

The City of Edmonton's Office of the City Auditor External Quality Assessment - Report

February 2011

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Section 1

Executive Summary

Executive Summary

Project Scope & Objectives

- The City of Edmonton (“City”) engaged PricewaterhouseCoopers LLP (“PwC”, “we”, “our”) to perform an External Quality Assessment (“EQA”, “assessment”) of the Office of the City Auditor (“OCA”) with the following objectives:
 - Assess compliance with the Institute of Internal Auditors (“IIA”) Standards; and
 - Compare the OCA to leading internal audit (“IA”) practices in public and private sector organizations to highlight strengths and identify areas for improvement in seven core areas (summarized in the “Core IA Focus Areas” diagram on the right).

Core IA Focus Areas



Approach

- The assessment took place during December 2010 - January 2011 and consisted of:
 - Interviews with 23 individuals including:
 - Members of the Audit Committee (select councillors and citizen members);
 - Senior members of administration (Corporate Leadership Team – “CLT”), including recent auditees; and
 - OCA leadership and current staff members.
 - Review of the City Auditor’s Bylaw (“charter”), OCA audit plans, a selection of summary reports to the Audit Committee (“AC”), a sample of full audit reports and supporting working paper files.

Executive Summary (continued)

Key Themes Observed

- The OCA has implemented processes and conducts its operations in a manner which “generally conforms” to IIA Standards (please see table to the right and page 6 for further details regarding conformance ratings).
- The OCA maintains independence and objectivity, while working collaboratively with administration and management in an “agent of change” capacity to improve the effectiveness of the City’s risk management, control and governance processes.
- Per corroborating discussions with the OCA’s primary “external” stakeholder groups (Audit Committee, Corporate Leadership Team auditees), the department is continuing to work towards its stated Vision of “...adding value” to the City of Edmonton.
- OCA leadership operates with a view towards continuous improvement of the department, as reflected by recent changes to operating guidelines and processes (e.g. process for status tracking of recommendations), and emphasis on ongoing staff development and training.
- Opportunities exist for the OCA to further embrace leading internal audit practices and align its perspective with go-forward City of Edmonton needs (please see following page).

IIA Standards Conformance

<u>Description</u>	<u>Generally Conforms</u>	<u>Partially Conforms</u>	<u>Does not Conform</u>
<u>Purpose</u>	X		
<u>Independence</u>	X		
<u>Proficiency</u>	X		
<u>Quality</u>	X		
<u>Value-add</u>	X		
<u>Risk focus</u>	X		
<u>Planning</u>	X		
<u>Field work</u>	X		
<u>Reporting</u>	X		
<u>Follow-up</u>	X		
<u>Risk escalation</u>	X		

Executive Summary (continued)

Recommendations

Recommendations are outlined for OCA leadership’s consideration which address project observations and provide opportunities for improvement. Primary strategic recommendations relate to the following:

1. The City has recently developed a “new” Strategic Plan. Going forward, the OCA should consider formally aligning its activities (i.e. projects) with associated strategic objectives and identify opportunities to provide the Audit Committee and administration with assurance as to whether progress is being made by management towards achieving these objectives.
2. Enhance succession planning, which is an important consideration for the OCA given the eventual retirement of OCA team members with seniority.
3. Expanding the OCA’s continued facilitation of training and education of City stakeholders (Audit Committee, administration) to include additional relevant topics (examples include ongoing updates regarding financial reporting and accounting developments, and the topic of Audit Committee evaluations).
4. Opportunities exist for the OCA to play a facilitation role if and when management implements an organization-wide Enterprise Risk Management program.
5. Continue to provide OCA staff training and development opportunities regarding “non-core” internal audit areas which are relevant to the OCA’s audit plan (e.g. transportation, sustainability, “soft skills”) to increase OCA knowledge and abilities in such areas.

(Additional process improvement opportunities relating to PwC’s Internal Audit Framework are also outlined in this report within “Opportunities for Improvement / Enhancement sections”).

Section 2

Compliance with IIA Standards

IIA Standards

IIA Compliance Ratings Summary

The IIA has established the following ratings for assessing an internal audit department's conformance to its Standards.

- "Generally Conforms": an audit office's structures, policies, procedures, and processes are assessed to be in compliance with the Standards.
- "Partially Conforms": an audit office is making good-faith efforts to comply with the requirements of the Standards, but some practices do not comply.
- "Does Not Conform": significant deficiencies exist whereby an audit office has little potential to be effective or to add value.

Based on our assessment, we have assigned "Generally Conforms" ratings to the OCA for all the Standards (please see details for the Standards on the subsequent page). This is the highest rating an audit office can achieve with respect to the Standards per the ratings established by the IIA. The recommendations we have provided relate to the core focus areas using PwC's Internal Audit Framework, and are intended to promote continuous improvement and alignment to leading internal audit practices.

Compliance with IIA Standards

On the basis of the assessment, the City of Edmonton’s OCA “Generally Conforms” to IIA Standards, as summarized below:

IIA Standard	IIA Standard	Generally Conforms	Partially Conforms	Does Not Conform
1000	The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	X		
1100	The internal audit activity must be independent, and internal auditors must be objective in performing their work.	X		
1200	Engagements must be performed with proficiency and due professional care.	X		
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	X		
2000	The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	X		
2100	The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.	X		
2200	Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.	X		
2300	Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement’s objectives.	X		
2400	Internal auditors must communicate the results of engagements.	X		
2500	The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	X		
2600	When the chief audit executive believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the decision regarding residual risk is not resolved, the chief audit executive must report the matter to the board for resolution.	X		

IIA Standards Summary

The following table maps IIA standard assessments to summary comments, and references related contents within this report:

IIA Standard / Assessment	Summary Comments and Observations	Report Reference <i>Please see the noted page(s) for additional details</i>
1000 – “Generally Conforms”	<ul style="list-style-type: none"> The OCA’s purpose, authority and responsibility are formally defined in Bylaw #12424 (“internal audit charter”). This Bylaw is approved by City Council, and is periodically assessed by the City Auditor and Audit Committee. 	page 13
1100 – “Generally Conforms”	<ul style="list-style-type: none"> The OCA is functionally independent of City administration, reporting to City Council through the Audit Committee. Audit Committee and management stakeholders consistently commented that the OCA conducts its audit activities with independence and objectivity when assessing City processes and controls. 	page 13
1200 – “Generally Conforms”	<ul style="list-style-type: none"> Projects are conducted per the OCA’s “Audit Process Guideline”, developed to align with the Standards for the Professional Practice of Internal Auditing (per the Institute of Internal Auditors). The Guideline is intended to imbed proficiency and professional care throughout the end-to-end audit process. 	pages 24, 25
1300 – “Generally Conforms”	<ul style="list-style-type: none"> The City Auditor has established processes and protocols to promote quality assurance and continuous improvement across the spectrum of the OCA’s audit activity. This includes quality assurance over audit files and associated reports, soliciting of client feedback on a regular basis, and quantifying / monitoring and reporting a range of established performance metrics. 	pages 39, 40
2000 – “Generally Conforms”	<ul style="list-style-type: none"> Audit Committee and management stakeholders consistently commented that the City Auditor manages OCA activity in a manner which adds value to the City of Edmonton. A range of stakeholder inputs are considered when the OCA develops its risk-based annual audit plan, promoting attention to areas deemed as valuable by the City organization. 	pages 24, 25
2100 – “Generally Conforms”	<ul style="list-style-type: none"> OCA activity (“guardian “and “agent of change” projects) focuses on evaluating and promoting improvement of City governance, risk management, and control processes, as is explicitly reflected in the OCA’s stated “Goals”. Projects are typically executed following internally-developed processes (e.g. Audit Process Guideline), which bring a systematic and disciplined approach to engagement execution. 	pages 13, 24, 25

