



Office of the City Auditor 2016 Annual Work Plan and Long Term Audit Plan

November 2, 2015

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2016 OCA Annual Work Plan and Long Term Audit Plan

Introduction

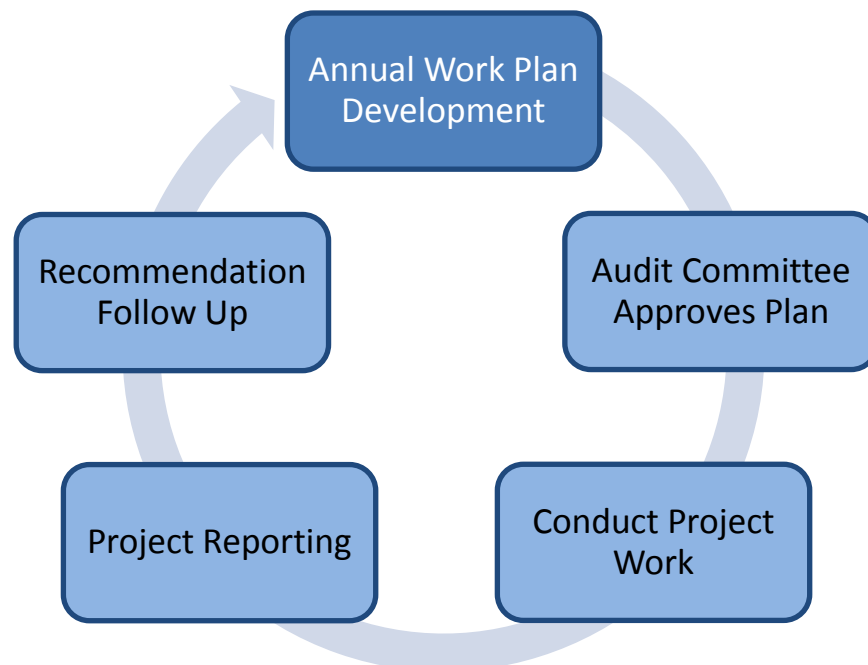
Bylaw 12424, *City Auditor Bylaw*, established the position of City Auditor and delegated the powers, duties, and functions to that position. The City Auditor is responsible for all internal auditing activities within City programs and City agencies. This includes:

- 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.

The Office of the City Auditor's (OCA) Annual Work Plan outlines the work it intends to conduct during the year. Bylaw 16097, *Audit Committee Bylaw*, gives Audit Committee the power to approve the Annual Work Plan.

Annual Project Cycle

The follow diagram illustrates the OCA's Annual Project Cycle. The process begins with the development of the Annual Work Plan.



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.

The following diagram illustrates the OCA's process for developing its Annual Work Plan.



1. Potential Projects

The OCA maintains a database of potential projects. These projects are identified through suggestions from members of City Council, Corporate 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. Appendix A contains a listing of these projects.

The OCA assesses each project using the following risk factors:

- Volume and value of assets, expenditures, or transactions;
- Vulnerability of the area;
- Amount of regulation applicable to the area;
- Strength of internal control environment;
- Governance and ethics environment of the area;
- Sensitivity of information; and
- 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.

2. Program Area Risk Self-Assessments

In 2014, the OCA worked with the City Administration to facilitate risk self-assessments of all program areas in the City. We based our self-assessment tools on the City's Enterprise Risk Management framework. In order to ensure all assessments remain current, our plan is to facilitate a city-wide program area assessment every 3 years. Therefore, we will facilitate the next city-wide program area risk assessment in 2017. In the intervening years, we update the risk self-assessments with any new information (including organizational and/or budget changes).

3. 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.

4. 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.

