

Office of the City Auditor



2005 Annual Report

March 6, 2006

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1. Introduction

Over the past several years, the Office of the City Auditor (OCA) has successfully built a reputation with all stakeholders for providing value-added audit services. By working with its clients to define viable, effective solutions to observed opportunities for improvement, the OCA has been able to maintain a healthy balance between organizational oversight and promoting organizational improvement.

1.1. Service Mandate

Bylaw 12424, *City Auditor Bylaw*, established the position of City Auditor and defined the powers, duties, and functions to be fulfilled by the person holding that position. The City Auditor is responsible for all internal auditing activities within City Programs and City Agencies. The City Auditor:

- Provides independent, objective assurance and advisory services designed to add value and improve the City's programs and
- Coordinates fraud investigation activities within City Programs or City Agencies.

The *City Auditor Bylaw* defines two roles to fulfill the City Auditor's mandate: guardian and agent of change.

1.2. Guardian Role

Projects conducted in this role are directed primarily towards providing assurance through review of existing operations. The OCA typically focuses on compliance, controls, efficiency, effectiveness, and economy in order to systematically evaluate and improve the effectiveness of risk management, control, and governance processes. Types of audit projects that fit into the guardian role include:

Comprehensive Branch Reviews determine whether a department, service or program operates efficiently, effectively and economically and whether risks are minimized. The branch audit model developed by the OCA is comprised of three primary components: core service review, risk identification and assessment review, and performance measures review. Together, these tasks generate information that can be used both by the Administration and by Council to assist them in improving the manner in which each Branch delivers its services as well as in helping to determine program priorities.

Governance Process Reviews determine whether corporate oversight practices meet general ethical and performance standards, and comply with legal and regulatory requirements.

Cash-Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and safeguards against loss.

Compliance Reviews determine whether or not the process or organizational unit being reviewed is complying with applicable policies, plans, procedures, laws, regulations, contracts, and other requirements.

Information Technology Reviews determine whether adequate controls are built into automated systems and whether they continue to operate effectively. They also include use of computer assisted audit techniques that allow the OCA to analyze large amounts of data on corporate systems. The OCA uses some of those techniques to provide ongoing monitoring to ensure that particular controls are working as intended.

Investigations are designed to prove or refute alleged fraudulent or inappropriate behaviour by a City employee or other party. Evidence must meet sufficient legal requirements before being turned over to the Edmonton Police Service.

Special Projects are audits or studies that are not listed in the OCA's Annual Audit Plan. These may be identified by the OCA during a scheduled audit, by City Council, by the Administration, or by a member of the public.

Follow-up Reviews are normally conducted between six months and two years following the date for projected implementation of the recommendations in an audit report. The purpose of these reviews is to ensure that management action plans are implemented.

1.3. Agent of Change Role

In this role, the OCA undertakes proactive and forward-looking projects that are focused on provision of strategic, risk, and control-related advisory services. These projects are designed to better serve the changing needs of the corporation and help bring about improvements in program performance. Types of projects that are conducted in this role include:

Governance Process Reviews include providing Audit Committee with information to assist members of both Council and Audit Committee in enhancing their governance roles and responsibilities related to corporate oversight. Proactively partnering with the Administration to select the City's external auditor is an example of a governance activity conducted in an agent of change role.

Corporate Steering Committees are avenues used by the OCA to provide proactive involvement in corporate initiatives such as Freedom of Information and Protection of Privacy and the Environmental Management System. By serving on selected committees, the OCA is able to ensure that leading practice and control-related input receive appropriate attention throughout the project.

Information Technology Reviews allow the OCA to provide proactive control-related advice and feedback during information technology systems development to ensure that appropriate safeguards are in place prior to implementation. The OCA also provides ongoing monitoring services for selected corporate systems.

Special Projects allow the OCA to provide proactive involvement in corporate initiatives and projects such as e-Business, Corporate Business Planning, and other initiatives that may be identified by the Administration, Council, or a member of the public.

Advisory Services allow the OCA to assist in the development of sound business practices and strategies or the enhancement of existing initiatives. These services include facilitation through Control Self Assessments (CSA), Enterprise Risk Management process design, and training programs. These projects may or may not result in a public report depending on the nature of the project. The OCA will normally include a summary of each activity in its quarterly report to Audit Committee and Council.

2. Mission, Vision, and Values

OFFICE OF THE CITY AUDITOR

OUR VISION

Committed to adding value



OUR MISSION

To assist the City of Edmonton in achieving its business objectives by:

- Working with Management and Council in support of their corporate governance responsibilities.
- Providing independent analysis and assurance that operations are efficient, effective and economical.
- Promoting accountability to ensure responsible use of resources and to improve program performance.
- Working as agents of change by promoting continuous improvement and cost-effective, innovative solutions.
- Partnering with stakeholders to provide responsive and value-added professional audit services.

OUR VALUES

We Promote

- Customer Service
- Integrity
- Independence
- Teamwork
- Trust
- Employee Development
- Respect

We Encourage

- Open Communication
- Proactive Involvement
- Candid Feedback
- Innovative Solutions

We Strive for

- Timely Service
- Partnership with Stakeholders
- Quality Service



2.1. Adding Value to the City of Edmonton

The OCA contributes to the overall management of the City's programs by working with City Council and the Administration to provide a reasonable degree of assurance that those programs are delivered in an efficient, effective, and economical manner. Using a risk-based approach to identify areas and processes where there is potential to add significant value, the OCA works closely with managers to develop cost-effective and feasible solutions to identified opportunities for improvement. Involving managers in designing solutions greatly enhances the organizational commitment to implement those solutions.