IIA Standards Summary (continued)

IIA Standard / Assessment	Summary Comments and Observations	Report Reference
2200 – “Generally Conforms”	<ul style="list-style-type: none"> The OCA performs planning activities for each engagement, with a formal “Terms of Reference” document being prepared to detail project considerations such as project background and objectives, scope, project methodology, and reporting; this document is communicated to auditees. Resource planning for audit projects takes into account the skills required to execute projects, and staff interests; formalized OCA reports are created / posted which provide staff with a view of upcoming assignments. 	<i>pages 20, 24</i>
2300 – “Generally Conforms”	<ul style="list-style-type: none"> Formalized OCA audit processes, as followed by staff during project work, provide guidance as to the extent of procedures / documentary support required during engagement execution. OCA processes include assignments of project roles and responsibilities for quality assurance over the procedures performance and information gathered to support project objectives and findings. 	<i>pages 24, 25, 39</i>
2400 – “Generally Conforms”	<ul style="list-style-type: none"> Project results are communicated to auditees / Audit Committee/ other members of council by the OCA via formal public reports which detail scope of work, analysis, findings, and associated recommendations, and auditees’ action plans. The OCA typically engages in open communication with auditees during project work to allow informal dialogue regarding findings where applicable; engagement reports (findings and recommendations) are discussed between the OCA and management prior to finalization. 	<i>pages 31, 32</i>
2500 – “Generally Conforms”	<ul style="list-style-type: none"> The OCA maintains and monitors audit recommendations using a database inventory to track management’s associated action plans, responsible parties, and target implementation dates. During 2010, the OCA instituted a “semi-annual follow-up process” whereby the City Manager is provided with a summary of outstanding recommendations for comment regarding status of implementation. 	<i>page 32</i>
2600 – “Generally Conforms”	<ul style="list-style-type: none"> The City Auditor maintains open communication channels with City management, allowing the OCA to stay abreast of the City’s risk-related events and decisions. OCA reporting to auditees / Audit Committee outlines observations and associated recommendations relating to areas where it is deemed residual risk (i.e. after considering management’s processes and controls) exceeds an “acceptable” level. 	<i>pages 31, 32</i>

Section 3

OCA Current State Assessment

Our Approach

For the current state assessment, we utilized PwC’s Internal Audit Framework (the “Framework”) and assessed the current state of the OCA against this Framework. To facilitate this assessment, we undertook a comparative analysis of the strategy, processes, controls and procedures at the OCA versus industry practices (considering general internal audit department trends and leading practices).

In reporting the results of our assessment, we provided an analysis for each internal audit process category in our Framework (including Organization, Human Resources, Working Practices, Information Technology, Communication and Reporting, Knowledge Management, and Quality Assurance).

Reporting on the OCA’s processes includes the following:

- A description of the Framework component, i.e. objectives considered during our assessment;
- Observations and findings regarding the OCA and its practices derived through interviews and documentary review procedures; and
- Recommendations for the OCA to improve/enhance its performance along with potential associated benefits.

Prior to conducting our analysis, it was important to understand the goals of the OCA and how accomplishing these goals will ultimately meet key stakeholders needs. On the basis of the OCA’s stated goals, these include:

- To work with Council and Management to improve the effectiveness of the City’s risk management, control and governance processes;
- To provide 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; and
- Maintaining a respectful, team-oriented workplace that helps individuals reach their career potential and achieve personal growth goals.

Organization

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's organization and strategy, we considered the following internal audit objectives:

- Authority granted to the OCA by the Audit Committee is appropriate to its role and responsibilities.
- Sponsorship provided by the Audit Committee and the support provided by executive management assists the OCA in achieving its objectives.
- The OCA's charter is aligned with stakeholder value drivers and corporate objectives.
- Organizational status is appropriate to assure the OCA's independence.
- OCA leadership and staff maintain an appropriate level of objectivity in executing their responsibilities.
- The OCA's structure reflects the needs and culture of the organization and is appropriate for accomplishing its objectives and stakeholder value drivers.
- Roles and responsibilities for all OCA positions are defined and understood within the department and are aligned with stakeholder value drivers.

Organization

Current State

Sponsorship

- The OCA aligns itself with City Council through the Audit Committee and is independent of City administration.
- The OCA's approach to engagement (i.e. collaborative approach to working with City administration) is meant to promote connectivity and visibility within the organization, and foster a productive relationship with administration.
- Per discussions, City administration endorses the OCA's ability to deliver timely and value-added internal audit services to their departments based on project experiences.

Mission / Authority

- The OCA operates under Bylaw #12424, as approved by City Council.
- The Bylaw outlines the OCA's purpose, scope, authority, responsibility and standards of audit practice which are intended to align with IIA Standards.
- The role of the City Auditor is explicitly outlined in the Bylaw, as both an “agent of change” and a “guardian”. This aligns with the OCA's view of striking a balance between independence and working with City administration to bring value-added changes to City processes and programs.
- OCA leadership deems its budget to be appropriate in enabling a continued high level of service and coverage of key risks facing the City.
- The OCA is responsible for managing the City's fraud and misconduct hotline.
- City administration looks to the OCA for guidance on special projects as required. The City Auditor has regular discussions and an open line of communication with City administration regarding emerging issues.

Independence & Objectivity

- The City Auditor reports functionally to the Audit Committee.
- The City Auditor has in-camera sessions with the Audit Committee as required.
- The City Auditor has direct access to the Audit Committee Chair as required (formal meetings typically occur 3 to 4 times a year).
- There was a consensus amongst stakeholders interviewed that the OCA conducts its work objectively.

Organization (continued)

Current State

Organizational Structure

- The Audit Committee provides oversight and consideration of audit matters brought forward by the OCA. The Audit Committee is chaired by the Mayor and comprised of four City Councillors and two members of the public.
- The OCA has a budgeted staff complement of 14 people. The City Auditor leads the office. The remaining positions include a Deputy City Auditor, four Senior Audit Coordinators, seven Audit Coordinators, and an Executive Assistant.
- Staff members' roles and responsibilities are documented in position descriptions which are aligned with stakeholder and organizational goals and objectives.
- The City Auditor attends all Audit Committee meetings; the OCA team is encouraged to view Audit Committee proceedings on-line.

