supervisor have a conversation with all employees about recordings in accordance with the Code of Conduct.

Misuse of City Time and Falsification of Records

A reporter alleged that a co-worker exaggerated their medical condition before going off on medical leave and had previously used City time and resources to run their side business. Administration investigators could not substantiate these claims; however, they did substantiate a misuse of City time. While investigating the worker, Administration investigators found that work indicated in the employee's work orders and timesheets did not match what they observed. The City applied corrective action, short of termination of employment.

Inappropriate Behavior

A reporter alleged that another employee was accusing others of filing complaints against them and trying to determine who lodged the complaint. Administration investigators substantiated the allegation and corrective action was applied, short of termination of employment.

City Identity Impersonation The OCA investigated an attempted fraud relating to a City grant program. A citizen received a communication allegedly from the City saying it had approved a grant to their business for \$25,000 and they would need to supply their banking information to receive the money. The business had not applied for the grant. We found the email was not legitimate and was not sent by the City. The City reported this attempted fraud to the Edmonton Police Service.

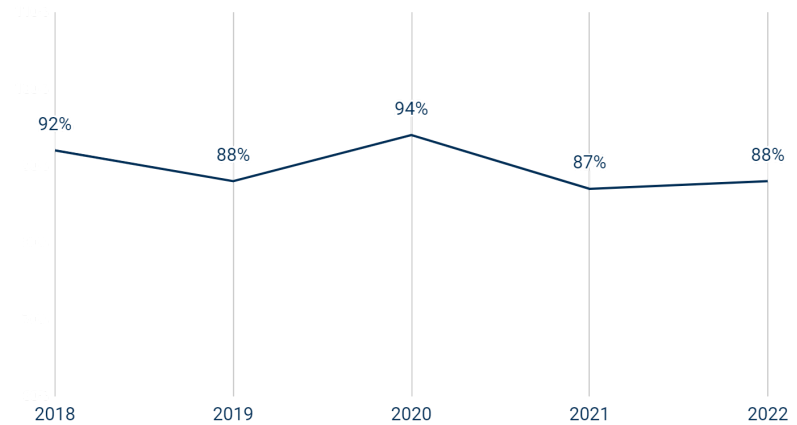
Misuse of Surplus Equipment The OCA investigated two employees who had a verbal agreement to split the profits from buying and selling some of the City's surplus assets. Using their knowledge of the surplus assets, they would identify and purchase the assets, and subsequently sell the assets at a profit. We found a control weakness that allowed employees to purchase the surplus assets before the general public, which Administration has fixed. We also found that the employees were in violation of two sections of the Code of Conduct. These violations were sent to Labour Relations for review. Corrective action was applied, short of termination of employment.

Promoting OCA Value and Collaborative Relationships

AUDITEE SATISFACTION

After each audit, we issue an auditee satisfaction survey to obtain feedback on our performance and to identify areas where we can improve. Our target for 2022 is 80 percent overall satisfaction.

Percent of Overall Auditee Satisfaction



COLLABORATIVE RELATIONSHIPS

We provide local, national and, where possible, global leadership in the government auditing profession. To stay current in the industry, our staff undertakes a number of activities that promote the profession and our audit practices within and outside the City. Many of our audit staff members actively support the auditing profession by chairing or serving on boards of directors or committees of professional audit-related and other organizations.

Advanced Analytics and Innovation

We developed a three year plan to:

- Incorporate advanced data analytics into our audits
- Continuously monitor risks
- Enhance staff analytics competencies

We developed the analytics plan to align with our broader Strategic Plan. In 2022, we used advanced analytics to generate insights from multiple data sources. These insights drive further audit testing and enrich our audit findings. We also used data science tools to process non-tabular data (such as text) to reduce the amount of manual work needed in some audits.

Percentage of Completed Projects Where We Applied Advanced Analytics

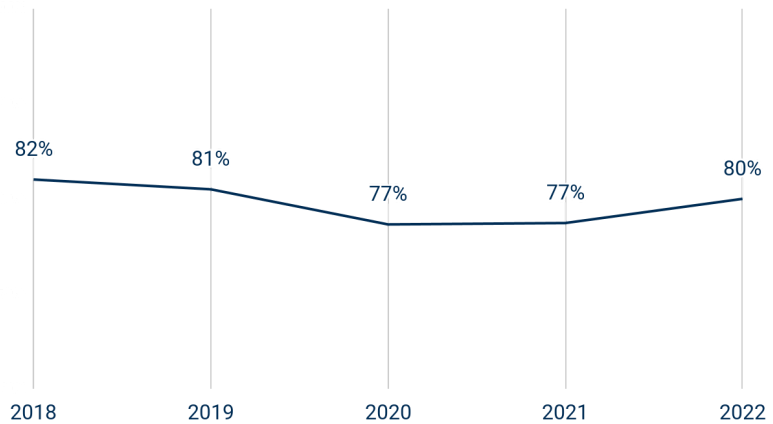
Our target for 2022 was to use advanced analytics in 30 percent of audits we completed in the year. In 2022, we used advanced analytics on 64 percent of the audits we completed. This is the first year we have collected this information.