Audit Project Categories

The OCA's 2016 Annual Work Plan and Long Term Audit Plan includes projects within the following categories:

- 1. Value for money audits** – Value for money audits include both program area audits identified through our program area risk assessments and audit projects identified through our audit universe. All value for money audits begin with identifying the process or program area's goals and assessing risks that could interfere with accomplishing those goals. These audits determine whether a department, process, service, or program operates efficiently, effectively, and economically and whether risks are appropriately mitigated. Results from these audits are used both by the Administration and by City Council to improve the manner in which each program area delivers its services. These audits may include use of computer assisted audit techniques that allow the OCA to analyze large amounts of data maintained on corporate systems.
- 2. Investigations** – These audits are designed to prove or refute alleged fraudulent behaviour or misconduct by a City employee or other parties.

- 3. Proactive projects** – These projects allow the OCA 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 undertaken by OCA staff include serving on selected corporate committees, which allows the OCA to ensure that leading practice and control-related inputs receive appropriate attention throughout the project. As well, OCA staff members provide ongoing monitoring of certain activities, providing assurance that specific controls are working as intended.
- 4. Follow-up reviews** – These audit projects allow the OCA to determine the adequacy, effectiveness, and timeliness of actions taken by management on recommendations made in audit reports. Our audit reports provide recommendations to the Administration that identify opportunities for improvement. We maintain a database of audit recommendations to facilitate the recommendation follow-up process.
- 5. OCA governance and leadership activities** – The OCA participates in a number of initiatives that support City Council and Audit Committee’s governance responsibilities and contribute to leading audit practices by others. As well, the OCA coordinates its audit efforts with the City’s external auditor to optimize audit benefits to the City, including increased audit coverage and avoidance of duplicate audit work.
- 6. Emerging issues** – These are audits or projects that are not listed in the Annual Work Plan. These projects may be identified by the OCA during a scheduled audit, by City Council, by the Administration, or by a member of the public. As stated in the City Auditor Bylaw, with the exception of projects directed by Council, the City Auditor will use discretion to decide whether, when, and how to best address emerging issues.

2016 Annual Work Plan

The following Work Plan outlines the program area and project audits that the OCA has identified as high priority based on our risk assessments. Our goal is to have a flexible work plan to facilitate the completion of outstanding projects, undertake new ones, and initiate some that will be carried forward to 2017. We will identify the exact scope of each project during our project planning process.

The City Auditor will provide Terms of Reference documents for significant projects to Council Members, as well as the Public Audit Committee Members. The City Auditor will also provide periodic status reports of all OCA activity to the Audit Committee.

Office of the City Auditor – 2016 OCA Annual Work Plan

Title	Description
Value for Money Audits	
Drainage Design and Construction Audit	Drainage Design and Construction provides underground sewer infrastructure design and construction services and emergency sewer system repairs. This <i>program area audit</i> will cover construction services, project delivery, and design services.
Edmonton Police Service Staffing Audit	The Edmonton Police Commission has expressed an interest in the OCA conducting an audit of the Edmonton Police Service. This <i>audit project</i> would review EPS staffing to determine if it aligns to workloads and most cost effectively meets its priorities and the operational demands placed on it. We will require the formal consent of the Edmonton Police Commission to conduct this audit.
Use of Sole-Source Procurement Audit	Administrative Procedure A1439C, <i>Procurement of Goods, Services and Construction</i> , was approved in March 2014. It provides direction on the use of sole-source procurement. This <i>audit project</i> will include an assessment of compliance with the expectations of this directive and trade agreements relating to the use of sole-source procurement.
Employee Business Expense Audit	This <i>corporate audit project</i> will include a review of employee business expenses such as travel, training, hosting, and employee recognition to ensure compliance with related Administrative Directives and Procedures and other guidance.
IT General Controls - Risk Management	IT risk is defined as the business risk associated with the use, ownership, operation, involvement, influence, and adoption of IT within an enterprise. The objective of this <i>audit project</i> will be to assess the effectiveness of the City's controls related to its IT Risk Management processes.

