

**OFFICE OF
THE CITY AUDITOR**

**REPORT
2023 ANNUAL
REPORT**

February 29, 2024

Message from the City Auditor



JANINE MRYGLOD
ACTING 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.

I am pleased to present the Office of the City Auditors Annual Report for the year ended December 31, 2023.

The Office has an important role in supporting good governance, accountability, and transparency in the City of Edmonton. We are independent of City Administration and we perform our work with objectivity and the expertise needed to improve value for money, create positive change, and reduce risks to the City achieving its goals.

We bring 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.

I appreciate the support and interest in our work from members of the Audit Committee and City Council. I also appreciate the support and cooperation we receive from City Administration. Without this support we will not be effective in helping the City to achieve its goals.

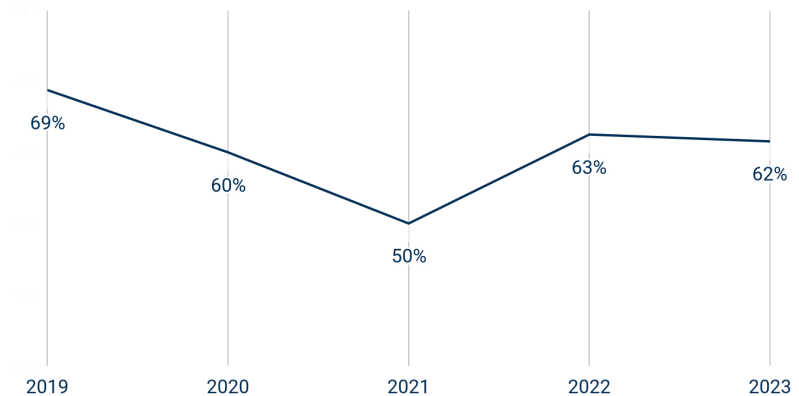
I also want to acknowledge and thank the staff of the Office. The goals of the Office of the City Auditor are achieved because of their hard work, perseverance, and commitment to delivering high quality, innovative, and cost-effective audit services. Their ability to willingly adapt and rise to new challenges and complexities in our work is exceptional. I am extremely fortunate to work with this talented and professional group of individuals.

Quality Audit, Advisory, and Investigative Services

AUDIT PLAN COMPLETION

To ensure consistent productivity, we schedule projects to begin and end at various times throughout the year. Our year-end target for 2023 was to complete 75 percent of the audits in the annual plan. We completed 62 percent of them. This is mostly due to staff turnover during the year. It is also affected by how much emergent work we take on during the year like investigations.

Percent of Planned Audits Completed



*2022 figure restated

PERFORMANCE AUDITS

We presented ten performance audits for discussion at Audit Committee meetings in 2023. Performance audits assess whether an operational area, service, or program operates efficiently, effectively, and economically, and whether risks are appropriately mitigated.

**Enterprise Performance
Management Audit**
February 2023

The objectives of this audit was to determine whether:

1. The Service Innovation and Performance Branch implemented an effective framework for performance

management to continuously improve City services.

2. Departments have adopted the EPM framework and are effectively measuring and reporting performance to improve City services.

Overall, we found that the EPM framework is well-designed and aligns with good practices. However, we found:

- The Service Innovation and Performance Branch is not monitoring the departments' implementation of the framework.
- Some departments have evaluated only some of their performance measures.
- There is limited reporting on performance measures through the City's online dashboard.

We made four recommendations to address these issues.

**Council and Council
Committee Reports Audit**
February 2023

The objective of this audit was to determine if Administration provides City Council with reports that support informed decision-making.

We found the City Manager's instructions for Council and Council Committee reports do not include instructions for when to use a Council report. We also found the instructions, guides, and templates do not provide enough guidance to report writers on how to write clear, readable reports. Our review of 15 sample reports found the information in them was objective and timely. However, we could not validate sampled information within 7 of the reports. As well, our subject matter expert indicated that most of the reports could have been clearer and more concise.

