



THE CITY OF
CALGARY
CITY AUDITOR'S OFFICE

1st QUARTER 2015 REPORT
January 1, 2015 – March 31, 2015

April 14, 2015

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City Auditor

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1. Introduction

The City Auditor is accountable to City Council and subject to the oversight of the Audit Committee in accordance with Bylaw 44M2006, *Procedure Bylaw*.


Over each calendar year, the City Auditor will issue three quarterly status reports to the Audit Committee along with a comprehensive annual report. This is the first quarterly report for 2015, and represents audit activity during the period of January 1, 2015 to March 31, 2015. The report includes a summary of current performance, specific details on audit activities, follow-up on audit recommendations, operating costs, and staffing updates.




2. Summary of Current Performance

The broad objective of the City Auditor's Office is to provide independent and objective value-added assurance, advisory and investigative services. As it applies to our internal audit activities we assist Council in its oversight of City Administration, accountability for stewardship over public funds and achievement of value for money in City operations (Bylaw 30M2004). We track our success in achieving our objective on a quarterly basis through the following key performance indicators of efficiency, effectiveness, quality delivery, and staff proficiency:

#	Performance Indicator	Target	Quarterly Result	Comments
1	<i>Efficiency:</i> Progress against approved plan	Quarterly: 85% on schedule ¹		82%. Audits on our approved audit plan are scheduled and tracked to ensure we meet our annual objective of 100% delivery of draft audit reports by year-end. Five audits initiated on schedule in Q1. Planning phase extended into Q2 for two audits to more fully assess risks. Due to contingency planned in Q4 this current delay will not impact year-end deliverables.
2	<i>Effectiveness:</i> Audit recommendations agreed to	95%		100%. All 12 audit recommendations raised in Q1 reports issued were fully agreed to by Administration.
3	<i>Effectiveness:</i> Timely follow up of audit recommendations	100%		100%. Administration reminded of all action plans due in Q1 within 5 business days of Q1 start.
4	<i>Quality delivery:</i> Results of client survey	75%		100%. Based on survey response received in Q1 (Virtual Desktop). Appendix 2 shows the survey issued to clients by the Office.
5	<i>Staff proficiency:</i> Professional training	80%		100%. All training planned for Q1 completed.

¹ Annually the target is to complete draft audit reports for all planned audits by the year end.

#	Performance Indicator	Target	Quarterly Result	Comments
6	<i>Staff proficiency:</i> Staff retention	3 year average		3.8yrs. No staff turnover in Q1.

 On or above target;  1 - 20% below target;  Greater than 20% below target

3. Quarterly Completion of Audit Plan

Bylaw 30M2004, as amended, *City Auditor Bylaw*, established the City Auditor position and the City Auditor’s Office Charter. The City Auditor’s Office Charter requires the City Auditor to submit an annual risk-based audit plan for approval by the Audit Committee.

The 2015 Annual Audit Plan was approved by Audit Committee on November 6, 2014. Appendix 1 provides a detailed listing on current progress against plan as of March 31, 2015.

3.1. Audits

The following reports were presented in Audit Committee meetings during first quarter 2015.

3.1.1. Virtual Desktop Information Technology Audit

The objective of this audit was to determine if control processes exist to provide reasonable assurance that the Virtual Desktop program (branded as myDesktop) will achieve the benefits described in IT’s 2015 - 2018 budget submission. This assessment was performed using a just in time methodology to support the successful expansion of this technology.

We recommended controls to address the risk exposures of the project failing to deliver expected benefits and lack of system availability. Administration agreed to the recommendations and provided action plans with commitment dates no later than November 30, 2015.

3.1.2. Sewer Capacity Management Processes Audit

The Sewer Capacity audit was conducted as part of the approved City Auditor’s 2014 Annual Audit Plan to assess processes and controls in place to mitigate sewer capacity risk within Water Resources (WR). The objective of this audit was to assess the effectiveness of prioritization of sewer projects; communication channels between WR and other business areas that can impact capacity needs; evaluation of design standards; and monitoring of high inflow and infiltration levels in order to successfully mitigate sewer capacity risk.