Title	Description
Façade and Development Improvement Program Review	The Façade Improvement Program and the Development Improvement Program encourage commercial building owners in Business Revitalization Zones to invest in façade renovations, storefront improvements, housing development, business interior improvements, and new business development by providing matching grants to cover a portion of renovation and/or construction costs. This <i>audit project</i> will assess program effectiveness and compliance with the grant funding process and program guidelines.
POSSE System Review	POSSE is a work management system used by used by a number of different business areas within the City. It is intended to automate, integrate, monitor and enforce business process rules, helping to streamline operations while providing for internal controls. This <i>audit project</i> will include a review of the effectiveness of the City's use of POSSE, focusing on specific areas raised through our standard project risk identification process. The focus areas may include such things as user account management, operational capacity assessments, information management, system accessibility, and information reliability.
Tender Evaluation Process Audit	This <i>audit project</i> will assess the controls in place to ensure the transparency and fairness of the City's tender evaluation process. This project was included in our <i>2015 Annual Work Plan</i> but we did not initiate it because the Administration contracted with a consultant to conduct an internal review of contracting processes. We will use the results of the consultant's review to determine the scope of the audit or whether this audit is still required.
Fraud Risk Management (Carry Forward)	In 2010, the OCA 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 <i>audit project</i> will focus on assessing the effectiveness of the City's Fraud Risk Assessment elements.
Change Order Process Audit (Carry Forward)	This <i>audit project</i> is in progress. It will include a review of the change order process – in particular as it relates to consulting associated with the City's capital projects.

Title	Description
Investigations	
Investigation Projects	As indicated in Administrative Directive A1454, <i>Fraud</i> , the City Auditor has primary responsibility for investigating suspected fraud and may involve the City Manager on investigations of suspected fraud, depending on the nature and scope of the complaint.
Hotline Administration	The OCA manages the City's Fraud and Misconduct Hotline. City employees can submit reports by phone or internet 24 hours a day, 7 days a week, all year round. Allegations of suspected fraud and misconduct will be investigated as appropriate.
Proactive Projects	
Performance Measures Validation	In 2016, we will validate the results of a sample of publicly-reported performance measures and present our assessment.
Continuous Auditing	This project will include the use of advanced audit software to provide ongoing monitoring of selected information systems and activities. We will identify potential risks and also provide assurance that specific controls are working as intended.
Edmonton Police Commission Self-Assessment	The OCA will support the Edmonton Police Commission's self-assessment exercise by receiving and consolidating the annual questionnaires. We provide a report of the survey results for the Commission's consideration.
Capital Projects Advisory Assistance (Multi-year)	The OCA will use a proactive process to assess selected capital projects prior to and during construction. Our objective will be to determine if sound project management practices are being applied consistently and to what degree projects are meeting their intended goals. Examples: LRT expansion, Rogers Place Arena, Walterdale Bridge
2017 Municipal Election	The OCA will provide advisory services to the Office of the City Clerk during election planning for the 2017 Municipal Election.
Community Services Cashier Analysis	The OCA will provide the Community and Recreation Facilities Branch with an analysis of cashier transactions and overages and shortages on a quarterly basis.

Title	Description
SAP Upgrade (IT, Application Services)	The City is planning to initiate an SAP upgrade. The OCA will attend steering committee meetings and provide feedback where appropriate.
Follow-up Reviews	
Follow-up of Recommendations	Our audit reports provide recommendations to the Administration that identify opportunities for improvement. We maintain a database of audit recommendations to facilitate the follow-up process. At each Audit Committee meeting we will provide a report on the status of each recommendation. As well on an annual basis, we will provide a report to City Council on the adequacy, effectiveness, and timeliness of actions taken by management on implementing the recommendations.
OCA Governance and Leadership	
2015 Annual Report	The City Auditor will provide a 2015 Annual Report which will include a summary of the observations, recommendations, and information pertaining to the audits conducted by the OCA in 2015.
2016 Annual Work Plan Progress	To assist Audit Committee and Council in their governance oversight role of the City Auditor, the City Auditor provides Activity Reports to Audit Committee summarizing the status of projects identified in the approved OCA Annual Work Plan.
2017 Annual Work Plan	<p>The City Auditor will submit an Annual Work Plan to Audit Committee at the last Audit Committee meeting in 2016.</p> <p>The Annual Work Plan outlines the scope of work the OCA intends to conduct in the next year.</p>
Industry Sharing	<p>The OCA actively supports the internal audit profession through memberships in the Institute of Internal Auditors (IIA), Association of Local Government Auditors (ALGA), Information Systems Audit and Control Association (ISACA), and the Association of Certified Fraud Examiners (ACFE).</p> <p>The OCA also shares operating practices with various organizations that help to promote the internal audit profession and our audit practices within the City.</p>