We made two recommendations to address these issues.

Cyber Security Program Audit
May 2023

The audit focused on how the City of Edmonton manages its cybersecurity program to identify, protect, detect, respond and recover from those looking to exploit our security vulnerabilities.

The report was presented to the Audit Committee in private due to the nature of the subject matter.

Grants and Subsidies Audit
May 2023

The objective of this audit was to determine if Administration is managing grants and subsidies to achieve value for money invested in the community.

We found that most business areas do not consistently comply with the City's governing documents for grants and subsidies. They are not aware of the governing documents and lack training on how to use them to properly administer grants and subsidies. The Financial Services Branch is also not monitoring and reporting on business area compliance with the governing documents. We found the governing documents include the requirement for business areas to evaluate the results of overall grant programs and subsidy payments. However, the documents do not include guidance on how to do this. We found most business areas do not comply with this requirement. The Financial Services Branch is also not monitoring and reporting on the evaluations that business areas are completing.

We made three recommendations to address these findings.

Employee Absences and Overtime Audit
July 2023

The objective of the audit was to determine if Administration is managing employee absences and overtime cost effectively and to minimize the risks of error in payroll transactions.

Overall, this audit found that Administration is managing employee absences and overtime cost effectively and to minimize the risks of error in payroll transactions.

However, we found the following improvements the Employee Services Department can make to strengthen their support to business areas and ensure compliance:

- Improve support relating to reporting, approval, management, and oversight of overtime and absences.
- Provide business areas with consistent guidance on the use and tracking of earned days off and monitor that business areas are tracking employees' used earned days off against annual entitlements.
- Provide business areas with consistent guidance on the monitoring and managing of overtime both at an individual and aggregate level.

- Review and report on business areas' overtime monitoring and management practices.

We made four recommendations to address these issues.

Valley Line LRT P3 Audit September 2023

The objective of this audit was to determine if the LRT Expansion and Renewal Branch is overseeing the Valley Line LRT projects to meet the City's cost-effectiveness and service delivery expectations.

Overall, the Branch is overseeing the Valley Line LRT projects to achieve cost-effectiveness and service delivery expectations. Based on our review of the City's procurement processes, the project agreement design, and project oversight, we saw no need to make formal recommendations as part of this audit.

IT Asset Management Audit September 2023

The objective of the audit was to determine if the Open City and Technology Branch is managing IT assets to optimize the use of resources and safeguard these assets.

We found the Branch can improve its guidance on IT asset management to include replacement rates for some types of IT hardware. There was a lack of some procedures, and roles and responsibilities for the Asset Management Office and asset users were not clearly documented. We also found that some data in the software asset management tool is not updated in a timely manner.

We made two recommendations to address these issues.

Capital Asset Management September 2023

The objective of this audit was to determine whether the City manages its capital assets to optimize investments in existing infrastructure.

We found that the City can improve its asset management practices. Specifically:

- The Infrastructure Asset Management Policy and the Infrastructure Strategy do not fully align with some Capital Asset Management best practice criteria.

- The City has not developed the first generation of Asset Management Plans for all significant asset categories.
- The City does not have guidance for asset disposition and does not regularly review asset portfolios to identify assets it should dispose of.
- The City does not have documented guidance for asset data verification to improve the accuracy and completeness of its data.
- The City has developed performance measures for its capital asset management practices. However, it has not yet developed a level of service framework. As well, some of these measures are poorly defined or lack supporting data.

We made five recommendations to address these issues.

**City's Response to 311
Requests**
November 2023

The objective for this audit was to determine whether Administration effectively responds to and closes 311 tickets.

Overall, we found that 311 and business areas effectively respond to and close the majority of calls within the service standard. However, we found that 311 and business areas can improve on its processes for handling calls that require the business areas to close the tickets. These include:

- Defining tickets as closed when the service request has been resolved.
- Closing tickets after the service request has been resolved.
- Defining and documenting key performance indicators, and including targets to assess performance.
- Assign and maintain a current listing of individuals to their 311 role.
- Providing status details of open and closed tickets on the City's 311 public website.