By focusing on the common goal of making the City the best service provider it can be, the OCA avoids the traditional resistance to audit recommendations. Managers have uniformly demonstrated willingness to address difficult issues in a straightforward manner. In fact, during the past five years, nearly all the recommendations reported by the OCA have been implemented or are well on the way toward implementation by the time follow-up reviews are conducted. The OCA believes that this type of relationship is essential for internal auditors to optimize their contributions to the organizations that they serve.

The OCA is committed to providing recommendations that identify potential efficiency gains, improve operational effectiveness, and provide guidance regarding provision of more economical services to citizens. The OCA's commitment to helping management improve the organization often results in identification of opportunities to achieve substantial cost avoidance, cost savings, and/or revenue enhancement opportunities. Over the past five years, the OCA has identified approximately \$6 million in fraud recovery, cost saving, program delivery, and revenue enhancement opportunities.

In addition to these tangible benefits, the OCA's recommendations continue to add value to the City through such things as increased operational effectiveness, improved customer service, indirect cost savings, and identification of potential revenue streams. The OCA's participation in corporate initiatives contributes to outcomes that enhance the City's ability to deliver its services in a cost-effective manner. The OCA's involvement in some corporate initiatives has resulted in strengthened controls for corporate assets including cash, which helps to deter fraud.

In addition, the OCA contributes to the overall risk management within the corporation as it assesses strategic alignment, management's risk management practices, and governance processes.

Strategic Alignment: All risk-based audits begin with identification of goals and risks that could keep the organization from reaching its goals. The OCA's audits incorporate an evaluation of the strategic alignment of the organizational unit's goals and objectives with the department and City's strategic goals and objectives. In addition, the OCA

assesses the performance measures used in the unit to provide assurance that it is accomplishing its objectives in an effective, efficient, and economical manner.

Risk Management: The OCA conducts its risk-based audits by working with management to identify strategic, operational, and project risks faced by the organizational unit. By developing recommendations that focus on appropriately managing identified risks, the OCA contributes to the overall effectiveness of the City.

Governance Processes: During its work on governance process reviews, the OCA evaluates the processes and structures implemented to inform, direct, manage, and monitor the activities that are intended to move the City toward the achievement of its objectives.

3. Issues and Observations from 2005

The OCA presented a variety of issues and observations during the course of 2005 that were designed to serve Audit Committee and Council. Each quarter, the OCA included information on best practices, industry trends or changes, and emerging or observed corporate issues in its quarterly reports. These issues and observations are intended to provide independent identification of issues and observations that the OCA believes are of importance to the City of Edmonton. More information on each of the issues and observations from 2005 that are summarized below may be accessed through the OCA's website at <http://www.edmonton.ca/auditor>.

3.1. Audit Structure Best Practices (March)

Auditor independence is critical to ensuring that audit findings, conclusions, judgments, and recommendations are impartial, and are viewed as impartial by others. Since 2002, five Canadian cities (Toronto, Ottawa, Calgary, Windsor, and Winnipeg) have restructured their audit offices. The functional mandates of the audit offices in these five cities are very similar to Edmonton and their reporting structures are similar, providing each office with functional and organizational independence from the Administration.

3.2. Purpose and Use of Audit Reports (May)

Audit reports are designed to communicate both information about the current state of an operation or process under review. In addition, recommendations are provided to improve the overall level of service that the operation or process provides to its stakeholders or improve the protection of the City's interests. The purpose of the reports is also to provide assurance regarding current operations and to promote organizational change that results in continuous improvement.

3.3. Reporting of Fraud, Waste, and Abuse (September)

Leading practice organizations provide several easily accessible ways for people to safely, effectively and confidentially report alleged violations of the Employee Code of Conduct and other acts of misconduct. The OCA initiated research on the use of a hotline for reporting misconduct. According to the Association of Certified Fraud Examiners, typical organizations in North America experience losses of approximately six percent of their total revenues to fraud each year. In attempts to address and minimize the impact of fraudulent activities, many organizations have implemented hotlines to supplement existing management reporting channels to further encourage employees and others to report suspicions of fraud, waste, and abuse.

3.4. Annual Work Plan Development and Approval (November)

One of the roles of the OCA is to facilitate the Audit Committee's role in recommending City Council's approval of the OCA's annual work plan as established in the Procedures and Committees Bylaw. The annual work plan development process includes the opportunity for Audit Committee and Council to modify the project selections based on their knowledge as Council members.

4. Completed Projects

4.1. Historical Context

In the four years leading up to 2005, the OCA based its project selections on a combination of due diligence (e.g., cash-handling audits) and risk assessment of each potential project in the OCA's audit universe. While that approach did not ensure that entire branch operations were evaluated on a cyclical basis, it did provide a strong presence in each department over the course of a few years. Table 1 (below) summarizes the OCA's project involvement over the past five years. The projects captured in the table range from very specific reviews such as cash-handling audits at particular locations to corporate audit projects such as Delegation of Authority and Natural Areas.