Title	Description
Emerging Issues	
Emerging Issues	Unanticipated events or issues may arise throughout the year. The City Auditor assesses their importance and risks as they arise and may, at his discretion, assign resources to the new project. The City Auditor includes an appropriate resource allotment in the work plan to address these unforeseen issues. The City Auditor provides updates to the Audit Committee on emerging issue projects undertaken.

Long Term Audit Plan – Proposed Projects for 2017 and 2018

This is an alphabetical list of projects we plan to complete in 2017 and 2018. These projects may change based on the results of next year's risk self-assessment. As well, we will add additional projects in each year based on changes to risk assessment results and any new projects that are identified during the period.

Proposed 2017 and 2018 Projects (Listed Alphabetically)

1. Bridge Maintenance Audit
2. City Water Charges Review
3. Community and Recreation Facility Bookings and Rental Unit Review
4. Contract Cost Estimating Practices Review
5. Electronic Fund Transfer (EFT) Payments Review
6. EWMC Processing and Disposal Operations Review
7. IT - Business Continuity Management
8. IT General Controls - Performance and Compliance
9. IT General Controls - Process (Ownership)
10. IT Systems – User Access Review
11. Non-permanent Staffing Usage Audit
12. Office of Emergency Management Review
13. Office of Infrastructure and Funding Strategies Review
14. Parks Maintenance Area Review
15. Pedestrian Crosswalk Audit
16. Public Hearing Process Review
17. Review of Contaminated Sites
18. Urban Design and Area Planning Audit
19. Utilities Rate and Depreciation Audit
20. 2017 Municipal Election

Appendix A – Potential Future Projects

These are projects (listed alphabetically) that we may complete in years beyond 2018. We will continue to add to this list as information is obtained from the following sources:

- Suggestions from members of City Council,
- Priorities or direction of City Council,
- Suggestions from public members of Audit Committee,
- Requests or suggestions from members of CLT,
- Discussions with the Chief Information Officer,
- Suggestions from OCA staff,
- Input from union leaders,
- Queries from the public,
- Suggestions from City employees,
- Review of Hotline reports,
- OCA Strategic Plan,
- The City's Strategic Plans – The Way Ahead and The Ways plans, and
- Other audit sources (e.g., external auditor discussions and audits done by other municipalities).

Potential Future Projects (Listed Alphabetically)

1. Aboriginal Relations Office Governance Review
2. Animal Care and Pest Management Area Review
3. Arena and Entertainment District Project Review
4. Arterial Roads Construction Review
5. Attendance Management Audit
6. Belvedere Community Revitalization Levy Review
7. Blatchford Development Review
8. Building Design and Construction Area Review
9. Business Process Improvement Area Review
10. Business Revitalization Zone Review
11. Business Strategy and Community Initiatives Area Review
12. Capital Budgeting System Review
13. Capital City Clean-up Program Review
14. City Art Policy Review
15. City Governance Review
16. City Land Purchases
17. Citywide Fuel Access and Monitoring Review
18. Civic Events and Partnerships Area Review
19. Collection of Taxation Revenue Review
20. Community and Recreation Facilities River Valley Operations Area Review
21. Community Standards Branch's "Agency Parking Enforcement Program" Review
22. Contaminated Sites Audit
23. Corporate Culture Audit
24. Corporate FOIP Office Review
25. Corporate Security Area Review

Potential Future Projects (Listed Alphabetically)