We made five recommendations to address these areas for improvement.

Civic Agencies Audit

November 2023

The objective of this audit was to determine if the City's governance supports civic agencies to fulfill their mandates and help the City achieve its strategic goals.

Overall, we found that the City has policies and bylaws in place that outline some of the expectations related to civic agencies. However, we found areas where the City can improve the civic agency governance environment.

- Roles and responsibilities for all parties involved with city agencies are not well documented.
- Some city agencies were created with overly broad mandates, and Council has not regularly reviewed agency mandates for current relevance.
- All city agencies with annual reporting requirements met those requirements. However, the reports submitted by city agencies contain inconsistent sections, and do not include sufficient information for Council to assess the agency's progress against its mandate.
- City agency member training topics are documented in the City's Procedure. However, agency members are not receiving consistent training that covers the topics listed.

The Office of the City Clerk assists Council in providing governance guidance to city agency board members, therefore we have made four recommendations to them to address these issues.

REPORTS MASTER LISTING

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

RECOMMENDATIONS

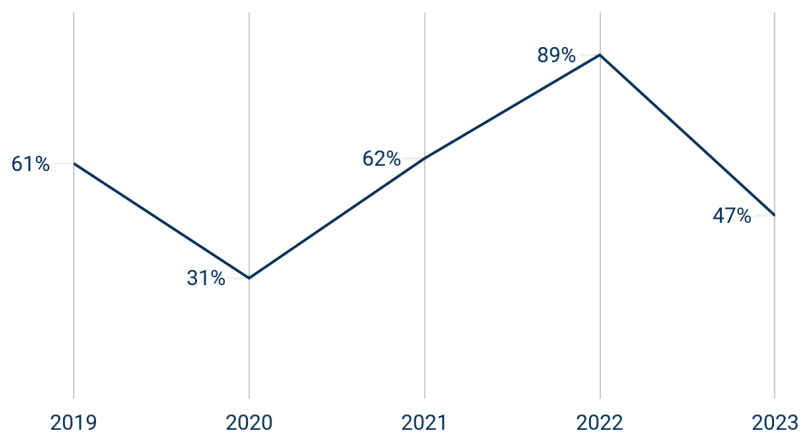
The OCA makes recommendations to improve the City's operations, programs, and services. In 2023 we made 38 recommendations. Administration accepted all of them, providing implementation dates and action plans.

To determine if administration has implemented our recommendations, we assess the adequacy, effectiveness, and

timeliness of actions they take. 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.

In 2023, our target was for Administration to implement 75 percent of the recommendations due in 2023 by the due date originally provided. There were 19 recommendations due in 2023 and they implemented 47 percent of them by their due date (9 recommendations). Administration has provided us with revised action plans and due dates for all of the recommendations they did not implement. Administration sometimes needs to revise action plans and planned due dates as a result of unforeseen circumstances, such as competing priorities, changes in resources, and changes in industry requirements.

Percent of Recommendations Implemented by Due Date



2023 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 2023, Administration implemented 12 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.

Arterial roadway assessment guidance documents and methodology for calculations

In 2022, we audited the City's assessment of arterial roadways. In response to the audit recommendations, Administration has updated guidelines for arterial construction and the methodology for calculating arterial roadway amounts, including a review process.

Improve Council report writing instructions

In 2023, we audited the City's process for preparing reports for Council. In response to the audit recommendations, Administration has updated guidelines to specify when a Council or Committee report is appropriate. They have also clarified who is responsible for each stage of report writing and the approval process. They also updated the Council Reports Style Guide to provide additional guidance on executive summaries, data points, use of plain language, jargon, and active voice.

