



OFFICE OF THE
City Auditor

Office of the City Auditor

First Quarter 2007 Activity Report

May 8, 2007



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1. Introduction

Section 10(4) of Bylaw 12424, *City Auditor Bylaw*, requires the City Auditor to submit reports summarizing the status of projects and budget performance.

Our practice is to issue all formal audit reports to each member of Council upon completion. Branch audit reports and others of special interest are submitted as specific items for discussion at Audit Committee meetings. This report provides the Audit Committee with an overview of the Office of the City Auditor's (OCA) activities from January 1 to March 31, 2007 that have not been previously submitted to Audit Committee for discussion.

2. Issued Reports

We issued nine reports in the first quarter of 2007. Three of these, the City of Edmonton Governance Review, the Assessment and Taxation Branch Audit, and the Internet Usage reports were discussed at previous Audit Committee and Council meetings this year. The remaining six reports are summarized below. One was a cash handling review and the remaining five were follow-up projects. Follow-up projects report the status of the commitments made by the Administration in response to our recommendations. The intent is to acknowledge the progress made and highlight areas where significant risks have yet to be addressed. In the case of the following follow-up projects, we are satisfied with the progress made to date and do not believe that Council intervention is required.

Edmonton Composting Facility Follow-up – January 8, 2007

We issued the original report to the Waste Management Branch in September 2003 with six recommendations. Our follow-up concluded that implementation of five recommendations is complete and one was in progress. Waste Management has committed to addressing the remaining recommendation before March 31, 2007. We will schedule another follow-up of this outstanding recommendation.

Accounts Receivable Process Follow-up – February 12, 2007

We issued the original report to the Finance branch in February 2005 with eight recommendations. Our follow-up concluded that all of the recommendations have been implemented in a satisfactory manner.

Surplus Sales Cash Handling Follow-up – February 14, 2007

We issued the original report to the Finance branch in December 2005 with three recommendations. Our follow-up concluded that all of the recommendations have been implemented in a satisfactory manner.

Edmonton Police Governance Follow-up – March 9, 2007

We issued the original report jointly to the Edmonton Police Commission (Commission) and the City of Edmonton (the City) in April, 2005. The original report directed 14 recommendations to the City and 17 to the Commission. Our follow-up concluded that the City had implemented all 14 recommendations and the Commission implemented 11 of their recommendations in a satisfactory manner. The Commission has committed to addressing the remaining six recommendations before year-end 2007. We will schedule another follow-up for these outstanding recommendations.

Business Licensing Revenue Follow-up – March 30, 2007

We issued the original report to the Development Compliance Branch in November 2002 with three recommendations. Our follow-up concluded that one recommendation has been implemented and two are in progress. The branch has committed to addressing these recommendations before year-end 2007. We will schedule another follow-up for these outstanding recommendations.

Eastglen Leisure Centre Cash Handling – February 13, 2007

In November 2006 we initiated a review of the physical security and cash handling procedures and practices in place at the Eastglen Leisure Centre. We concluded that overall control over cash handling was good. We suggested that supervisors should enhance monitoring of cashier activity through the regular review of security tapes.

3. Activities and Initiatives

The OCA has been active in a number of additional activities and initiatives in the first quarter of 2007, including:

External Auditor Support

We support the external auditor's attest audit engagement indirectly through the sharing of our annual plan and providing access to selected working paper files, and directly by providing staff to complete specific audit tests designed by Deloitte.

Audit Committee/Council Presentations

To date, we have presented four reports to Council/Audit Committee in 2007. We issued the Edmonton Transit Branch Audit Report in December 2006 and presented the audit as a stand-alone item at the February 21 Audit Committee meeting. The City of Edmonton Governance Review was presented on March 14 at a Special Council meeting. In addition, we presented the Internet Usage Audit and the Assessment and Taxation Branch Audit at the April 18 Audit Committee meeting.

2006 Annual Report

We issued the City Auditor's 2006 Annual Report on April 16. The report includes an overview of our activities and discusses each of the projects completed in 2006. The report will be presented for discussion at the May 16 Audit Committee meeting.

Hotline Activity Report – January to March 2007

The first quarter's fraud and misconduct activity comprised 29 reports/complaints, of which nine were investigated. Six of the nine complaints have been investigated and closed, and the remaining three investigations are in progress. A report summarizing the fraud and misconduct activity from January 2 to March 31, 2007 has been prepared. This report will be presented for discussion at the May 16 Audit Committee meeting.

Staff Recruitment

During 2006 two Audit Coordinators transferred to other City departments. Our recruitment effort in January successfully filled one position. We followed this with a second posting in March and will be at full complement at the beginning of June.

Internal Audit Leadership

We are very proud of the audit team we bring to the City of Edmonton and consider our office to be a leader in the internal audit profession. To stay current in the industry our staff undertakes a number of activities that promote the profession and our audit practices within the City. These activities include:

- Collaboration with the Auditor General of Alberta – we meet with the Auditor General to discuss the evolving public audit environment and have leveraged their size to participate in training opportunities.
- Presentation to the Institute of Public Administration of Canada, Ethical Challenges within the City of Edmonton, a City Auditor Perspective.
- Participation in City Hall School – we developed a presentation on the role of the OCA and used a case study to engage the class and reinforce curriculum topics of graphs and charts.
- Provided input into a Professional Practice Paper titled “The Role of Auditing in Public Sector Governance.”
- Chair, Awards Committee, Association of Local Government Auditors.
- Chair, Communications Committee, Institute of Internal Auditors (IIA), Canadian Council.
- Membership, Academic Liaison, and Audit Committee Director roles on the Board of the IIA Edmonton Chapter.

4. Projects Currently Underway

We have a number of projects in various stages of completion at this time. We will issue a formal report to Council for each of the following projects:

- Mobile Equipment Services Branch
- Land and Buildings Branch
- Mainlink Post Implementation Review
- 2007 Municipal Election
- Streetlight Poles Review
- Debenture Servicing Follow-up
- Continuous Monitoring
- Corporate Projects (note: individual reports may not be issued)
 - FOIP Steering Committee
 - 311 Steering Committee
 - IT Technical Council
 - Environmental Management System Steering Committee
 - Emergency Medical Services Master Plan Steering Committee
 - E-Records Committee

5. YTD Budget Performance

Our January to March actual expenditures are \$424,000 versus YTD Budget of \$440,000. The \$16,000 (3%) positive variance is primarily due to position vacancies.

6. Conclusion

The first quarter of 2007 has been very productive as demonstrated by the number of reports issued. We believe that the new practice of selecting specific reports for Audit Committee discussion supplemented with Activity reports, such as this, enables the Audit Committee to stay apprised of our activities while dedicating time and effort to high impact issues.

We are making good progress on completing the 2007 Annual Work plan and will advise the Audit Committee of any required changes to our Annual Work plan.