Based on our scope of review, WR processes for long term planning, capacity assessment and the prioritization of projects are in place and operating to support effective risk management of sewer capacity.

Recognizing that forecasted growth will continually place pressure on the management of sewer capacity we raised four resiliency recommendations to WR, and they responded positively with action plans with implementation dates no later than March 31, 2015.

3.2. Advisory Activities

The following advisory project was completed jointly with Administration during first quarter 2015. A formal report was not issued to Audit Committee regarding this activity.

3.2.1. Expense Review (Council Directed – NM2014-37)

On 2014 September 22, Council passed Notice of Motion 2014-037. This Notice of Motion directed the City Auditor to work in consultation with Administration to review both current policies regarding use of alcohol during work hours and expensing of alcohol for all city employees.

Our advisory work consisted of a detailed analysis of relevant City of Calgary policies and a comparison of practices by public and private sector organizations. Our report (PFC2015-0077) was presented to the Priorities and Finance Committee on January 20, 2015 with recommendations focused at strengthening the City’s policies related to alcohol use and expenses by further mitigating associated safety, financial, and reputational risks. The report was passed for consent at the February 9th, 2015, Combined Meeting of Council, along with amendments to the Council policies (PAC007, PAC008, and CC042) that were drafted separately by City Solicitor.

4. Ongoing Recommendation Follow-up

As established in 2014, we work collaboratively with Administration to provide a continuous follow-up process which is tracked and reported on a quarterly basis. This quarter, the City Auditor’s Office began using TeamCentral, a module of TeamMate audit software, to track and record recommendation follow up. Several business units were provided access to the software to provide updates and view recommendation status as part of a pilot project. During this quarter, we followed up on 49 recommendations that were due on or before January 1, 2015. The results of our activities are highlighted in the following charts.

Chart 1: Status of Recommendation Follow-up (49 in total)