Organization (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>Training and information sharing with OCA stakeholders</p> <p>Over the past several years, a number of OCA staff members have delivered training, orientation, and information sessions to both the City’s Audit Committee and City administration on an ongoing basis. These sessions have covered topics relating to governance, as well as providing education regarding the OCA’s role and areas of focus.</p> <p>Going forward, the OCA should continue to actively seek opportunities to provide training and share governance best practices with the City’s Audit Committee and Administration.</p>	<p>Opportunities exist for the OCA to continue supporting the City’s continuous improvement with respect to governance by delivering timely information sessions on relevant topics, and encouraging dialogue with the Audit Committee and administration. This is of particular importance given the recent shift to extend Audit Committee member terms to 3 years.</p> <p>Examples of areas for the OCA to consider for “training” and “education” topics include:</p> <ul style="list-style-type: none"> • Financial reporting and accounting – City Councillors on Audit Committee typically come from non-financial backgrounds; • Audit Committee evaluations – as mandated for undertaking by the Audit Committee Bylaw (Bylaw #15310) on a periodic basis; and • Enterprise Risk Management (ERM) – currently, the City does not have an organization-wide Risk Management function or framework (please see subsequent page). 	<p>Continued sharing of relevant governance-related information and leading practices with Audit Committee and administration stakeholders will support the OCA’s role as an “agent of change” within the City organization.</p>

Organization (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>OCA's role with respect to a City Enterprise Risk Management program</p> <p>Per stakeholder discussions, risks are mitigated in varying degrees of formality across the City organization; however, the City does not currently have in place a formal, organization-wide ERM program. We understand that such a program is being considered.</p> <p>Leading organizations implement a robust ERM program and / or function to regularly identify, monitor, and develop mitigation strategies to address organization-wide risks in a consistent manner. This promotes an integrated, organizational view of risks.</p> <p>While it is management's responsibility to "own" risks and take associated actions to mitigate risks, the OCA can play a key role by emphasizing the importance of expediting action on the implementation of a City ERM program.</p> <p>OCA facilitated the development and pilot of a Citywide ERM program, and handed it over to City administration for implementation in 2005. The OCA's 2011 Work Plan includes a project to support the Administration's implementation efforts.</p>	<p>In providing the Audit Committee and administration with ERM-related "education" (including associated dialogue), the OCA should seek opportunities to take the lead in facilitating the implementation of a City-wide ERM program. This may include:</p> <ul style="list-style-type: none"> • Providing management with options regarding an ERM framework to adopt, including ERM program design, definition of roles and responsibilities, risk rating and prioritization criteria, and recording / tracking of management's risk mitigation activities. • Leading workshops with administration and management attendees to guide the process for management's identification and rating City risks. The OCA could leverage it's existing risk information (i.e. inputs for the OCA's annual risk assessment and audit planning) to provide management with considerations. • Once established and program facilitation is transitioned to management, the OCA could provide conventional assurance to the Audit Committee and administration as to whether ERM processes are being adhered to. • As a strong practice, an ERM risk register could eventually serve as the reference point for OCA activity, with audit areas being prioritized based on risks identified through the ERM program (i.e. A single, cross-organizational risk assessment). 	<p>From an organization perspective, implementing a structured approach to risk management can potentially increase the effectiveness of risk management activities and reduce aggregate efforts resulting from customization of risk responses / approaches across the organization.</p> <p>An internal audit function playing a facilitation role for ERM and subsequent risk management activities by management is a common practice in organizations which do not have a mature ERM program.</p> <p>Taking a mid-to-longer term view, alignment of OCA activity to top organizational risks identified in the ERM program will promote audit projects which are linked to a single, City-wide view of risk.</p>

Organization (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>OCA Review of City Auditor Bylaw</p> <p>The last formal update and approval by the City’s Audit Committee of City Auditor Bylaw #12424 was completed in June of 2006.</p> <p>Per discussions with the City Auditor, accepted practice dictates the OCA would initiate amendments to the Bylaw if required for subsequent review and approval by the City’s Audit Committee (e.g. if a change was required due to changes in operating policies referenced in the Bylaw).</p>	<p>The OCA should formally include a provision for review (and updating as required) of the City Auditor Bylaw within the OCA annual work plan.</p> <p>Considerations to address include:</p> <ul style="list-style-type: none"> • Evidencing the review; • Timing for review within the annual cycle; • Reporting the results of the review to the Audit Committee; and • Inter-OCA responsibilities and the process to facilitate the review process. 	<p>Good internal audit governance practices include the periodic review (and updating as required) of an Internal Audit Charter (i.e. City Auditor Bylaw in the OCA’s case).</p> <p>By formally undertaking a review of the City Auditor Bylaw on a regular basis, the OCA will be able to better ensure the Bylaw is relevant to the current City / OCA environment and reflective of current practices.</p>

Human Resources

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's human resource practices, we considered the following internal audit objectives:

- A formal process is followed for resource planning, including the use of subject matter experts, which allows the function to deliver on the value drivers for the OCA and the organization.
- Professional development is designed to equip OCA staff to meet the stakeholders' value drivers, and it is linked to the resource planning process.
- Training is specific and appropriate for the audit needs of the staff; the OCA function as a whole, and the staff's individual career development.
- Project and individual performance objectives should be tied to the goals of the department and the organization.

Human Resources

Current State

OCA Skills & Recruiting

- The OCA team possesses diverse professional backgrounds and a range of audit and technical knowledge, skills and experience.
- The majority of OCA staff members are accredited and active in organizations of auditors, accountants, engineers, public managers, and information technology professionals (e.g. Institute of Internal Auditors, Canadian Institute of Chartered Accountants, Society of Management Accountants, Certified General Accountants Association, Association of Certified Fraud Examiners).
- Current OCA team members possess a number of relevant audit-related and professional designations (e.g. multiple Certified Internal Auditors, Chartered Accountants, Certified Fraud Examiners and other accounting / professional certifications).
- Formal position descriptions exist for Audit and Senior Audit Coordinators, as well as for the Deputy City Auditor. The accountabilities, decision making, problem solving, and working relationships increase with each level within the OCA's organizational structure.
- At the time of finalizing this review, the Deputy City Auditor position was open following the departure of the former Deputy City Auditor in December 2010; the City Auditor has reallocated the Deputy City Auditor's responsibilities amongst existing staff to address this departure in the short-term and meets with Senior Audit Coordinators on a weekly basis to discuss these responsibilities.
- Each OCA staff member maintains a staff bio which collectively serve as an inventory of skill sets. Staff also prepare annual personal contribution plans and self assessment forms that are reviewed by OCA leadership.