The OCA initiated three comprehensive branch audits in 2005. These audits are scheduled to ensure that every branch operation in the City is audited at least once every eight years. These audits are initiated by creating a risk and strategic profile of the branch and assessing risk exposures, allowing the OCA to focus its attention during the project on those operational units or processes within the branch that present the greatest risk or opportunity to the City.

Table 1: OCA Project Coverage by Year

Department/Organization	2001	2002	2003	2004	2005
Corporate Projects ¹	9	12	9	10	10
Office of the City Manager	1	-	1	1	3
Asset Management & Public Works	2	3	3	1	5
Community Services	4	10	9	4	6
Corporate Services	5	6	7	8	8
Planning and Development	-	5	3	1	4
Transportation	3	2	2	2	5
Edmonton Police Service	1	1	2	2	3
Other ²	-	1	2	2	2
Totals:	25	40	38	31	46

¹ Corporate projects include three or more departments. In most instances, all departments are included.

² "Other" includes Edmonton Economic Development Corporation, Edmonton Northlands, Greater Edmonton Foundation, and Edmonton Airports.

The following sections provide an overview of the types of projects completed in each department or organization during the period of 2001 through 2005.

4.1.1. Corporate Projects

As noted in Table 1, the OCA participated on several corporate projects, including the Closing the Gap Expenditure and Revenue Review, corporate project steering committees (e-Business, E-Records, Ethics Framework Review, and FOIP), Delegation of Authority, Right to Audit, and Professional Services Sole Source Contracts.

4.1.2. Office of the City Manager

Projects conducted in the Office of the City Manager included 2001 and 2004 Election Planning, a Cash handling review, and follow-up of the 2001 Municipal Election recommendations.

4.1.3. Asset Management & Public Works

Projects conducted in Asset Management & Public Works included Drainage Operations, Water Contracting Investigation, parkade cash-handling reviews, and Edmonton Composter Facility.

4.1.4. Community Services

Projects conducted in Community Services included cash-handling reviews at facilities and attractions, fraud investigations, and Grant Allocation Process Review.

4.1.5. Corporate Services

Projects conducted in Corporate Services included three Payroll & Benefits projects, cash-handling reviews, Surplus Inventory Review, Code of Conduct investigations, Budget Process Review, Investment Review, Investment Management Review, and participating as observers on the Corporate Printing Strategy, Shared Services and Business Planning Coordination steering committees.

4.1.6. Planning and Development

Projects completed in Planning and Development included a data security investigation, cash-handling reviews, Assessment Operations Review, Assessment Operations Productivity and Quality Improvement Review, and a Business Revitalization Zone Area review.

4.1.7. Transportation

Projects completed in Transportation included the Transit Fare Media process review, Snow and Ice Control Review, cash-handling audits, bus pass theft investigation, and the Unmetered Energy Review.

4.1.8. Edmonton Police Service

Projects completed in Edmonton Police Service included Towing Services Review, overtime usage, major issues faced by the Service, Property and Exhibit Unit and Drug Exhibit Detail Audit, EPS Governance, and a cash-handling review.

4.1.9. Other

Projects completed for other organizations included the Edmonton City Centre Airport review, the Skyreach Centre review, the Greater Edmonton Foundation review, and follow-up reviews of recommendations made to Edmonton Economic Development Corporation.

4.2. 2005 Overview

During 2005, the OCA completed 39 projects (30 reviews and investigations, 8 follow-up reviews, and 1 in-private report), participated in 7 corporate projects, and provided assistance to others in 12 instances. In addition to providing the full report to members of Council on nearly all of these projects, concise summaries of each of these projects were provided in the OCA's quarterly reports. The following sections highlight the projects completed during 2005.

4.3. March Quarterly Report

Six projects and three follow-up reviews were summarized for March's Audit Committee meeting.

- The Accounts Receivable Process review led to eight recommendations that will enhance control processes. These recommendations focused on internal controls, bad debt and collection procedures, and work processes.
- By participating on the 2004 Election Planning Team, the OCA was able to ensure that the recommendations arising from its work on the 2001 Municipal Election were appropriately addressed. The OCA's report on the 2004 Municipal Election contained five recommendations that were designed to enhance the City's processes used in operating future elections.
- The Professional Services Sole Source Contracts review resulted in seven recommendations that will improve the clarity of governing documents relevant to procuring professional services, monitoring of departments' compliance to the guidance, and quality of information reporting.
- As part of the Hired Equipment review, the OCA made four recommendations that will enhance the internal control processes related to hired equipment procurement.
- The cash handling review of Rundle and Hawrelak Park Concessions identified an opportunity for improvement that involved requesting third-party contractors to supply additional information when they submit monthly revenue reports so that the City can implement additional cash controls.
- As a result of analyses initiated and performed in 2004 by the OCA and Community Services working in conjunction with Corporate Security, cash handling irregularities were discovered at a Leisure Centre. In 2005, the City received voluntary restitution from a former employee in the amount of \$5,000.
- Follow-up reviews were conducted to determine the degree to which the recommendations or action plans developed during previous audits had been implemented. The follow-up reviews included in this quarterly report related to these projects: Delegation of Authority, Planning and Development Cash Handling, and the Digital Print Centre. All recommendations were determined to be either complete (12) or no longer applicable (2).

4.4. May Quarterly Report

The May Quarterly Report included reports on eight completed projects and three follow-up reviews.