Update procedures and checklists for safety code permits and inspections, enhance performance measures and improve efficiency of applications and inspections

In 2023, we completed an audit of the City's safety code permits and inspections. In response to the audit recommendations, Administration has developed:

- A standard operating procedures matrix with job aides and checklists for conducting site inspections and training purposes.
- A new *Quarterly Report* which includes key performance measures such as application processing times and customer satisfaction measures.
- Dashboards to measure and monitor application processing times to assist with ongoing improvement efforts as well as resource allocation across services.

Gather enterprise performance management data and monitor departments on information gathering

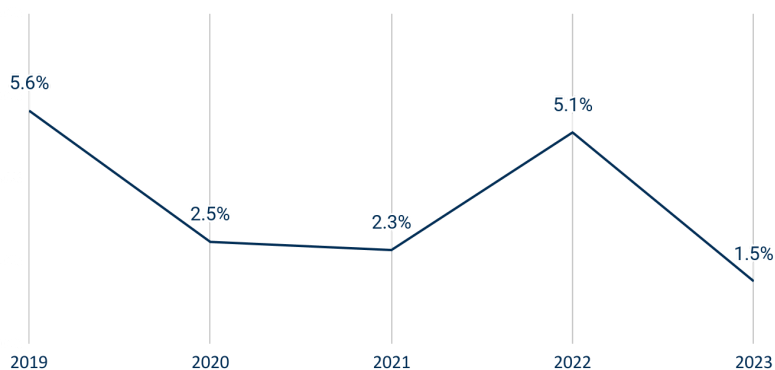
In 2023, we completed an audit of the City's enterprise performance management framework. In response to the audit recommendations, Administration launched a new internal enterprise data platform and created a user guide that covers the details of the system and the importance of performance management. Administration also provided training to the Department Strategy Section directors on how to input and

update measures into the system. The training also covered how and why they will be monitoring compliance. Administration also created a compliance requirement document that defines what they are monitoring and why. Finally, Administration issued its first activity monitoring report that provides information on the number of performance measures that have been updated and have not been updated.

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 2023 was to use 7.5 percent of our audit staffs' available hours on advisory work. We used 1.5 percent. This was mostly due to staff turnover during the year and the type of advisory work requested.

Percent of Available Audit Staff Time Spent on Advisory Projects



In 2023, we undertook a number of advisory projects as requested by Administration. These include:

- Reviewing the refreshed Enterprise Commons project plan and providing advice on project management.
- Supporting the City's Enterprise Risk Management (ERM). We worked 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 and best practice in grant administration for two grant programs.
- Reviewing the eligibility criteria and reporting requirements for the Community Safety and Well-being grant program.
- Analyzing proposed changes to how the Assessment and Taxation Branch maintains system access approval documentation.

INVESTIGATIONS - FRAUD AND MISCONDUCT HOTLINE

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

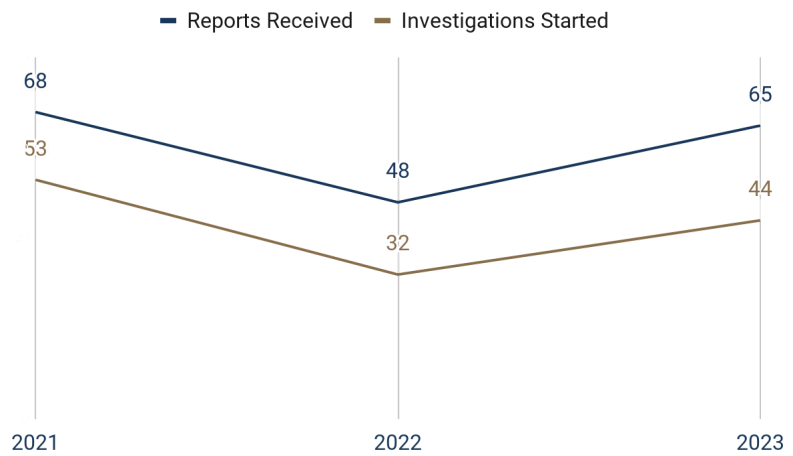
Employees can provide reports of suspected fraud and misconduct through a hotline service provided by a third-party. The information provided by hotline reporters is anonymous. The OCA manages the hotline. Employees can also submit reports directly to the OCA or through their supervisors.