Professional Development and Training

- Each OCA staff member maintains a career development plan that is discussed with management twice a year. Development plan worksheets are reviewed between each staff member and the City Auditor to help staff grow in their current position and move towards the next level.
- A formal review of the OCA's structure was last completed in October 2007 which recognized the need for some staff to function and provide leadership at a higher level, as well as the need to enhance the ability to attract and retain top talent. As a result the OCA restructured its organization to address the noted challenges, including the increasing complexity and volume of OCA coverage areas.
- The OCA encourages professional certification by supporting required continuing education, and staff involvement in professional associations.
- "Individual Training and Development Plans" are to be aligned with one of OCA's five training goals (Professional CPE requirements, Core Competencies, Project Assessments, Self-assessment, Upcoming project assignment).
- The OCA facilitates the training of new hires through dissemination of a formal employee training manual that includes relevant information (e.g. performance feedback metrics, City department structure, OCA policies and procedures, Audit committee roles and responsibilities); new hires also meet with OCA personnel on a one-on-one basis shortly after on-boarding to gain further insights into the department and its activities/processes.
- Staff share experiences from professional development courses taken and projects performed with the broader OCA team during bi-weekly OCA staff meetings.

Human Resources (continued)

Current State

Resource Planning

- OCA employees have input into projects to which they are assigned. Feedback regarding staff preferences for projects is obtained by the City Auditor via an “annual plan email” sent to OCA staff.
- The OCA Management Team identifies resource and skill requirements for each project based on staff requests, skill sets required, staff availability, emerging requests, and other demands placed on the office.
- Once staff are assigned, an “Annual Work Plan Project Tracking Report” is posted in the OCA office. This report includes the planned team members and the target Audit Committee meeting for each assignment. Staff assignments are also summarized on a six month “Staff Usage Schedule”.

Performance feedback and Measurement

- An independent third party conducts an annual performance evaluation of the City Auditor. This process includes feedback from City Council, Corporate Leadership Team, Managers of recent audits, and OCA staff.
- OCA management will conduct performance assessments on team members at the end of audit assignments. “Project Performance Assessments” provide feedback on how an auditor manages stakeholder expectations, contributes to the audit planning process, manages assigned fieldwork, communicates the project results, shows initiative, and whether the assigned work was completed within agreed to timelines.
- The OCA has implemented a range of performance indicators that are designed to provide assessments of both internal business processes and external outcomes. A “balanced scorecard” approach has been implemented as a way of measuring the OCA’s performance. This includes balancing long-term and short-term actions and customer relationships, internal business measures, learning and human resource measures, and financial measures.

OCA work environment

- Through discussions with OCA staff we noted a general consensus of staff satisfaction with opportunities for development, work-life balance, and office culture. We also noted a general satisfaction with the City Auditor’s leadership style and ease of his accessibility to staff.
- The OCA team engages in team building initiatives such as bi-annual retreats and weekly “connect” meetings to promote a positive team atmosphere.

Human Resources (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>Training for OCA team members on “non-core” audit topics and areas</p> <p>OCA staff undertake significant training and development on an annual basis (e.g. training, courses, seminars). Such training serves dual purposes: the continuous improvement of the OCA’s aggregate abilities through the enhancement of individuals’ skills and obtaining required CPE credits in support of designations / certifications held by OCA team members.</p> <p>Training and development hours are tracked on an individual-by-individual basis within the OCA. An associated key performance indicator (average hours of training per year by staff member) is monitored and reported on by OCA leadership. The nature of training undertaken is typically related to internal audit-specific areas.</p>	<p>To support the broadening of the OCA’s capabilities, OCA leadership should encourage team members to continue undertaking training and development in areas beyond “non-core” internal audit topics.</p> <p>Areas to consider for development should be aligned to the OCA’s “Vision” of being “committed to adding value”. As such, development emphasis should be placed on topics which enhance the OCA’s ability to fulfil its mandate. Examples may include:</p> <ul style="list-style-type: none"> • Technical subject matter specialist areas which correlate to upcoming projects per the OCA’s audit plan (e.g. transportation, sustainability). • “Soft skills” courses relating to communications, presentation, and report writing. • Courses offered within the City of Edmonton organization (e.g. those relating to media skills) to enhance the OCA team’s ability to “put themselves in management’s shoes” when considering the tone of audit messaging. 	<p>Broadening the nature of training and development undertaken will support the OCA’s intention of continuous improvement through the enhancement of skills.</p> <p>This will also allow the OCA to demonstrate increased value to stakeholders by acquiring specialist skill sets aligned to areas of audit coverage.</p> <p>Increased OCA “soft skills” will promote team members’ increased ability to tailor communications (oral and written) to meet a variety of stakeholder needs.</p>

Human Resources (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>Enhance OCA Succession Planning & Development Strategies</p> <p>The City Auditor is well known to City administration, management, and the Audit Committee, and acts as the OCA’s representative at Audit Committee meetings.</p> <p>Other members of the OCA have little experience interacting with and presenting to the City’s Audit Committee and Corporate Leadership Team.</p> <p>Additionally, multiple members of the OCA team who possess significant OCA experience and institutional City knowledge are nearing retirement in the near-to-medium term.</p> <p>Per our understanding, succession planning is considered on an ongoing basis by the City Auditor.</p> <p>The OCA has explored providing a staff member the opportunity to work on an Edmonton Police Services project and more recently, hiring two Interns from the Finance and Treasury Department on three to six month assignments in an effort to supplement OCA existing skills.</p>	<p>The City Auditor should consider enhancing and implementing succession planning and development strategies to:</p> <ul style="list-style-type: none"> • Increase exposure of OCA staff to the Corporate Leadership Team, and subsequently the Audit Committee. • Ensure key City institutional knowledge and relationships held by OCA members is retained going forward. <p>Strategies to consider include:</p> <ul style="list-style-type: none"> • Inventory skills held by OCA staff, and conduct a “gap analysis” to identify skills which may be lost once OCA staff with seniority leave. Formalize plans for alternate OCA members to acquire these skills (e.g. through shadowing and / or training) and include this as an objective within respective growth and development plans. • Actively seek opportunities for OCA staff to physically attend and / or co-present OCA material (with the City Auditor) to the Corporate Leadership team, and as further opportunities arise, to the Audit Committee. OCA leadership should identify staff members who are suitable candidates to undertake such presentations. • Identify key City relationships held by OCA staff with seniority and develop a strategy to transition these relationships (e.g. via introductions) to promote continued retention of goodwill within the City organization. • Assess the merits of developing a staff rotation program with City departments as a means supporting OCA succession planning (i.e. periodically supplementing existing OCA skills). 	<p>Further enhancing, formalizing, and implementing succession planning and development strategies will assist the OCA to retain key skills and City relationships. Formally inventorying key skill sets of team members and planning for succession is generally a good practice employed by high performing internal audit functions.</p> <p>Building ‘soft’ skills sets and raising the profile of OCA team members beyond the City Auditor within the organization (e.g. through presentations to the Audit Committee and administration) will offer development opportunities for staff and provide the OCA with greater flexibility around representation in the medium-long term.</p> <p>Staff rotation programs with internal audit departments are a leading practice for private sector organizations (less typical for public sector entities such as the City of Edmonton). However, a staff rotation program (if practical) may result in mutual benefit to the OCA and City departments (i.e. OCA gains new skills, City staff gain a broader organizational perspective and an increased appreciation for internal controls and governance practices).</p>

