

Office of the City Auditor

Introduction

The Office of the City Auditor (OCA) reports directly to City Council through the Audit Committee. 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 OCA provides independent and objective review and consulting services to improve the City's programs by applying a systematic, disciplined approach to evaluate and improve the City's risk management, control and governance processes. It also administers the City of Edmonton's Fraud and Misconduct Hotline and coordinates fraud investigation activities within City programs.

The OCA submits an Annual Work Plan to the Audit Committee for approval. The approved Annual Work Plan identifies the number of internal audits to be completed in the upcoming year. The OCA identifies City activities for review by utilizing a risk-based evaluation methodology, focusing its efforts in the areas deemed most significant to the City achieving its objectives. The OCA's activities result in proactive control design or corrective action recommendations in a final report to the Administration. Responses and action plans received from the Administration are incorporated in final reports. These reports are distributed to each member of Council and then publicly disclosed on the City of Edmonton's website. All reports are brought forward for discussion at Audit Committee meetings held in a public forum.



Governance and Accountability

The Audit Committee oversees the activities of the City Auditor and is guided by Bylaw 16097, *Audit Committee Bylaw*. Bylaw 16097 prescribes the powers, duties and functions of Council's standing committee for audit matters.

Transparency, accountability and openness are essential elements of good governance and help to enhance public trust. The OCA maintains a webpage on the City of Edmonton's public website to provide citizens and other interested parties access to audit reports, annual work plans and annual reports.

The OCA is independent from the City's Administration, and is also committed to effective communication with all its stakeholders. The operational style focuses on effective relationships with City Council and the Administration. This approach has significantly improved OCA effectiveness. Audit reports generate energy and encourage Administration to implement OCA recommendations and enhance City operations.

The OCA works hard to understand the issues and concerns facing City operations. This has led to 100% of audit recommendations being accepted by the Administration over the past 10 years. The OCA also continues to research best practices, maintain open communication with stakeholders and keep abreast of emerging issues to provide a value-added service to the City of Edmonton and the citizens of Edmonton.

Office of the City Auditor

Positive Change - Innovation & Continuous Improvement

External Quality Assessment - In 2015, the City of Edmonton engaged a consultant to perform an External Quality Assessment of the OCA. The assessment looked at the OCA's conformance with the Institute of Internal Auditors' standards. It also compared the OCA to leading practices of comparable internal audit functions in the public and private sector. Based on the assessment, the OCA achieved the highest rating an audit office can achieve with respect to conformance with the Standards established by the Institute of Internal Auditors. The consultant provided five recommendations to promote continuous improvement and alignment to leading internal audit practices.

Audit Management Software - In 2016, the Recommendation Follow-up process will be integrated into our audit management software implementation, further streamlining our audit process.

Three-Year Audit Plan - In November of 2014 the OCA brought forward a Three-Year (2015-2017) Audit Plan for Audit Committee approval. This three-year plan included a risk assessment of all major program areas which was used to prioritize the selection of upcoming audits. The intent of the Three-Year Audit plan is to further engage Audit Committee in the selection of future audits thereby increasing effectiveness of internal audit activity.



Office of the City Auditor

Approved 2016-2018 Budget - Branch Summary

(\$000)	2013 Actual	2014 Actual	Adjusted 2015 Budget	2016 Budget	2017 Budget	2018 Budget
Revenue & Transfers						
Total Revenue & Transfers	-	-	-	-	-	-
Expenditure & Transfers						
Personnel	1,909	2,113	2,084	2,337	2,411	2,415
Materials, Goods and Supplies	31	40	37	41	43	44
External Services	28	27	49	49	50	51
Intra-municipal Charges	46	49	48	55	57	57
Utilities & Other Charges	45	43	56	60	62	62
Total Expenditure & Transfers	\$2,059	\$2,272	\$2,274	\$2,542	\$2,623	\$2,629
Net Operating Requirement	\$2,059	\$2,272	\$2,274	\$2,542	\$2,623	\$2,629
Full-time Equivalents	14.0	14.0	14.0	16.0	16.0	16.0

Budget Changes for 2016-2018

(\$000)

Expenditures & Transfers - Changes

Personnel

In 2016 personnel increase of \$253, in 2017 increase of \$74 and 2018 increase of \$4 mostly due to increase of 2.0 FTEs and movement toward job rate, changes in benefits and approved cost of living adjustment.