INVESTIGATIONS

We do not investigate all the reports we receive. We decide whether the report can be investigated and by whom, depending on the available details and the nature of the reports. This means:

- If the report is of suspected fraud, we investigate it.
- If the report is about a workplace issue, we refer it to the City Manager to decide how to investigate it.
- If the report is about harassment and discrimination, we refer it to the City's Safe Disclosure Office.
- In some cases we redirect a report to an investigating party other than Administration, for example the Office of the Integrity Commissioner. We do not receive reports on the outcomes of these reports.

Reports Received vs. Investigations Started*



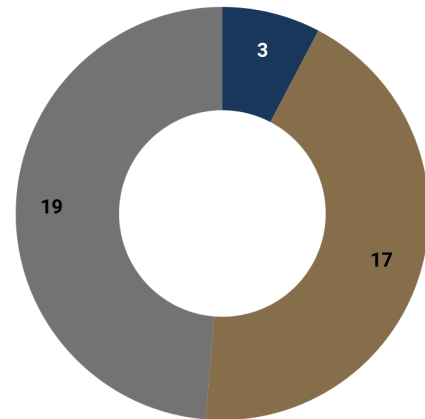
* Note - Not all investigations started in the year will be completed in that year.

OUTCOMES OF INVESTIGATIONS

In 2023, the Office of the City Auditor or Administration completed 39 investigations. Some of these were from reports we received in 2022 and 2021. Investigations are designed to prove or refute alleged fraudulent behavior or misconduct by a City employee or other parties.

Outcome of Investigations Completed in 2023

- Substantiated
- Not Substantiated - Control Weaknesses Identified
- Not Substantiated



DETAILS OF SUBSTANTIATED INVESTIGATIONS

Below are the details of the three substantiated investigations.

Conflict of Interest

Through the use of a fraud detection tool, Administration identified a potential conflict of interest. It related to an invoice

payment where the vendor address matched an employee address. OCA investigators substantiated that an actual conflict of interest occurred. The employee had not disclosed this conflict by completing a Conflict of Interest Disclosure Form, as required by the Employee Code of Conduct. The City applied corrective action, short of termination of employment.

Theft of Assets

A reporter alleged that a bus operator was skimming transit fares from passengers. Administration investigators substantiated the allegation. The operator resigned prior to being terminated, but was arrested and charged with theft by the Edmonton Police Service.

Theft of Time

A reporter alleged that another employee was leaving their post during work, which is not allowed. Administration investigators substantiated the allegation and corrective action was applied, short of termination of employment.

CONTROL WEAKNESSES IDENTIFIED

In 17 of the completed investigations, investigators did not substantiate the allegation, but did find control weaknesses. These are provided to management in the area to address. Examples of these control weaknesses include:

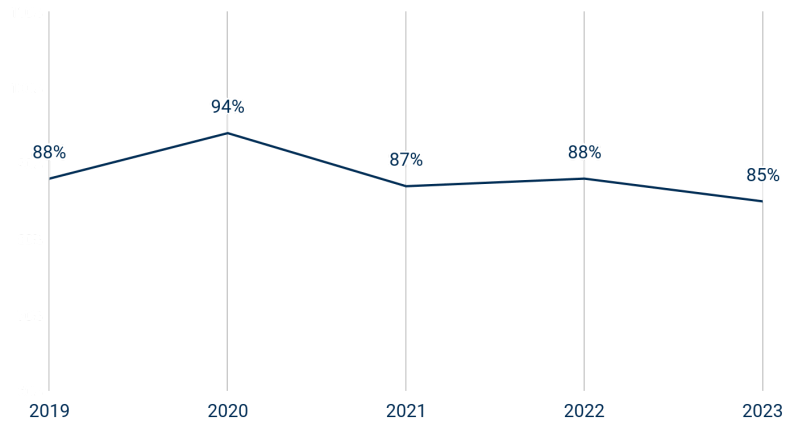
- Not completing the Conflict of Interest Disclosure Form for perceived and potential conflict of interest.
- Lack of monitoring of compliance with the Corporate Credit Card Handbook related to card access during leaves.
- Lack of training on the hybrid work arrangement processes.
- Lack of understanding of the City's Employee Code of Conduct.
- The process for signing in/out borrowed tools in all shops could be improved to ensure transparency and prevent uncertainties about the location of the City's tools at all times.