Working Practices

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's working practices, we considered the following internal audit objectives:

- Risk assessment process in place is effective in that all risks are captured and prioritized and the results evaluated by the OCA.
- Annual audit planning process ensures all appropriate information on risk and control is used by the OCA when developing the annual audit plan. Also, the plans incorporate all areas of the charter and are aligned with stakeholder value drivers, strategic objectives, and the department's strategic plan.
- Assignment planning process ensures staff with appropriate skills and experience are assigned to perform work, and the scope of procedures are based upon a full understanding of the risks to be reviewed, the assurance needs of the Board and Audit Committee, and the expectations of administration.
- Methodology used to deliver OCA service is efficient and effective.
- Assignments are adequately controlled and delivered efficiently.

Working Practices

Current State

Overview

- The OCA's "Audit Process Guideline" ("Guideline"), and related documents, have been developed in alignment to the Standards for the Professional Practice of Internal Auditing (as per the Institute of Internal Auditors). This Guideline addresses the end-to-end audit project process.
- OCA staff are required to follow the established Guideline from both working practices and ethics perspectives.

Annual Planning / Risk Assessment

- A formal annual planning process ("Office of the City Auditor Annual Planning Guideline") has been established by the OCA with defined planning steps, inputs / outputs, and timelines. The process has been communicated to all OCA members, who possess experience contributing to the development of the annual audit plan.
- The OCA considers a balanced range of inputs when developing the annual audit plan. This includes obtaining input from members of City Council (including Audit Committee members), members of the CLT and City administration, OCA team members, and other sources (e.g. external auditors, input from Union Leaders where appropriate).
- A formalized, independent risk assessment is performed to evaluate the relative priority of potential audit projects. OCA team members are involved in the noted prioritization exercise, as priorities are weighed through discussion with the entire OCA team.
- Defined risk factors are used on a weighted basis to establish the priority ranking for audit areas. Included within the risk factors are financial, operational, regulatory, and reputational considerations (e.g. volume and value, internal control environment, sensitivity, regulations).

Assignment Planning

- The OCA performs planning activities at the outset of each project to refine project objectives and scope.
- A formal Terms of Reference document is prepared for each project. This document includes details regarding relevant project considerations relating to project background and objectives, scope, methodology to be employed, expectations for OCA / auditees, and reporting protocols and timelines.
- Terms of Reference documents are typically shared with auditees prior to commencing project fieldwork; a draft terms of reference is prepared for discussion with area management, with a final version being issued following discussions and internal OCA quality review.

Working Practices (continued)

Current State

Audit Process & Methodology

- The OCA has established a formalized audit process (“Guideline”) to promote consistency of project workflow processes and compliance with IIA Standards. This process addresses the following audit (project) phases: project assignment, project planning, fieldwork, reporting, and project finalization.
- Deliverables and assignment of responsible parties (i.e. OCA staff-level) are detailed on a project phase-by-phase basis within the Guideline.
- The aforementioned process includes both a visual project process flow as well as supporting descriptive verbiage. The process has been communicated internally, and is understood within the OCA.
- Formal “Electronic Working Paper Guidelines” provide staff with guidance on usage protocols for the OCA’s electronic working paper system; a formal “Electronic Working Papers Referencing Guide” also exists and is used by OCA team members.
- A formal OCA “Editorial Style Guide” which specifies style conventions for internal and external communications exists and is understood by OCA personnel.
- Resource planning protocols for OCA audit projects takes into account both the skills required to execute planned projects and staff interests. On an annual basis once the upcoming year’s audit plan has been finalized, OCA leadership solicits from department staff which projects he / she have an interest in. Thereafter, OCA leadership compares requests received to required skills for projects and develops a resourcing plan for the upcoming year.
- Once resourcing is determined, an “Annual Work Plan Project Tracking Report” is created and posted internally. This report includes planned team members on a project-by-project basis and targeted project reporting timelines.
- A “Staff Usage Schedule” which provides a view of staff assignments for the go-forward 6 month period is created and posted internally.

Working Practices (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>Alignment of OCA activity to the City's go-forward strategic objectives</p> <p>Currently, the OCA's risk assessment and annual planning process considers inputs from City Council and administration stakeholders. Thereafter, the OCA uses a weighted assessment of several risk factors (e.g. volume and value, sensitivity) to prioritize areas for audit. These factors take into account financial, reputational, strategic, and inherent risk factors.</p> <p>Edmonton's City Council has recently developed a new "City Vision", and associated "Strategic Plan", which outlines the City's go-forward plan to achieve financial, development, transportation, people, and sustainability related-objectives.</p> <p>Given the pervasive impact the aforementioned plans will have on City decision making and resources, the OCA's ability to align its efforts with the City's objectives will be a key aspect to demonstrating continued value to stakeholders.</p> <p>The OCA is continuing to undertake projects that link to the City's Strategic Plan (e.g. ERM, Capital Projects Review, Waste Management, Corporate Environmental Review, Community Services Branch, and OCA's proactive role in the development of the Corporate Performance Measurement and Reporting System).</p>	<p>As the City's Strategic Plan gains traction with respect to implementation and related-activities, going forward, the OCA should consider more formally disclosing how audit activity is aligned to the City's strategic objectives. This may include:</p> <ul style="list-style-type: none"> • Considering and explicitly detailing linkages between audit projects and the City's plans (e.g. "The Way We Move – Transportation Master Plan) within the OCA's annual plan to demonstrate correlation to strategic objectives; and • Undertaking projects which provide City Council with independent assurance regarding management's processes for quantifying and reporting accurate performance measures relating to these strategic objectives (once performance measures are established). These performance measures will be a key indicator of the traction made towards achieving the City's Strategic Plan. 	<p>Linking audit efforts to the City's strategic objectives will further focus the OCA's attention on highly relevant aspects of the City's operations, and support the OCA's stated "Vision" of "adding value" and the goal of delivering "high quality, innovative" audit services.</p> <p>Taking such a perspective is also in line with the OCA's stated "agent of change" role.</p>

Working Practices (continued)

