

EXEMPT EMPLOYEE TIME REPORTING AUDIT

EXECUTIVE SUMMARY

The City Auditor's Office issued the Exempt Employee Time Reporting Audit Report to Administration on August 28, 2015. The report includes Administration's response to nine recommendations raised by the City Auditor's Office to improve the efficiency and effectiveness of controls, which ensure accurate vacation records and compliance with employment law. Administration agreed to the recommendations and provided action plans with commitment dates no later than December 31, 2016.

RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2015 SEPTEMBER 10

That Council receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2015 Annual Audit Plan was approved on November 6, 2014. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2015 Annual Audit Plan, as the accurate recording of time away from work is an essential part of ethical staff behaviour. The objective of this audit was to determine if internal controls exist and were operating effectively during 2014 to ensure exempt employees accurately record vacation time taken and support compliance with legal and policy requirements.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

We analyzed vacation data for all exempt employees during 2014 and tested the operating effectiveness of key controls.

Our data analysis of 2014 vacation data indicated exempt employees in general were recording vacation close to entitlements defined in policy, above legal minimums and within amounts that could reasonably be expected to be earned. Furthermore, we found that a suite of controls are adequately designed to provide reasonable assurance of accurate vacation records. The operating effectiveness of individual controls varied, as many controls were people based and were premised on understanding the intent of review and approval.

We identified five exempt employees who did not take a minimum amount of vacation in a manner consistent with Alberta Employment Standards during 2014, 2013 or 2012. Although not widespread, these practices could increase the reputational and legal risk to The City. The Administration policy governing payouts of vacation time does not explicitly state that minimum

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vacation required by employment standards must be met before payout of unused vacation time is made and requires amendment. In addition, enrollment in payroll compliance training for DeptID owners by Pay Services has been low.

We also noted three opportunities to improve the efficiency of controls for DeptID owners and Pay Services.

Stakeholder Engagement, Research and Communication

This audit was conducted with the HR Support Services Manager acting as the principal audit contact within Administration.

Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

N/A

Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. This audit was undertaken due to the reputation risk to the organization arising from potential non-compliance with labour law and the potential for exempt staff to act in an unethical manner in recording vacation.

REASON FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

ATTACHMENT

1. Exempt Employee Time Reporting Audit Report.