Organizational Effectiveness

STAFF UTILIZATION

Our target for 2022 was to spend 70 percent of available audit staff time on projects.

Percent of Total Available Audit Staff Time Spent Working on Projects



COST EFFECTIVENESS AND ACCOUNTABILITY

The OCA is committed to operating in a cost-effective and accountable manner. We measure our cost effectiveness by monitoring our actual versus budgeted expenditures, and our office operating expenses as a percentage of the City's operating expenses.

In 2022, our actual expenditures were 3.2 percent below budget. At \$2.85 million, our 2022 annual office budget is below the industry average of \$3.3 million for audit shops of comparable size. Our office expenditures make up 0.09 percent of the total organization expenditures, which is lower than the industry average of 0.14 percent.

QUALITY ASSURANCE & IMPROVEMENT

We perform periodic self-assessments throughout the year to ensure our conformance with the Institute of Internal Auditors Standards and the Code of Ethics. Our periodic self-assessments include the Deputy City Auditors performing project quality reviews and an annual evaluation across all

projects and processes.

The Institute of Internal Auditors Standards and the City Auditor Bylaw both require the OCA to undergo an independent, external quality assessment review at least once every five years. The OCA has had three Independent External Quality Assessments in the past 10 years (2011, 2015, and 2020). In all three assessments, we achieved the highest rating an audit office can earn for compliance with the Standards.

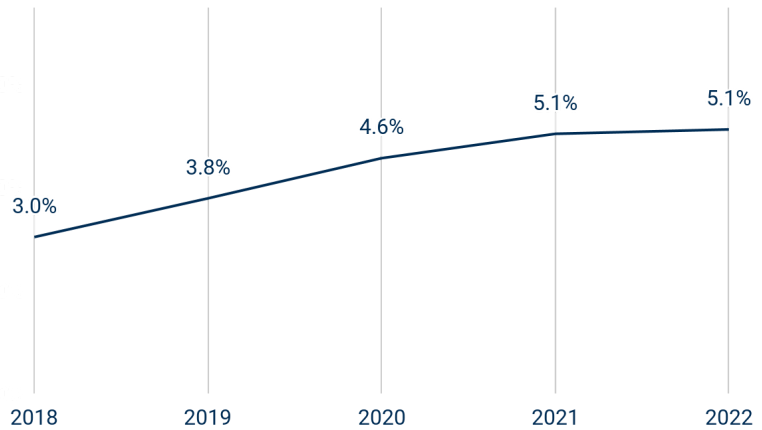
Per the Institute of Internal Auditors Standards, the OCA must confirm its organizational independence. In 2022, the OCA was free from conditions that threaten its ability to carry out internal audit responsibilities in an unbiased manner.

Empowering People

TRAINING AND DEVELOPMENT

On average, staff completed 10 days of City-funded training and development to enhance their knowledge, skills, and other competencies (including ethics). The average cost paid externally for training and development was \$813 per staff member in 2022. Our target for 2022 was for staff to spend 5 percent of their available time on training and development.

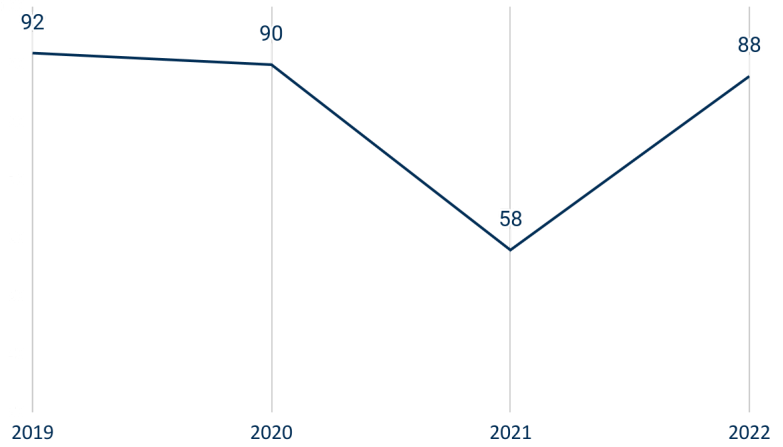
Percent of Available Staff Time Spent on Training and Development



EMPLOYEE ENGAGEMENT

The culture of our office supports the achievement of our goals. We measure employee engagement through the result of the City of Edmonton Employee Check-in survey question: How happy are you working at the City of Edmonton? Our target for 2022 was 70 out of 100.

Average Employee Engagement Score*



*2019, 2020, and 2021 results are from the fourth quarter of each year. The 2022 result is from the first quarter of 2023 because the 2022 fourth quarter result was unavailable.

This report highlights the significant work of the OCA staff towards achieving the goals of our 2022 to 2025 Strategic Plan. We look forward to 2023, where we will continue our efforts to enhance Edmontonians' trust through independent, value-add internal audit and advisory services.