- While conducting the Edmonton Police Governance audit, the OCA observed a lack of clarity and understanding amongst Council, the Commission, and the Police Service regarding lines of accountability and responsibility. The report contained thirty-one recommendations that will help to ensure that the practices of the

Commission and the Police Service are consistent with Council's and citizens' expectations regarding value, transparency, and accountability.

- During the Transit Fare Evasion audit, the OCA reviewed existing controls that were designed to manage and mitigate fare evasion, evaluated the effectiveness of those controls, and developed six recommendations to reduce fare evasion.
- As part of the External Legislation review, the OCA performed a preliminary review of the framework used by each City business unit to ensure adequate monitoring of and compliance with external laws and regulations. The OCA provided the catalogue of laws and regulations developed during this project to the Administration to facilitate its legislation monitoring processes.
- The OCA participated as an observer during the City's development of a new shared services model during 2004 and 2005. The OCA reviewed the history of shared services delivery in the City to determine what actions are required to ensure successful implementation of planned shared service enhancements. Through provision of process and control-related advice to the project team and sponsors, the OCA provided assurance that the proposed model would effectively address the enhancements suggested by the project team.
- From February 2003 to February 2005, the OCA participated on the e-Business Steering Committee in an advisory capacity. Through its agent of change role, the OCA provided proactive risk and control-related feedback to the e-Business Steering Committee to help meet its objectives. The OCA provided assistance in formalizing the e-Payment Standard, which will provide direction for future initiatives that involve automated payment options.
- The OCA's cash handling audit of the Kinsmen Sports Centre recommended that recurring reports be generated to show patterns of cashiers' use of cash registers and that abnormal results be investigated.
- The OCA's cash handling audit of the photo radar revenues at Edmonton Police Service identified two opportunities to improve the processes in place between the Police Service and the Province of Alberta, which administers the fines collection portion of the process.
- A cash handling audit of the Edmonton Transit Information Centre resulted in three recommendations. The recommendations identified the need to enhance pre-employment screening for cashiers, supervision of deposit preparation and recording/monitoring of cash overages and shortages.
- The OCA also completed follow-up reviews of the recommendations contained in the following project reports: 1) the Edmonton Composting Facility audit project, 2) the Edmonton Economic Development Corporation (EEDC) Program Effectiveness Evaluation project, and 3) the EEDC – Follow-up Summary Report. The OCA determined that satisfactory action has been taken on all twenty recommendations. Those actions will increase the level of control over financial expenditures and controls, cost sharing, and leasing at the EEDC. The six recommendations from the Edmonton Composting Facility report were still in progress with satisfactory progress being made on them.

4.5. September Quarterly Report

The OCA reported on ten projects and two follow-up audits for the September Audit Committee meeting.

- Three investigations were reported, which resulted in a series of recommendations to the Administration that will improve the controls around fraud prevention and the safeguarding of City assets.
- The OCA's review of the City's ethics framework determined that the City has implemented a number of leading practices in its framework. The eight action plans developed during the review will assist in maximizing the effectiveness of the City's ethics management framework and expanding its reach.
- The Business Revitalization Zone (BRZ) review resulted in twelve recommendations to enhance strategic planning, strengthen accountability frameworks, and provide additional information and services to support BRZ organizations.
- The OCA conducted a review of the process used by the Edmonton Police Service in tendering for a pawnshop & second hand store automated reporting system and to determine whether the business case for using an outsourced software solution was sound.
- The OCA completed its involvement in development of an Enterprise Risk Management model for the City of Edmonton. Senior Management Team accepted the responsibility to continually support enhancement of a full enterprise-wide risk management framework for the City.
- The OCA also reviewed the contract procurement process used in awarding contracts to vendors in collecting and recycling used oil, oil containers, oil filters, glycol, and waste fuel. The review resulted in two recommendations to enhance purchasing evaluation process controls.
- A cash handling audit of City Archives recommended that an inventory system to track purchases and validate recorded sales be implemented.
- A cash handling review at the City Centre West Parkade determined that cash controls at the City Centre West Parkade are strong. In particular, we noted good segregation of duties and strong reconciliation controls.
- The two follow-up reviews determined that implementation of the recommendations contained in the Assessment Review Audit report and the Right to Audit report were nearly complete. Implementation of the one outstanding recommendation from each report was underway at the time of the follow-up reviews.

4.6. November Quarterly Report

The OCA reported on seven projects at the November Audit Committee meeting, including two Branch comprehensive audits and one in-private report.