Materials, Goods, and Supplies

Increase of \$4 in 2016 due to computer hardware/software for 2.0 additional FTEs, in 2017 increase of \$2 due to annualization and in 2018 increase of \$1 due to inflation.

External Services

Inflationary increase of \$1 in General Professional Services for 2017 and 2018.

Intra-municipal Charges

In 2016 increase of \$7 due to increase in parking charges for 2.0 additional FTEs, in 2017 increase of \$2 due to annualization.

Utilities & Other Charges

Increase of \$4 in 2016 due to increase in memberships for 2.0 additional FTEs and in 2017 increase of \$2 for annualization.

Full-time Equivalents - Changes

Increase of 2.0 FTEs for two additional Audit Coordinators.

Office of the City Auditor

Approved 2016 - 2018 Budget - Program Summary

(\$000)

Program Name - Office of the City Auditor

Results to be Achieved

Add value to the City of Edmonton by promoting accountability, cost-effective municipal services and ethical practices.

Cost Drivers

The OCA will initiate projects after considering the evolving corporate environment, risks, challenges and priorities. The extent of completion of audit projects is dependent on the approval of the OCA budget as submitted, the number of requests by City Council and Administration, the level of special investigations and other issues which may emerge during the year.

Policy and/or Legislation

The OCA follows the International Standards for the Professional Practice of Internal Auditing (Standards), established by the Institute of Internal Auditors (IIA). These Standards require due professional care in conducting audits, professionally qualified staff, independence, adequate supervision and planning of audit work, reporting of audit results, and periodic review of the office's activities by outside professionals.

Resources	2013	2014	Adjusted	2016	2017	2018
(\$000)	Actual	Actual	2015	Budget	Budget	Budget
			Budget			
Revenue & Transfers	-	-	-	-	-	-
Expenditures & Transfers	2,059	2,272	2,274	2,541	2,622	2,628
Subtotal	2,059	2,272	2,274	2,541	2,622	2,628
Intra-Municipal Recoveries	-	-	-	-	-	-
Net Operating Requirement	\$2,059	\$2,272	\$2,274	\$2,541	\$2,622	\$2,628
Full-Time Equivalents	14.0	14.0	14.0	16.0	16.0	16.0

2015 Services

- Provide independent, objective assurance and advisory services designed to add value and improve the City's programs.
- Assist the City in evaluating and improving the effectiveness of risk management, control and governance processes.
- Coordinate fraud investigation activities within City Programs or City Agencies.
- Value-for-money, investigations, proactive projects, follow-up reviews, governance and leadership activities and emerging issues.

Changes in Services for 2016 - 2018

The OCA's 2016 - 2018 budget provides for an increase in the level of service from 2015, with the addition of two Audit Coordinators. Projects completed will result in improving the overall operations of the City by strengthening management controls, improving accountability and helping Audit Committee with its governance and internal control oversight role.

Office of the City Auditor

Program - Office of the City Auditor
Title - Office of the City Auditor Additional FTE
Resources

New or Enhanced Serviced
Funded
On-going

Results to be Achieved

The audit process is an independent, objective assurance activity designed to add value and improve an organization's operations. Determining which areas to audit and the appropriate allocation of audit resources is essential in maximizing the value of an effective audit process. An increase of \$302 thousand (annualization of \$76K) is requested to enable the Office of the City Auditor to perform additional audits identified as priority areas within the annual Audit Work Plan on an ongoing basis. All audits will produce recommendations that result in improvements to City operations by identifying potential risks, strengthening management controls, improving accountability and enhancing the efficiency and effectiveness of City services.

Description

This service package is for two additional Audit Coordinator FTEs to assist with conducting internal audits for the City of Edmonton due to increase in demand from emerging issues.

Justification

If this service package is not funded there will be no resources to increase capacity and the scope of work in the Audit Plan. Therefore certain emerging issues, proactive projects and value-for-money projects may not be conducted in a timely manner.

incremental (\$000)	2016				2017				2018			
	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs	Exp	Rev	Net	FTEs
Annualization	-	-	-	-	\$76	-	76	-	-	-	-	-
New Budget	\$226	-	-	2.0	-	-	-	-	\$1	-	1	-
Total	\$226	-	-	2.0	\$76	-	-	-	\$1	-	1	-

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