Opportunities for Improvement / Enhancement

Observation(s)	Recommendation(s)	Benefits and/or Industry Trend
<p>Process to formalize changes to project budgets</p> <p>A sample of 2010 audit project files were “reviewed” as a part of the EQA assessment. During these reviews, it was noted that budget overages occurred whereby actual hours incurred for projects exceeded estimated hours per the OCA’s audit plan. Reasons and extent of overages vary by file (e.g. estimate initially made and subsequently re-considered following due diligence at the “Terms of Reference” project planning stage).</p> <p>Currently, OCA processes are in place to monitor and assess variances. These include:</p> <ul style="list-style-type: none"> • Variances in actual to budgeted hours are documented in a “post project evaluation” form, which is prepared for projects by OCA team members and management. • Direct hours (i.e. project hours) and indirect hours incurred by OCA team members are tracked and analyzed on a bi-weekly basis. <p>Based on corroborating stakeholder discussions, the overages noted for a sample of projects has not significantly impacted the OCA’s ability to meet its annual audit plan.</p>	<p>Management should develop and implement a process for formalizing changes to project budgets (as per the annual plan). Such a process should consider:</p> <ul style="list-style-type: none"> • Changes made to project budgets per the annual audit plan versus those in the associated project’s “Terms of Reference” document. • The impact of changes to budgeted hours subsequent to the Terms of Reference” being created and communicated to auditees. • Documenting circumstances/causes for the change in budgeted hours and project timelines, potential impact to OCA audit plan, and a revised estimate of the required hours; and • Formalize the timely communication of changes in efforts required / timelines to auditees. <p>This process should include review and approval (i.e. sign-off) of budgetary changes by OCA leadership prior to formalization and communication to auditees.</p>	<p>Formalizing a process for assessing, reviewing, and communicating changes to project budgets will allow the OCA to maintain internal and client transparency. Such a process will also allow the OCA to proactively address the impact budget changes may have on individual projects, overall resource management, and achievement of the annual audit plan.</p>

Information Technology

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's use of information technology, we considered the following internal audit objectives:

- Computer-assisted audit techniques (“CAATs”) are used to efficiently gather credible audit evidence.
- OCA resources are integrated to form audit teams comprised of complementary skill sets.
- OCA has appropriate involvement in technology projects for development, acquisition, installation, and maintenance of new systems.

Information Technology

Current State

OCA Technology Skills

- The OCA has one Certified Information Systems Auditor (CISA) and one staff member who is Certified in Governance of Enterprise Information Technology (CGEIT). Multiple resources possess experience and have had training with the use of automated tools such as Audit Command Language (“ACL”).
- These staff members assume all related data analysis responsibilities on OCA audit teams when required for projects and/or when such analysis is deemed valuable to support project objectives.

Technology Related Projects

- As part of the annual planning process, the OCA, in collaboration with management, reviews the City’s IT plans and capital budgets to identify potential IT audit projects.
- The OCA conducts formal assessments of significantly completed City IT programs/projects to ascertain the degree of success, determine if further improvements can be made, and whether lessons learned can be applied to improve future programs/projects (e.g. review of the MAIN-LINK system).
- The OCA periodically supports new system projects within the City organization by providing risk and control-related advice to project teams/sponsors. In such circumstances the goal of the OCA is to ensure potential risks are identified and that automated or procedural mitigating controls are put in place prior to a system being implemented.

Use of IT Tools within the OCA

- The OCA has utilized ACL on several recent projects to help gather audit evidence. Examples of 2010 projects in which ACL was used are: Overtime Review, Cash Theft Investigation, and the Community Facility Services Branch – Cashier Transaction Analysis.
- The OCA uses technology to monitor aspects of their audit processes. Examples include: the recommendation tracking database, repository of electronic working papers, and use of SharePoint technology to increase the efficiency of information sharing and updating of documentation with audit clients.
- Prior to the implementation of electronic working papers in 2010, the OCA assessed the merits of using audit software (e.g. TeamMate) for project purposes and determined that Microsoft Office was a more cost-effective and a suitable alternative for working papers.

Communication and Reporting

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's communication and reporting processes, we considered the following internal audit objectives:

- Appropriate communication takes place within the OCA department to ensure that the OCA's mission, strategy, and tactics are clear and that the OCA's services are delivered effectively.
- Communication processes facilitate communication within the organization of the department's mission, strategy, and tactics.
- Reporting process to the audit committee, board, and line management is effective, and the process promotes desirable change.

Communication and Reporting

Current State

Communicating with the City of Edmonton organization

- The City Auditor meets regularly with the City Manager and other members of the City's CLT in order to stay abreast of current developments and foster constructive working relationships.
- The OCA maintains open communication channels with City management. Examples include members of the OCA's leadership providing an overview of the audit process upon hire of the City Manager, and OCA meetings with the CLT prior to Audit Committee meetings to discuss which administration members should attend the meeting (based on topics for discussion).
- City administration is given an opportunity to respond to OCA's preliminary findings and recommendations prior to finalization of project reports ("no surprises" philosophy).

Communicating with the Audit Committee

- The OCA presents "Quarterly Activity Reports" to the Audit Committee detailing the progress made towards completion of the Annual Work Plan.
- The City Auditor has unfiltered access to the Audit Committee, and the Audit Committee Chair. The City Auditor meets with the Audit Committee Chair one-on-one on a periodic basis.
- On several occasions since 2003, the OCA has facilitated Audit Committee training and orientation sessions pertaining to a variety of topics. Please see the "Knowledge Management" current state assessment for further details.
- The OCA maintains a log of inquiries received from the Mayor and Councillors. Dates, inquirer, description, and actions taken to address the query are detailed in the log.

Communicating within the OCA

- The OCA holds regular bi-weekly meetings in efforts to promote communication, collaboration, and knowledge sharing. OCA staff members are involved in setting agendas for these meetings, and are active participants (please refer to the "Knowledge Management" section).
- A half hour is set aside on a weekly basis for team meetings, which serve as an opportunity to connect and communicate; staff are encouraged to attend if their respective project schedules permit.
- Off-site team building retreats are held (2 per year for the last three years) to allow the entire OCA team to come together and focus on relevant topics (please refer to the "Knowledge Management" section).

Communication and Reporting (continued)

Current State

Audit Projects - Reporting

- Per discussions with CLT and Audit Committee members, OCA project reports are meeting stakeholder needs with respect to level of detail, style and length, and providing recommendations which are viewed as being valuable.
- The OCA audit process incorporates a number of internal quality assurance steps (please see “Quality Assurance” current state assessment) and auditee feedback is obtained and considered prior to the finalization of draft audit project reports.
- Typically, management is requested to provide responses to findings and recommendations contained in audit reports within approximately 30 days.

Audit Projects - Follow-up and Tracking

- A database is maintained to inventory audit recommendations and facilitate follow-up with management.
- Management action plans, responsible party for taking action, and target implementation date for recommendations are tracked.
- In 2010, a “new” semi-annual follow-up process was implemented by the OCA by which the City Manager is provided a report detailing outstanding recommendations (i.e. not yet implemented). Thereafter, the City Manager will obtain updates from responsible areas and provide the OCA with status updates for these recommendations.
- Where applicable, the OCA will perform activities to review the actions taken by management and update the aforementioned database accordingly.
- Progress has been made over the past several months to monitor and “close” recommendations. The OCA recently followed up on 128 recommendations contained in 40 reports issued prior to November 30, 2010. As part of this process, 24 of 37 recommendations outstanding for more than two years past the expected completion date were closed.