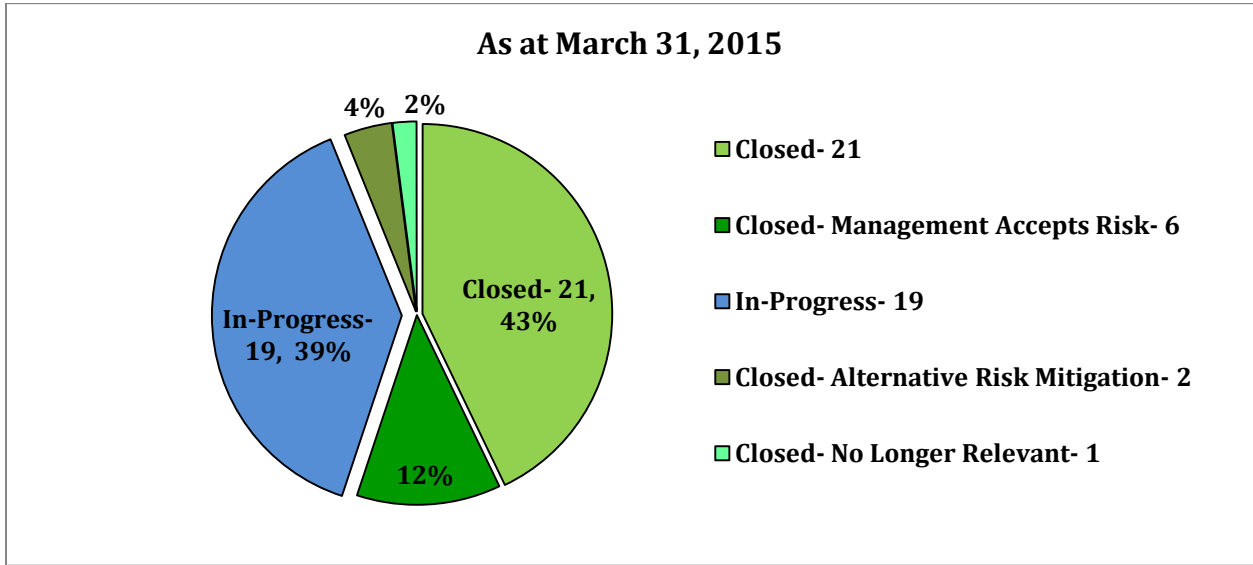
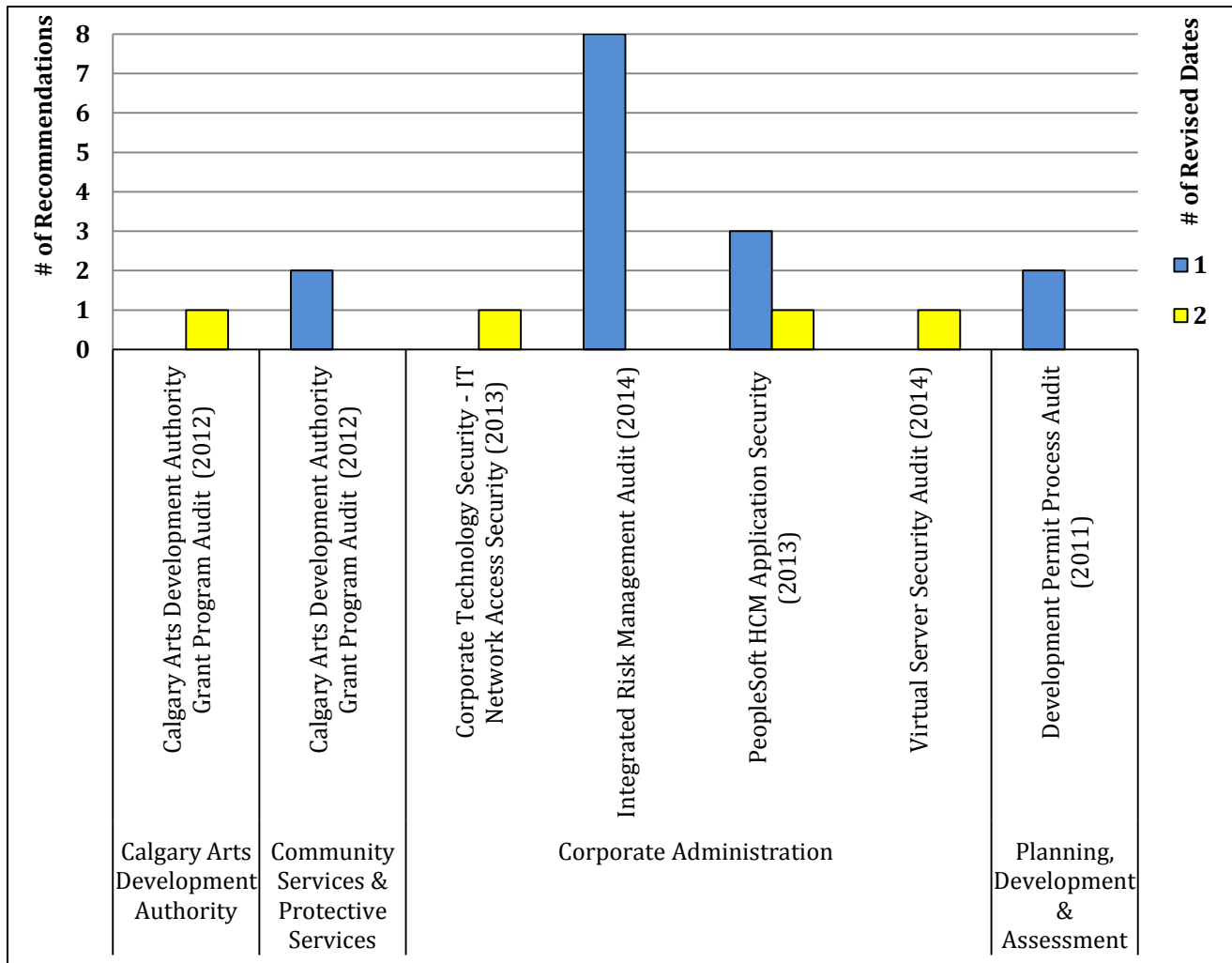


Chart 2: Status of In-Progress Activity (19 in total)



The majority of the recommendation follow-up resulted in the closure of the recommendations based on implementation of the recommendations, although a few (six) were closed based on Management acceptance of risk exposure. There were 19 outstanding actions which are now being tracked to revised implementation dates. To provide clarity on the follow-up processes, one of the recommendations that has been closed based on Management’s acceptance of risk, and one recommended action in progress has been described below.