26. Corporate Sponsorship Review
27. Corporate Web Office Area Review
28. Credit / Debit Card Information Protection Review
29. Current Planning Customer Services and Operations Area Review
30. Current Planning Development Permits Area Review
31. Custodial Services Review
32. Digital Print Centre and Mail Services Area Review
33. Disabled Adult Transit Services (DATS) Review
34. Drainage Operations Area Review
35. Drainage Planning Area Review
36. Eco Station Cash Handling Review
37. Economic Sustainability Area Review
38. Edmonton Economic Development Corporation Review¹
39. Edmonton Police Commission Governance¹
40. Edmonton Police Services Review¹
41. Edmonton Public Library Review¹
42. Elections and Census Area Review
43. Employees Security Checks Effectiveness Review
44. Environmental Initiatives Review
45. Ethics Review
46. ETS Developer-funded Service Agreements Review
47. Family and Community Support Area Review
48. Financial Services Client Operations Area Review
49. Fire Rescue Operations Area Review
50. Fire Rescue Public Safety Area Review
51. Fire Rescue Technical Services Area Review
52. Fire Rescue Training and Logistics Area Review
53. Fleet Operations Area Review
54. Forestry, Beautification, and Environmental Management Area Review
55. Fort Edmonton Management Company Governance Review¹
56. Hired Equipment Review
57. Housing Services Area Review
58. Inside Information Area Review
59. Intergovernmental and External Affairs Area Review
60. Investment Management Area Review
61. IT - Cloud Computing
62. IT - Cybercrime
63. IT - E-Commerce
64. IT - Microsoft SharePoint
65. IT - Mobile Computing Security
66. IT - Network Perimeter Security
67. IT - Security Incident Management
68. IT - Systems Development and Project Management
69. IT - Voice Over Internet Protocol (VOIP)

¹ We require written consent from the Board or Commission to audit this area.

Potential Future Projects
(Listed Alphabetically)

70. IT - VPN Security
71. IT - Windows Active Directory
72. IT General Controls - Change Management
73. IT General Controls - Enterprise Architecture
74. IT General Controls - Information Management
75. IT General Controls - Infrastructure
76. IT General Controls - IT Service Management
77. IT General Controls - Planning
78. IT General Controls - Project Management
79. IT General Controls - Security Management
80. IT General Controls - Workforce Management
81. IT General Controls - Workplace Support
82. IT Infrastructure Services Area Review
83. IT Program Management and Corporate Initiatives Area Review
84. IT Segregation of Duties Audit
85. Land Development Permits Area Review
86. Landscape Design and Construction Area Review
87. Leasing, Property Management and Civic Accommodation Area Review
88. Legal Services Area Review
89. Licensing (Vehicle for Hire and Business) Area Review
90. LRT Design and Construction Area Review
91. LRT vs BRT Concept Planning Review
92. Municipal Fleet Maintenance Area Review
93. Natural Areas Program Review
94. Neighbourhood Roads Area Review
95. Office of Diversity and Inclusion Review
96. Ongoing Service Billing Review
97. Parking Meter Collection Process Review
98. Parks and Facility Development Area Review
99. Parks Planning and Biodiversity Area Review
100. Payroll, Benefits, and Pension Administration Area Review
101. Peace Officer Program Review
102. Real Estate Services Area Review
103. Review of Non-residential Tax Base
104. Risk Management Area Review
105. Safety Codes, Permits, and Inspections Area Review
106. Sale of Surplus Assets Review
107. Special Infrastructure Projects Review
108. Supply Chain Management Area Review
109. Taxation of Large Retail Businesses
110. The Quarters Community Revitalization Levy Review
111. Traffic Operations Area Review
112. Traffic Safety and Automated Enforcement Area Review
113. Transit Fleet Maintenance Area Review
114. Transportation Operations Engineering Services Area Review
115. Transportation Planning Development Services Area Review

Potential Future Projects
(Listed Alphabetically)

- 116. Urban Renewal Area Review
- 117. Use of Mobile Technology Review
- 118. Utilities Rate and Depreciation Audit
- 119. Varscona Theatre Project Review
- 120. Waste Management Collection Services Area Review