- The OCA conducted a comprehensive review of the Development Compliance Branch and each of its five individual business units. The Development Compliance Branch deploys a reactive service delivery approach to municipal bylaw enforcement. The OCA believes that there are cost effective measures that could be implemented to incorporate selected proactive measures (such as enhanced communications on bylaws and increased service delivery hours), thereby increasing the Branch's effectiveness. The Branch can improve operational efficiency by improving the use of management information reporting and establishing individual performance expectations. Additionally, Management needs to address the issue of non-compliance to bylaws regarding development re-inspection fees.
- The branch audit of Social and Recreation Services was conducted concurrently with the Branch's own Organizational Restructure review that resulted from the merger of two smaller branches. When conducting the Core Service Review, the OCA found that reasonable rationales exist for most of the services provided by the Branch. The OCA reviewed two services that rated lower relative to the rest: the Assessment and Short-Term Counselling service and the Landlord and Tenant Advisory Board. In conducting a detailed review of these two services, the OCA documented the history of the services, considered the continued relevance of the services and presented the options available to the City regarding these services. The decision to continue providing these services is a policy matter that requires Council's consideration.
- The OCA's audit of performance measures used in Transportation's roadways program resulted in development of a model set of integrated performance measures. These performance measures are directly related to the department's strategic measures and are intended to replace or enhance performance measures used by the separate branch operations.
- The OCA uses Computer Assisted Audit Techniques (CAATs) to interrogate the City's databases. The OCA reported on two recently-developed applications using its automated toolset to analyze large amounts of data. The first application provides monitoring and reporting of low-value purchase orders to ensure that corporate purchasing policies and practices are being followed. The second application provides ongoing assurance that the City's employee and dependant data match the records maintained by the City's health and dental benefits provider. In both cases, recommended improvements to the subject processes were identified and accepted by management.
- During its review of the cash-handling process at the South ECO Station, the OCA identified five opportunities to strengthen its controls, thus enhancing protection of the funds.

5. Corporate Involvement

5.1. Corporate Projects

The OCA continued to work with the Administration throughout 2005 on projects with mutual benefits. By participating on a variety of corporate teams, the OCA has been able to contribute to the overall enhancement of control, process, and governance systems within the City. During 2005, the OCA was involved in seven ongoing initiatives:

- Business Planning Coordination Team (Corporate Services)
- Enterprise Risk Management (as planned, the OCA transferred responsibility for this program to the Administration in 2005; the model is available on the OCA's website)
- Freedom of Information and Protection of Privacy Steering Committee (Office of the City Manager)
- Environmental Management System Steering Committee (Asset Management & Public Works)
- Shared Services Program review (Corporate Services)
- E-Records (Office of the City Manager)
- e-Business (Corporate)

The OCA also serves as a best practice and performance measurement resource for the City.

5.2. Assistance to Others

The OCA provided specific assistance on twelve occasions to several business units in the City and other organizations during the course of 2005, including:

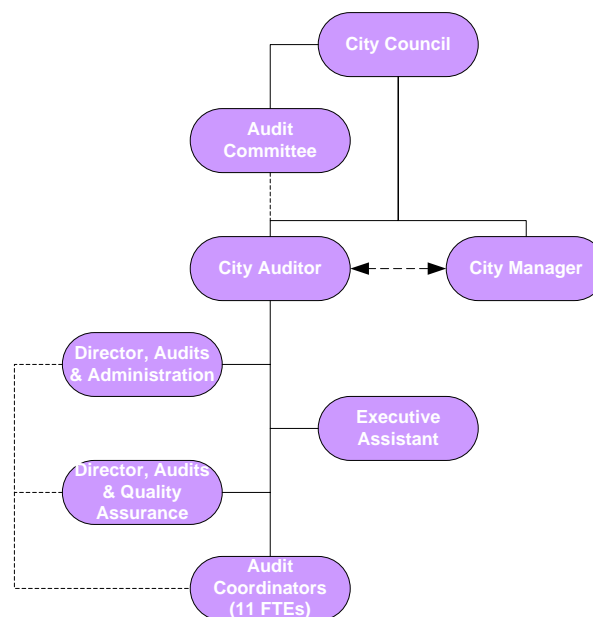
- Project Management Manual review (Community Services)
- 2005 World Masters Games registration incentive program review (Office of the City Manager)
- Business plan review for a new venture at Fort Edmonton Park (Community Services)
- Control system review regarding tree watering contractors (Community Services)
- Grant distribution process and controls review (Community Services)
- Engineering economics workshop (Asset Management & Public Works)
- LRT Fare Maintainer hazard assessment (Transportation)
- AISH Transit pass program review (Transportation)
- Hiring process review for selecting a Cash Consultant (Corporate Services)
- Duty to Accommodate review (CEMA)

- Working Relationship Agreement review (CEMA)
- Voluntary destination marketing fee control system review (Edmonton Economic Development Corporation)
- Transportation Electrical Services Plan review (Transportation)
- Right to audit implementation assistance (City of Brampton)
- Operational Auditing course instruction (Institute of Internal Auditors)

6. Office Organization

6.1. Overview

The OCA's position in the organization allows it to provide independent, objective, value-added services to the City of Edmonton. The City Auditor and the City Manager are directly employed by City Council, ensuring appropriate organizational independence. The OCA reports directly to City Council through the Audit Committee.



6.2. Staff Profiles

Collectively, OCA staff members hold one or more of the following degrees and certifications:

- Accreditation in Internal Quality Assessment/Validation (3)
- Applied Arts in Business Administration (1)

- Bachelor of Arts - Economics (1)
- Bachelor of Commerce (5)
- Bachelor of Science (6)
 - Engineering (4)
 - Genetics (1)
 - Psychology (1)
- Certified Fraud Examiner (3)
- Certified Management Accountant (5)
- Certification in Control Self Assessment (3)
- Certified Information Systems Auditor (2)
- Certified Internal Auditor (5)
- Chartered Accountant (2)
- Master of Business Administration (4)
- Master of Divinity (1)
- Master of Science - Engineering (1)
- Professional Engineer (4)

The extensive variety of skill sets offered by staff members enables the OCA to conduct most of its tasks with internal resources, rather than hiring external resources on a regular basis.