Communication and Reporting (continued)

Current State

Communication with internal City of Edmonton and external stakeholders

- The OCA maintains a webpage on the City of Edmonton’s website (www.edmonton.ca/auditor) which is accessible to both internal and external stakeholders.
- The noted webpage includes the following information to provide stakeholders with relevant context:
 - The OCA’s Vision, Mission, and Goals;
 - Associated Bylaws (City Auditor Bylaw and Audit Committee Bylaw);
 - A description of “major” audit services provided by the OCA;
 - An overview of the OCA’s audit process;
 - Annual, project-specific, and Audit Committee reports (including an archive of prior period reports);
 - A listing of resource materials and useful links;
 - A profile of the City Auditor, and an organization chart for the OCA; and
 - OCA contact information.
- The OCA maintains a log of inquiries received from the public via mail, email, walk-in, and telephone. Dates, inquirer, description, and actions taken to address queries are detailed in the log.

Knowledge Management

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's knowledge management practices, we considered the following internal audit objectives:

- Knowledge sharing is integrated into working practices as part of the daily work.
- Knowledge creation, harvesting and transfer are an integral part of the OCA culture.
- The OCA has developed and maintains a repository to assist Internal Audit members in locating relevant knowledge.
- The OCA transfers knowledge to the business unit (and not just vice versa).

Knowledge Management

Current State

Internal OCA knowledge sharing and management

- Based on discussions with OCA staff, formal and informal knowledge sharing is part of the team’s culture, with shared knowledge serving as a means for the OCA’s continuous improvement (i.e. integrating shared knowledge into daily practices) and staff development.
- Regular bi-weekly OCA staff meetings are held to discuss current topics and noteworthy items. These meetings serve as a forum for development, as staff members share knowledge with one another based on courses attended and project experiences (see points below for additional details). Staff meetings also provide a low-risk forum for OCA personnel to develop their presentation and soft skills. OCA staff are involved in the development of agendas for such meetings by submitting topics for discussion.
- A internal, electronic “Audit Resources” directory has been established to facilitate the sharing of knowledge. OCA staff are encouraged to contribute material / resources to this repository on a regular basis to promote the sharing and retention of institutional City knowledge and audit-specific considerations amongst team members.
- This directory contains a range of materials; examples include:
 - Internal audit–related materials. Topics include IIA Standards, internal audit / internal controls methodologies and frameworks (e.g. COBIT), and other relevant topics (e.g. continuous auditing, fraud, enterprise risk management).
 - “Soft skills” materials relating to topics such as leadership and report writing skills.
- OCA team members are encouraged to share key learnings from training / courses / conferences attended amongst the OCA team to allow for broader team benefit. Such learnings are shared during OCA bi-weekly staff meetings, with attendees presenting to OCA colleagues and relevant documents being stored in the aforementioned “Audit Resources” directory for subsequent reference.
- OCA staff also regularly discuss key learnings from audit projects completed and / or in progress during the aforementioned bi-weekly staff meetings. This gives staff members not involved in the relevant project(s) a chance to benefit from experiences and observations of their colleagues.
- OCA project (“audit”) working practices facilitate the sharing of knowledge during the project life cycle, including employing a practice of independent peer reviews for project reports and findings prior to finalization. Final project reports are shared with all OCA personnel and posted within the internal “Final Reports Directory”.
- The OCA has hosted bi-annual office retreats for the past three years. These retreats focus on key issues and topics which are relevant to all OCA staff (e.g. team-building, audit planning). Each retreat is “themed”, with broad staff participation in activities, discussions, and presentation.
- CLT meeting agendas / minutes are shared by OCA leadership to allows team members to maintain awareness of important City developments and initiatives.
- OCA leadership regularly meets to discuss strategic considerations. Minutes from these meetings are shared with OCA team members.

Knowledge Management (continued)

Current State

Knowledge sharing with City of Edmonton stakeholders

- The OCA endeavours to fulfil an “agent of change” role and shares best practices in risk, controls, and governance within the City organization. This includes sharing knowledge with both City Council (Audit Committee) members and administration.
- OCA leadership encourages participation by staff in City organizational committees (e.g. FOIP Steering Committee, Diversity and Inclusion Corporate Working Committee). This practice is intended to allow for proactive sharing of control and risk-related practices within the City organization and to promote collaboration.
- OCA leadership regularly meets with the City Manager and (separately) with the City’s CLT to promote strong working relationships and to stay apprised of key developments affecting the City organization.
- Upon commencement of the “new” City Manager’s employment, the OCA provided the City Manager with reference materials to promote an understanding of the OCA and the types of projects undertaken. Thereafter, OCA leadership presented an overview of the OCA’s audit process to the CLT.
- In advance of each City Audit Committee meeting, the OCA provides an overview to the CLT regarding the topics/reports to be discussed at the meeting. This allows for discussion between the OCA and CLT as to which members of administration should attend the meeting.
- The OCA has led a number of training and orientation sessions / presentations to the City’s Audit Committee to promote awareness of emerging audit and accounting issues. Examples of topics presented include “Auditor independence” and “Differences and relationships between external and internal auditors”.
- The OCA reviewed the roles / responsibilities of Audit Committee members in 2009 and prepared an associated report presenting ways in which to increase Audit Committee effectiveness with respect to structure and mandate. This report impacted Bylaw #15310 (“Audit Committee Bylaw”), which enhanced the Audit Committee’s role / responsibilities in several areas (e.g. financial reporting, internal controls).
- Several City agencies have sought OCA assistance with governance process reviews (to assess whether oversight practices meet general ethical and performance standards, and comply with legal and regulatory requirements). An example includes the OCA’s ongoing relationship with the Edmonton Police Commission.

Knowledge Management (continued)

Current State

Knowledge sharing with external bodies / parties

- Involvement with professional associations and bodies by OCA staff is encouraged. For example, several OCA staff members currently serve on the Edmonton IIA Chapter's Board of Directors and / or in other capacities within the local internal audit and professional community.
- Presentations to the professional community are encouraged by OCA leadership (e.g. course instruction, presentations to conferences or seminars). A recent example includes the "23rd Avenue and Gateway Boulevard Interchange Project Review" presentation by two staff auditors to The Association For the Advancement of Cost Engineering, the Project Management Institute and the Alberta Government Infrastructure Department.
- Since 2008, the OCA has partnered with the Office of the Auditor General of Alberta to host four auditors from Vietnam (two in 2008 and two in 2009) as part of the International Fellowship Program. The intent of this program is to allow internal auditors from a partner country's government audit office to acquire knowledge and experience in audit methodologies, techniques and practices for the purpose of transferring that knowledge to their colleagues.
- In 2009, the OCA presented to a delegation of government officials from the Chinese Ningxia Hui Autonomous Region – Ningxia Audit Department and the China National Audit Office on performance (value-for-money) audits from a City of Edmonton perspective.
- In May 2009, the OCA's report on the 23rd Avenue and Gateway Boulevard Interchange Project was awarded the bronze Knighton Award for performance audits by the Association of Local Government Auditors.
- Per Discussion with OCA leadership, the OCA has been approached by a number of private and public sector organizations to share practices/ experiences with respect to integrated fraud and whistleblower policy and the operation of the City's Fraud and Misconduct Hotline.