4.1. Closed- Management Accepts the Risk

A status of “Closed - Management Accepts Risk” is assigned where management has not implemented the action plan committed to in the audit report and accepts the associated risk exposure. The City Auditor’s Office holds discussion with Management to re-evaluate the risk exposure to determine whether the risk acceptance is reasonable. In all six closed actions The City Auditor’s Office agreed with Management’s decision to accept the residual risk.

4.1.1. Flood Recovery Expenditure Audit (2014)

The City Auditor’s Office raised a recommendation regarding increasing transparency on flood recovery capital project update reports (financial cost and progress to date) to Council. The recommendation included assigning accountability for the timely delivery of status reports on

flood recovery capital projects at a project level to Council until such time as all the projects were completed.

Subsequent to the audit, Administration re-examined the risk/resources impact of providing consolidated status reports on flood recovery capital projects. This examination took into account the incorporation of the work on flood related activities and budgets into the 2015-2018 Action Plans; as well as new activities and processes recently put in place including:

- Identification and prioritization of all municipal infrastructure recovery projects;
- Identification of projects eligible for Disaster Recovery Program reimbursement and mapping them to submission deadlines and eligibility requirements; and
- Preparation of cost forecasting to be reviewed twice per year.

Based on this analysis Administration accepted the residual risk and will not proceed in implementing the audit recommendation.

The City Auditor's Office is in agreement based on Administration's assurance that appropriate prioritization of projects has been completed, project cost forecasting will be performed semi-annually by the assigned project managers, and requests by Council for additional details on these flood related projects will be accommodated.

4.2. In-Progress

A status of "In-Progress" is assigned where management action plans were not implemented by the commitment date in the audit report and a revised commitment date has been provided.

4.2.1. Integrated Risk Management Audit (2014)

Deliverable dates for the IRM audit action plans were impacted by the vacancy in the Senior Risk Strategist position. Management anticipates filling the position in the second quarter. The City Auditor's Office will continue to provide support on the ongoing enhancements to the IRM program and will offer additional advice and guidance once the Senior Risk Strategist is onboard. Revised implementation dates between December 31, 2015, and July 29, 2016, reflect a staged approach to the action plans, which aligns to the work being done on the Leadership Strategic Plan approved by Council on September 15, 2014.

4.3. Planned Follow-up in Next Quarter

We are now tracking a total of 76 recommendations as at March 31, 2015. Of these, 28 have not been included in a previous follow-up cycle and are pending and 48 have been included in a previous cycle and are in-progress. We will be following up on 17 recommendations with implementation dates between January 1 and April 30, 2015 in the next quarter.

5. Budget Management

The City Auditor's Office strives to provide the highest level of independent and objective value add assurance, advisory and investigative services within budgetary expectations. Budget, actual and forecast comments for the City Auditor's Office as of March 31, 2015 are provided below:

City Auditor's Office Operating Costs (\$'000's)

	2015 Annual Budget	1 st Quarter Budget 2015/03/31	Actual 2015/03/31	Variance	Comments
Salary	\$2,256	\$553	\$500	\$53	Anticipate that positive salary variances may be used to fund anticipated costs for contract auditors utilized in Q1.
Contracts	\$50	\$5	\$0	\$5	
Training	\$36	\$9	\$4	\$5	
Other	\$68	\$27	\$37	-\$10	
Total	\$2,460	\$594	\$541	\$53	

6. Professional Staffing and Initiatives

6.1. Professional Training

The foundation of the City Auditor's Office is the professional skills and knowledge of the staff. To run effective audits, advisory projects and investigations a range of complimentary designations enhances the team's effectiveness. The value of the team is in the mix of designations, knowledge and experience held to provide effective advice and guidance. The Office is committed to supporting the ongoing professional development of its staff members. The Office follows the corporate Administration Policy on Learning and Development (HR-036). Annually we develop individually customized professional development plans for each of staff based on key competency expectations.

