

Introduction

The Office of the City Auditor (OCA) is independent from the Administration, reporting 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. This office 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. This office also administers the City of Edmonton's Fraud and Misconduct Hotline and coordinates fraud investigation activities within City Programs or City Agencies.

The OCA submits an Annual Work Plan to City Council for approval. The Approved Annual Work Plan defines the volume of internal audits to be completed throughout the year. The OCA identifies City activities for review or consultation by utilizing a risk based evaluation methodology, thereby focusing its efforts in the areas deemed significant to the City achieving its objectives. This office's activities may result in proactive control design or corrective action recommendations to the Administration. The results of this office's activities are formally reported in audit reports distributed to each member of Council and then publicly disclosed on the City of Edmonton website. Reports containing significant issues are brought forward for discussion at Audit Committee.



Major Service Description

All projects completed by the OCA must follow generally accepted standards for the professional practice of audits. The OCA is accredited as complying with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

The OCA performs several types of audits to review City Operations:

- Value-for-money audits determine whether a department, service or program operates efficiently, effectively and economically and whether controls systems are adequate.
- Proactive projects allow the OCA to provide proactive, strategic, risk and control-related advice prior to the development and implementation of programs and systems.
- Investigations are designed to prove or refute alleged fraudulent behaviour or misconduct by a City employee.
- OCA governance and leadership activities allows the OCA to participate in a number of initiatives that support City Council and Audit Committee's governance responsibilities.
- Emerging issues are audits identified by the OCA during a scheduled audit, by City Council, by the Administration or by a member of the public. These projects are conducted at the discretion of the City Auditor.
- Follow-up reviews allow the OCA to determine the adequacy, effectiveness and timeliness of actions taken by management on the recommendations made in audit reports.

Summary and Highlights of 2012 Budget

In 2012, we again submit a cost containment budget. As an independent audit office reporting on the efficiency, effectiveness and economy of City operations, we must operate in a cost effective and clearly accountable manner.