Quality Assurance

IA Process Categories



Objectives Considered For The Assessment

In assessing the OCA's quality assurance processes, we considered the following internal audit objectives:

- Quality assurance processes exist to ensure that the core processes of the OCA function continue to be aligned with the stakeholder value drivers and risk management priorities of the organization.
- Appropriate performance metrics are in place to measure the effectiveness of the core processes of internal audit and indicate whether stakeholder value drivers, OCA objectives, and OCA mission have been achieved.

Quality Assurance

Current State

Quality Assurance Processes

- The OCA has developed and implemented processes to promote quality, including procedures for internal quality assurance reviews (over audit projects and associated reporting), and obtaining regular client feedback through post-project surveys.
- Project-and reporting-related quality assurance procedures are embedded within the OCA’s “Project Process Guideline” followed by staff during the performance of audits. This includes:
 - Assignment of a Project Manager to whom the audit team provides regular status updates (verbal updates on a weekly basis);
 - Key project decisions made during project team meetings are documented and retained within the associated audit file;
 - Supervision of day-to-day project progress and outcomes by a combination of the assigned Project Manager and lead auditor (see below);
 - Responsibilities of projects’ lead auditors include promoting engagements being conducted according to project plans regarding quality, scope, and timing for delivery. As required, the lead auditor escalates project matters and variances to the City Auditor for discussion and resolution;
 - Audit coordinator project expectations are formalized with respect to quality checks over project working papers to allow for referencing to the associated report;
 - All audit reports undergo a series of project-team and independent OCA quality reviews prior to being released. These reviews include peer and Project Manager reviews of draft reports; and
 - Mechanisms are implemented to facilitate internal quality assurance over the audit project life cycle, including “Quality Assurance Review Forms”, and “Project Closing Sheets”.
- Formal auditee feedback is obtained by the OCA following audit projects through issuance of a “Post Audit Evaluation by Client” form to the respective (designated) client contact for the engagement. Such feedback is sought for several areas, including “Communications”, “Understanding”, “Performance”, and “Results” (each of which includes multiple sub-evaluation points for scoring). Qualitative comments are also requested.
- Informal oral feedback is solicited from clients during audit execution activities.

Quality Assurance (continued)

Current State

Performance Metrics

- The OCA has established and reports upon a set of performance measures. These performance measures, which have been individually implemented over a period of several years, include:
 - Client satisfaction-data obtained through auditee client surveys – please see previous page;
 - Recommendations Accepted- as a percentage;
 - Recommendations Implemented- as a percentage;
 - Resource Utilization- percentage of annual time spent by OCA staff on performance of audits, investigations, follow-up audits and other external engagements. Tracked and reported on formally within the OCA on a bi-weekly basis;
 - Staff productivity- percentage of annual plan completed;
 - Training- average number of hours spent annually by OCA staff on professional development;
 - Professional Certifications / Staffing and Experience- please see “Human Resources” section of this report; and
 - Financial- budget versus actual expenditures for the OCA, with variance analysis.
- Annual scores for performance measures are tracked from implementation onwards, allowing for trend comparisons. OCA monitoring of these measures is regularly undertaken to facilitate continuous improvement with respect to performance and internal / external results.
- The OCA’s metrics and trends are reported upon annually within the publically-available OCA annual reports (reported on by grouping the aforementioned performance measures into the following categories: “Customer Relationships”, “Internal Measures”, “Human Resources”, and “Financial”).

Appendix 1

Interview List

Interview List

OCA Management / Staff Interviewed

OCA Member	Role
Edwin Ryl	Senior Audit Coordinator
Almas Murji	Senior Audit Coordinator
Larry Laver	Senior Audit Coordinator
Janine Mryglod	Senior Audit Coordinator
Queena Dong	Audit Coordinator
Bill Cook	Audit Coordinator
Sophia Kasozi	Audit Coordinator
Gordon Babey	Audit Coordinator
Leslie Glasbeek	Audit Coordinator
Paul Ebenezer	Audit Coordinator
Thomas Wong	Audit Coordinator
Chrisy Burton	Executive Assistant
Todd Horbasenko	(Former) Deputy City Auditor
David Wiun	City Auditor

OCA Stakeholders Interviewed

Stakeholders	Title
Simon Farbrother	City Manager
David Edey	General Manager, Corporate Services
Bob Boutilier	General Manager, Transportation
Lorna Rosen	Chief Financial Officer
Mayor Stephen Mandel	Audit Committee Chair
Councillor Jane Batty	Audit Committee member
Councillor Don Iveson	Audit Committee member
Bill Grace	Audit Committee Citizen member
Monica Norminton	Audit Committee Citizen member

Appendix 2

Core IA Areas of Assessment

Core IA Areas of Assessment

Working Practices

The processes and procedures in place that ensure the efficient and effective completion of audit work, including the annual risk assessment and planning process, through to assignment management.

- Risk Assessment
- Annual and Operational Planning
- Detailed assignment Planning
- Internal Audit (IA) Methodology
- Assignment Management

Information Technology

The availability and use of technology tools, applications and automated auditing techniques that enhance the efficiency and effectiveness of the auditing process.

- Automated work papers
- Data analysis tools
- Knowledge management repository

Organization

The way IA is structured and supported by the organization to allow it to deliver its terms of reference, including the independence, authority and support given to IA within the organization.

- Authority
- Sponsorship
- Mission
- Strategy
- Independence
- Structure
- Role and Responsibilities

Human Resources

The availability and management of audit resources to allow IA to deliver its remit; including how IA manages its people requirements and the development needs of its staff.

- Resource Planning
- Professional Development
- Training

Communication and Reporting

The way IA interacts with the organization and third parties to ensure the results of the audit work are understood and acted upon.

- Internal
- External
- Departmental
- Reporting
- Issues Tracking and Follow-up

Quality Assurance

Whether performance metrics are in place to measure the effectiveness of IA against stakeholders' objectives and that quality assurance processes over IA work exists.

- Performance Metrics
- Quality Assurance

Knowledge Management

Whether knowledge is efficiently and effectively shared in the IA function and used to spread best practices throughout the organization.