OCA staff members have pursued ongoing professional development through their involvement in a variety of courses, seminars, conferences such as FOIP training, Citizens' Police Academy, the City's Leadership Development Program, and Real Estate Management.

OCA staff members are also involved in leadership of the local chapters of the Institute of Internal Auditors and the Association of Certified Fraud Examiners, making presentations at local and international conferences, participating in local professional organizations, instructing both in local and international courses, and participating in a variety of community volunteer positions.

7. 2006 Annual Work Plan

The three comprehensive branch audits planned for completion in 2006 are Transportation Planning Branch, Transit Branch, and Assessment and Taxation Branch. The OCA's goal is to review each Branch operation at least once every eight years. The OCA currently has the equivalent of approximately six positions allocated to comprehensive audits for 2006. The OCA's remaining position equivalents are allocated to ongoing projects, investigations, Information Technology audits, agent of change projects, cash-handling reviews, continuous audit projects, and emerging issues.

The OCA believes that the thirty-seven projects planned for 2006 will provide value to the City by focusing on current state assessments and identification of opportunities for improvement that will enhance the overall performance of the City in providing services to its citizens. The OCA's 2006 Annual Work Plan is attached as Appendix 1.

8. Performance Statistics

The following statistics provide an overview of the OCA's performance trends over the past five years. The OCA has implemented a range of performance indicators that are designed to provide assessments of both its internal business processes and external outcomes in order to continuously improve strategic performance and results. The OCA has been able to maintain consistent performance during that time. The OCA intends to review its benchmarking measures during 2006.

Performance Indicator	Target	2001	2002	2003	2004	2005
Customer Relationships (client surveys)	(out of 5)					
Communication How well the client was informed of objectives, process, timeframe, and emerging findings.	4.5	4.4	4.8	4.8	4.4	4.4
Understanding of client's business How well the audit staff demonstrated their understanding of the client's issues and challenges.	4.5	4.3	4.7	4.7	4.3	4.3
Professionalism How well the audit staff demonstrated professional behaviours/attitudes in their dealings with clients.	4.5	4.7	4.8	4.9	4.7	4.6
Quality of findings Practicality, adequacy, and openness of communication with the clients	4.5	4.3	4.7	4.6	4.2	4.2
Overall average Client's overall assessment of the value received.	4.5	4.5	4.7	4.8	4.5	4.4
Internal Measures	(% or #)					
% Recommendations accepted Best audit practices will result in the majority of recommendations being accepted by the client.	90%	86%	95%	95%	95%	92%
% Recommendations accepted with modification Some recommendations may require minor adjustments to be operationally practical.	10%	14%	5%	5%	5%	2%
% Recommendations Implemented or Satisfactory Progress Observed During Follow-up A measure of the feasibility of recommendations.	95%	n/a	n/a	97%	96%	97%
% Chargeable time vs. available time A measure of the available time worked on projects.	75%	84%	72%	73%	76%	79%

Performance Indicator	Target	2001	2002	2003	2004	2005
Projects completed per staff auditor¹ A measure of office productivity.	2.5	2.6	3.6	3.8	2.5	3.5
Human Resources	(% or #)					
Days of City-funded training & development/employee² A measure of staff commitment to maintaining awareness of professional certifications and skills.	8 - 12	7.4	8.0	8.9	12.5	9.3
Average years of audit experience A measure of staff commitment to the audit profession.	10 to 15	n/a	n/a	n/a	13.8	14.8
Percent staff certified or with advanced designations A measure of staff qualifications	100%	n/a	n/a	n/a	93%	93%
Financial	(%)					
% Actual vs. budgeted expenditures	90 to 110%	81%	87%	93%	92%	95%

8.1. Client Survey Comments

Following the completion of each project, the OCA asks the primary stakeholders from the area(s) involved to evaluate the OCA's performance. The stakeholders are asked to evaluate the OCA's communication, understanding of the business, professionalism, and quality of the findings. The stakeholders are also provided opportunity to share any general comments about the project with the OCA. The OCA uses the feedback received through this mechanism as an ongoing impetus toward continual improvement, both at a personal level and at the office level. The following paragraphs are quotes from some of the surveys completed during 2005.

"I certainly felt that the audit team had the best interests of the branch at heart throughout the audit process. In the end, I was more than satisfied with the final results. The report identified some areas that we need to work on which will allow us to be a stronger and more efficient organization."

"The process was handled very well with continual communication. I would like to acknowledge the professionalism and understanding of an operational environment that the OCA auditor showed to allow the process to be concluded in a manner where it will allow our operation to continually improve."

"Excellent job, thoroughly researched (Canada and U.S.), fully consulted all BRZ [Business Revitalization Zone] staff, politicians. We are really proud of [the] Auditor."

"I learned a lot from the process and was treated with respect by the auditor's office."

"I fully appreciated the work of the review. One of the principle benefits of the review was that we were able to see an analysis of data that is not normally available to us. The review was

¹ The target for this measure was reduced in 2004 to accommodate significant changes in project scopes resulting from planning for and conducting comprehensive branch audits.

² This category includes courses, seminars, conferences, organization boards, professional development luncheons, delivery of presentations at conferences, etc.

also very useful in identifying the demands that we are facing. The need for more strategic planning is a way of addressing how BRZs can respond. This exercise was very useful. My thanks to [the auditor] for her diligence.”