Office of the City Auditor

OUR VISION

Committed to adding value



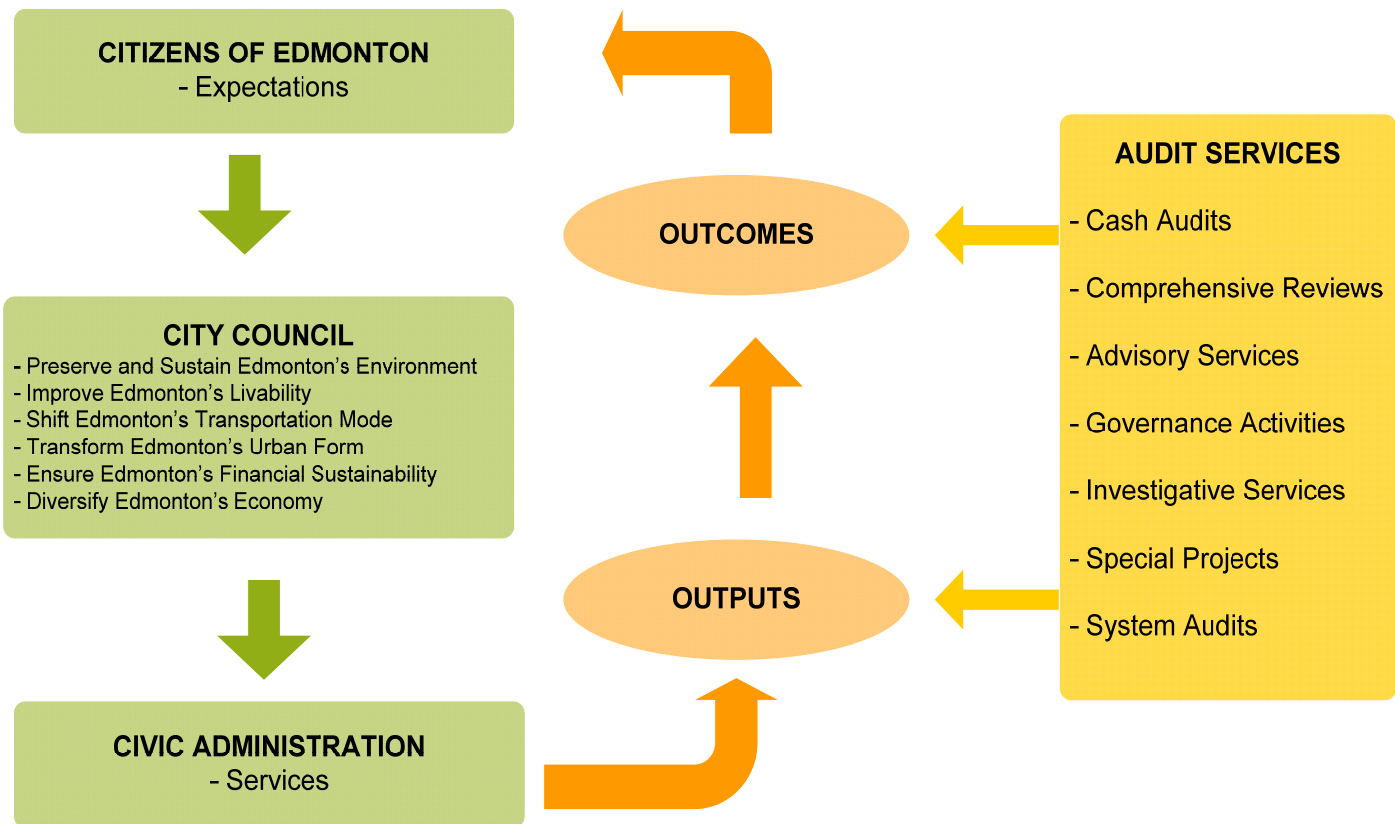
OUR MISSION

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

OUR GOALS

- Working with Council and Management to improve the effectiveness of the City's risk management, control and governance processes.
- Providing independent, objective assurance and advisory services to promote efficient, effective and economical City operations.
- Promoting an ethical public service environment.
- Delivering high quality, innovative and cost-effective audit services.
- Communicating significant observations and information to Council, Management and the public in a timely manner.
- Maintaining a respectful, team-oriented workplace that helps individuals reach their career potential and achieve personal growth goals.

STRATEGIC ROADMAP



Opportunities and Challenges

In 2012, we again submit a cost containment budget. As an independent audit office reporting on the efficiency, effectiveness and economy of City operations, we must operate in a cost effective and clearly accountable manner.

In 2011, we attained the highest available rating for compliance to the International Standards for the Professional Practice of Internal Auditing from an independent external quality assessment consultant.

We will need to continue to pursue the highest quality standards of audit services in order to ensure that we can deliver on our 2012 Annual Plan commitment as well as assisting Audit Committee in meeting their enhanced roles and responsibilities as defined in Bylaw 15310, *Audit Committee Bylaw*.

Office of the City Auditor

Performance Measures

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011 Budget</u> | <u>2012 Approved</u> | <u>Industry Benchmark</u> |
|--------------------------------------------------|-------------|-------------|-------------|------------------------|--------------------------|-------------------------------|
| Customer Performance Measures | | | | | | |
| Customer relationships (out of 5) | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.3 |
| Internal Performance Measures | | | | | | |
| Recommendations accepted | 100% | 100% | 100% | 95% | 95% | 96% |
| Chargeable time | 75% | 82% | 80% | 80% | 80% | 75% |
| Completed engagements to number scheduled | 90% | 95% | 94% | 95% | 95% | 91% |
| Financial Performance Measures | | | | | | |
| Actual vs. budgeted expenditures | 90% | 84% | 97% | 100% | 100% | 90 to 110% |
| Learning and Growth | | | | | | |
| Days of training and development per employee | 9.9 | 7.2 | 8.5 | 10.0 | 10.0 | 8 - 12 |
| Percent staff certified or advanced designations | 92% | 93% | 92% | 93% | 95% | 83% |

Performance Measures Explanations

The Office of the City Auditor reports the above performance measures in its Annual Report. The performance measures are designed to monitor key aspects of the office's activities as follows:

Effectiveness – Most of the measures focus on assessing whether the office is fulfilling its role. These measures include completion of the annual plan, client feedback, and the percentage of accepted and implemented recommendations.

Experienced and competent staff are required for the office to be effective. The level of professional certification and ongoing training are also monitored to ensure the office is staffed appropriately to fulfill its mandate.

Efficiency – The office monitors the percentage of “chargeable hours” staff dedicate to audit projects. Careful management of office overhead time versus direct audit time provides information regarding the efficient use of staff resources.

Economical – The office believes in strong fiscal management and strives to manage its actual expenditures to within +/- 5% of budget.

Office of the City Auditor

Approved 2012 Budget (\$000)

| | 2010 Actual | 2011 Budget | \$ Change '11-'12 | 2012 Budget | % Change '11-'12 |
|------------------------------------------|----------------|----------------|-------------------------|----------------|------------------------|
| Revenue & Transfers | | | | | |
| | \$ - | \$ - | \$ - | \$ - | - |
| Total Revenue & Transfers | - | - | - | - | - |
| Expenditure & Transfers | | | | | |
| Personnel | 1,786 | 1,891 | 9 | 1,900 | 0.5 |
| Materials, Goods & Supplies | 37 | 37 | 1 | 38 | 2.7 |
| External Services | 36 | 43 | 1 | 44 | 2.3 |
| Intra-municipal Services | 44 | 48 | 2 | 50 | 4.2 |
| Utilities & Other Charges | 62 | 62 | 2 | 64 | 3.2 |
| Total Expenditure & Transfers | 1,965 | 2,081 | 15 | 2,096 | 0.7 |
| Net Operating Requirement | \$ 1,965 | \$ 2,081 | \$ 15 | \$ 2,096 | 0.7 |
| Full-time Equivalents | 15.0 | 14.0 | - | 14.0 | |

Budget Changes for 2012 (\$000)

Expenditures & Transfers - Changes

Personnel \$9

Movement within the salary ranges, changes in benefits and the last year of a 3-year LAPP contribution increase account for \$9.

Material, Goods & Supplies \$1

This increase relates to inflation at \$1.

External Services \$1

This increase relates to inflation at \$1.

Intra-municipal Services \$2

This increase relates to inflation at \$2.

Utilities & Other Charges \$2

This increase relates to inflation at \$2.