Promoting OCA Value and Collaborative Relationships

AUDITEE SATISFACTION

After each audit, we issue an auditee satisfaction survey to get feedback on our performance and to identify areas where we can improve. Our target for 2023 is 85 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 actively support the profession by chairing or serving on boards of directors or committees of professional audit-related and other organizations.

Advanced Analytics and Innovation

In 2023, we continued to implement our three-year advanced analytics plan by:

- Incorporating advanced data analytics into our audits and investigations.
- Supporting the identification of risks using analytics.
- Improving reporting on the activities of our office.

In 2023, we used advanced analytics to generate insights from multiple data sources. These insights drive further audit testing and enrich our audit findings. We also developed and tested two interactive dashboards - one for recommendation follow-up and one for the fraud and misconduct hotline activity. The dashboards are available at edmonton.ca/auditor. We also used data science tools to process text data to reduce the amount of manual work needed in some audits.

Percentage of Completed Projects Where We Applied Advanced Analytics

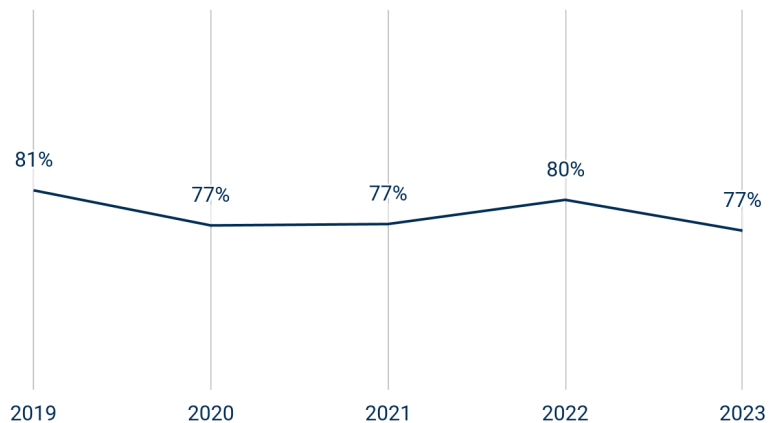
Our target for 2023 was to use advanced analytics in 30 percent of audits we completed in the year. In 2023, we used advanced analytics on 64 percent of the audits we completed, compared to 67 percent of projects in 2022.

Organizational Effectiveness

STAFF UTILIZATION

Our target for 2023 was to spend 77 percent of available audit staff time on projects.

Percent of Total Available Audit Staff Time Spent Working on Projects

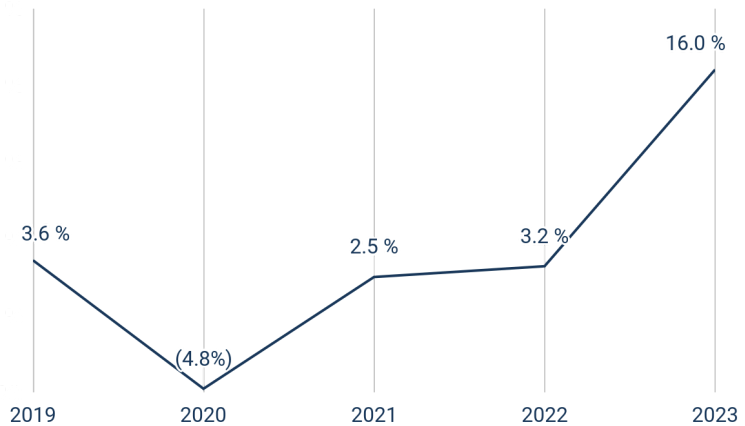


COST EFFECTIVENESS AND ACCOUNTABILITY

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 2023, our actual expenditures of \$2.5 million were 16 percent below our budget. This is mainly due to reduced personnel costs. Our target is to be within five percent of our budget.