“The process was thorough from my perspective and conducted in a non-intimidating manner.”

“This particular project was complicated from a governance point of view as it involved the EPS on internal process and P&D because of the business licence bylaw. City Council in the end fully understood their role was in setting fees and not in monitoring EPS process. I believe the Audit report on governance presented the day before helped in the deliberations on the pawnshops.”

“Recognition of the difficulties and risks associated with reducing fare evasion take time to understand, explain, and quantify. The time available to complete the review did not allow for in depth study of more effective practices that would result in a balance of cost, fare evasion reduction without increasing risk to our Operators and support staff, and also recognize the discretion ETS is expected to exercise as a public service.”

“...the auditor, did an excellent job in communicating the philosophy that an audit is a process of working together to improve the operations instead of finding faults. This is a very effective approach.”

“Excellent work by the Audit staff as we constructed a new branch. The items outlined in the audit report have surfaced a few program areas that should indeed be reviewed by Council. My hope is that they will look at these areas when we review the business driver material in January and make a decision, one way or another.”

9. Conclusion

The OCA believes that its contributions to the City of Edmonton in 2005 were significant. The year 2005 marked the first time in several years that comprehensive branch audits have been conducted. Two branch audits were completed in 2005 and a third was well underway at year-end. The OCA refined its audit toolset throughout the course of the branch audits. This has enhanced the OCA’s ability to provide value-added services to both the Administration and members of Council in future branch audits. The OCA anticipates further enhancements as it continues to conduct branch audits.

As mentioned in previous years, the OCA’s greatest accomplishments come from its ability to relate effectively and openly with both its clients and with members of Audit Committee and Council. These relationships have gone far in ensuring that the OCA’s recommendations 1) address significant issues, 2) can be implemented in a cost-effective manner, 3) will be adopted and implemented by management, and 4) will enhance the overall delivery of services by the City to its citizens.

The OCA is pleased to be a contributing member of the corporate team. By maintaining its independence and objectivity, the OCA continues to promote a healthy pursuit of continuous improvement throughout the corporation.

10. Appendix 1 – 2006 Annual Work Plan

#	Title	Description
In-Progress Projects from 2005		
1	Transportation Planning Branch	Transportation Planning Branch's 2005 budget was approximately \$3.3 million with 60.6 FTEs. The Branch provides strategic and capital planning along with right-of-way management for the development of the City's roadway network. Its core process is made up of the sub-processes of strategic multi-modal planning, capital program planning, neighbourhood plan preparation, right-of-way management, facility planning, and monitoring. This project was initiated in September and is scheduled for completion in the first quarter of 2006.
2	Fraud Policy Revision and Promotion	The OCA will review and update Policy A1431, <i>Conduct of Examinations into Allegations or Suspicions of Fraudulent Acts</i> , and promote an awareness of the revised policy and other fraud-related information.
3	Debenture Servicing	This review of debenture compliance and effectiveness will include reviews of transfers, interest payments, and corporate cash system controls and payment procedures. The project was initiated in November and is scheduled for completion in the first quarter of 2006.
Continuing Projects		
4	Continuous Monitoring	This project will continue to develop and implement continuous auditing applications for review of financial, operational, and/or personal data maintained in corporate systems to identify indicators of potential fraudulent activity, database errors, internal control weaknesses, etc.
5	Economic Crime Awareness	Economic Crime Awareness courses were initiated in 1998 to encourage employees to be aware of potential indicators of economic crimes and to report any suspicions through appropriate channels. In 2006, the OCA will work with its partners in the Administration and the Edmonton Police Service to redesign and enhance delivery of the City's Economic Crime Awareness course.
Corporate Projects		
6	FOIP Steering Committee	The OCA will continue its proactive involvement on the steering committee to provide risk and control-related input with the objective of providing assurance that a reasonable level of controls has been implemented or considered and to help improve the City's compliance with FOIP requirements.

#	Title	Description
7	E-Records Steering Committee	The OCA will continue to participate as a department team member in the E-Records steering committee responsible for corporate direction on the management of non-structured electronic records.
8	Management Job Evaluation Review Team	The OCA participates as a member on the corporate team that reviews the job evaluation ratings of new and modified management and professional positions.
9	IT Technical Council	The OCA will continue its involvement as a departmental member on the committee to provide risk and control-related input as new initiatives are proposed and to assess the degree to which proposed technologies will assist the OCA in fulfilling its mandate. A second focus is to provide risk and control assessments related to new strategies as appropriate.
10	Business Planning Coordination Team	The OCA participates as a department member on this team throughout the year in a financial governance oversight capacity. The OCA's role is to increase its awareness of the City's planning, measuring, monitoring, and performance reporting processes. In addition, participation on the team helps the OCA adapt its project planning in response to observed changes to the City's planning processes.
11	Corporate Environmental Management System Steering Committee	The OCA will continue its proactive involvement on the steering committee to provide risk and control-related input with the objective of providing assurance that a reasonable level of controls have been implemented or considered and to help improve the processes being considered to ensure compliance with ISO 14001 environmental management system standards.
12	City of Edmonton Management Association	The OCA will continue to participate as a board member on CEMA and be involved in such issues as duty to accommodate, the Working Relationship Agreement, and the Association's Executive.
Investigations		
13	Investigation Projects	Investigations arise from tips received and/or field observations by OCA staff. The purpose of those investigations is to establish proof or refute allegations of fraudulent or unethical behaviour.
Cash Handling Audits		
14	Community Services – Cash Handling Sites	Conduct a general data review of information contained in the point of sale portion of the computer system used by Community Services to determine whether cash-handling controls are adequate and operating as intended.
15	Community Services – Eastglen Leisure Centre	Conduct a cash-handling review of the operations at the Eastglen Leisure Centre to determine whether controls are adequate and operating as intended.