Budget to Actual Variance



Our office expenditures made up 0.07 percent of the total organization expenditures in 2023.

QUALITY ASSURANCE AND IMPROVEMENT

We perform periodic self-assessments throughout the year to ensure we comply 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.

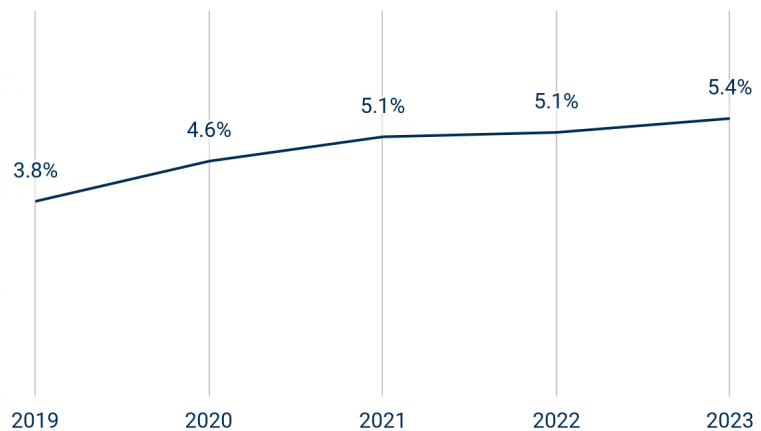
Per the Institute of Internal Auditors Standards, the OCA must confirm its organizational independence. In 2023, the OCA was free from conditions that threatened its ability to carry out internal audit responsibilities in an unbiased manner.

Empowering People

TRAINING AND DEVELOPMENT

On average, staff completed 10 days of training and development to enhance their knowledge, skills, and other competencies (including ethics). The average cost for all external training and development was \$66 per staff member in 2023. Our target for 2023 was for staff to spend 5 percent of their available time on training and development.

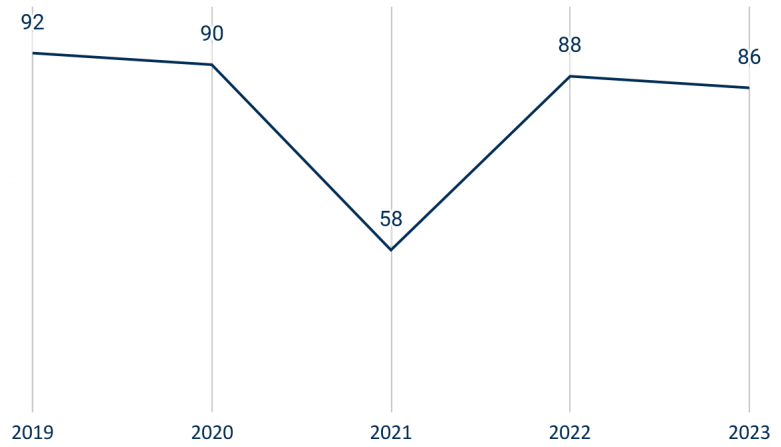
Percent of Available Staff Time Spent on Training and Development



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 2023 was a score of 80 out of 100.

Average Employee Engagement Score*



*2019, 2020, 2021, and 2023 results are from the fourth quarter of each year. The 2022 result is from the first quarter of 2023 because the City did not do the survey in the fourth quarter of 2022.

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 2024, where we will continue our efforts to enhance Edmontonians' trust through independent, value-add internal audit and advisory services.