#	Title	Description
16	LRT Ticket Vending Machines	Conduct a cash-handling review of the ticket vending machines to determine whether controls are adequate and operating as intended.
17	Edmonton Transit – Ferrier Garage	Conduct a cash-handling review of the cash and coin processing centre to determine whether controls are adequate and operating as intended.
18	LRT Portable Fare Boxes	Conduct a cash-handling review of the portable fare boxes used by Transit to determine whether controls are adequate and operating as intended.
Emerging Issues		
19	Emerging Issue Projects	Value-added projects identified by stakeholders following approval of the annual work plan.
Follow-up Reviews		
20	Assessment Review (project # 01008)	A review to assess the degree of implementation of the one outstanding recommendation (performance measures) from the 2001 audit.
21	Telecommunication -Cellular Telephones (project # 01009)	A review to assess the degree of implementation of the six recommendations from the 2001 audit regarding use of cellular telephones by City employees.
22	Overtime (project # 01013)	A review to assess the degree of implementation of the one recommendation from the 2001 audit of the corporate use of overtime.
23	EPS Overtime (project # 04104)	A review to assess the degree of implementation of the eleven recommendations from the 2004 audit of the use of overtime by the Edmonton Police Service.
24	Edmonton Composter Facility (project # 02040)	A review to assess the degree of implementation of the six recommendations from the 2002 audit of the City's composter facility.
25	Municipal Election 2004 (project # 04102)	A review to assess the degree of implementation of the five recommendations from the 2004 audit review of the municipal election.
26	EPS Comprehensive (project # 04113)	A review to assess the degree of implementation of the one recommendation from the 2004 audit of the Edmonton Police Service.

#	Title	Description
27	EPS Governance (project # 04131)	A review to assess the degree of implementation of the thirty-one recommendations from the 2004/2005 audit of the governance structure and processes of the bodies responsible for oversight of the Edmonton Police Service.
28	South East Yard (project # 05156)	A review to assess the degree of implementation of the one recommendation from the 2005 investigation of product waste at Transportation and Streets Department's South East Yard.
Branch Audits		
29	Edmonton Transit Branch	Edmonton Transit Branch's 2005 operating budget was approximately \$178 million (\$112 million tax levy) with 1819.8 FTEs and the 2005 capital budget was approximately \$98 million. The Branch provides customer-focused, safe, reliable and affordable public transportation services that link people, jobs and communities. The Transit Program plans, constructs, operates, and maintains a public transit system as outlined in <i>Plan Edmonton</i> and the <i>Transportation Master Plan</i> .
30	Assessment & Taxation Branch	Assessment and Taxation Branch's 2005 budget was approximately \$12.3 million with 160.0 FTEs. The Branch is responsible for complying with the Municipal Government Act requirements for assessing accurate market values and providing the basis of taxation to meet the approved corporate budget. The Branch accomplishes those goals by developing property valuation models, defending assessment complaints and appeals, producing annual tax notices, and collecting property taxes (municipal and school).
Prioritized Projects		
31	MainLink Post Implementation Review	The Main-Link project was implemented in 2003/2004 within the context of the City's Enterprise Resource Planning Strategy. It focused on standardizing processes for identifying, planning, executing and closing maintenance activity across the corporation. The post implementation review will determine whether Main-Link's objectives and benefits were achieved as intended.
32	Value Case Analysis Methodology	The City has implemented an enterprise value management methodology to maximize the value of technology-enabled business change initiatives. This review will assess the use of the methodology in the City's existing and future business processes and in the decision-making process.
33	Purchasing Process	This review will assess and evaluate the City's purchasing processes to determine whether the current processes are functioning as intended. The review will also assess the degree to which existing purchasing processes promote fair and open competition.

#	Title	Description
34	Governance Review - City of Edmonton	This review will assess the City's governance model to identify and evaluate options that could result in more effective interactions between governing bodies (Council and its Committees) and the Administration.
35	Corporate Payment Cards	This review will focus on usage trends with the Corporate Payment Cards (CPC) to determine whether the City's goals in implementing the CPC program are being accomplished. One of the original drivers for the CPCs was to eliminate Local Purchase Orders (low-value orders).
36	Performance Measurement	This review will evaluate selected performance measures used by the City to determine whether they facilitate management of operations or are purely reporting measures.
37	Internet Usage Review	This review will examine internet usage logs for indications of violations of Code of Conduct and/or misuse of corporate assets.

10.1. Additional Projects in the 2006 Audit Universe

In addition to the 37 projects planned for 2006, the OCA has a significant number of projects that have been identified and described, which are being carried forward for reevaluation during development of the 2007 Audit Work Plan. Those projects include the following categories:

Audit Type	Number
General Audit Projects	49
Comprehensive Branch Audits	20
Information Technology Audits	8
Total Projects Carried Forward from the 2006 Audit Universe to 2007 (as of October 26, 2005)	77