The Office supports all audit staff to achieve their Certified Internal Auditor (CIA) status awarded by the IIA. In first quarter 2015, Catherine Pao, Auditor, successfully achieved her CIA status and is now among nine of our audit staff who have obtained the CIA designation (or equivalent CISA designation for IT audits).

We invest a portion of our approved budget to internal and external training to ensure our professional staff remain current on best practices and maintain their designation requirements. We view this minor cost as a prudent investment for both our staff and the City. A recent example is Ross Visscher, Senior Auditor, who was awarded a complimentary registration to the ISACA North American conference following outstanding exam performance. We supported his attendance at this conference through travel costs, as an agreed part of his 2015 annual training. In turn, Ross attended presentations highlighting emerging information security risks, and IT and data analysis auditing techniques that he will utilize in performing efficient future information technology audits.

6.2. City Auditor's Office Education and Awareness

The Institute of Internal Audit actively promotes internal auditing's value during International Internal Audit Awareness month each May. The City Auditor's Office works collaboratively year-round with Administration to improve awareness and understanding of the expertise we provide.

With the assistance and support of the City's communication group we published a new internal brochure: Internal Audit Process: A Collaborative Approach (Appendix 3). This brochure is designed to provide a high level overview of our mandate, internal audit process and delivery expectations for our internal audit clients. Recently, we also utilized this brochure in an informal education and sharing session, with citizen members of the Audit Committee. Based on their feedback we included this brochure as part of the Audit Committee orientation binder as a quick reference guide.

APPENDIX 1
2015 Annual Audit Plan – Status as of March 31, 2015

2015 Annual Audit Plan				
#	Title	Description	Report Target	Status
2014 In-Progress				
1	Corporate Ethics Program Assessment	Complete an assessment of The City's Corporate Ethics Program as part of effective governance. Bylaw 48M2012 requires the Audit Committee to monitor the adequacy and effectiveness of corporate policies including code of conduct and conflict of interest.	Q1	Reporting
2	Roads Business Unit Vehicle Asset Control	Complete an audit of systems and processes in place to manage timely maintenance and cost of vehicles utilized in the Roads Business Unit.	Q1	Reporting
3	Sewer Capacity Management Processes (AC2015-0146)	Complete an audit of The City's processes to manage sewer capacity risk.	Q1	Complete-Reported March
4	Virtual Desktop Information Technology (AC2015-0205)	Complete an audit of The City's virtual desktop Information Technology. This audit will further examine City's initiatives to utilize virtual technology to support the achievement of Tomorrow's Workplace initiative.	Q1	Complete-Reported February
5	Expense Review (Council Directed – NM2014-37) (PFC2015-0077)	Complete a review of both current policies regarding use of alcohol during work hours and expensing of alcohol for all city employees, and in that analysis consider other leading best practices.	Q1	Complete-Reported January
Audit Committee/City Council Directed				
6	Whistle-Blower Investigations	Policy CC026, <i>Whistle-Blower Policy</i> directs the City Auditor to ensure reports received through the City's Whistle-Blower program are investigated, tracked and appropriately resolved. Summary of activities is reported in first quarter of the following year.	Q1	Ongoing

2015 Annual Audit Plan				
#	Title	Description	Report Target	Status
7	2016 Annual Audit Plan	City Auditor's Office Charter requires the City Auditor to prepare an Annual Risk Based Audit Plan for approval by Audit Committee.	Q4	Not Started
Risk Assessed Priority				
8	Recommendation Follow-up	Ongoing follow-up on the status of management's action plans to address City Auditor recommendations. Results reported as part of City Auditors Quarterly Status Report.	Quarterly	Ongoing
9	Transportation Planning	An audit examining effective prioritization of projects, which may include efficient utilization of consultant and external analysis.	Q3	Fieldwork
10	Freedom of Information and Privacy (FOIP) Workflow Process	An audit evaluating the cost efficiency and process effectiveness of the FOIP response workflow.	Q3	Not Started
11	Calgary Housing Company	An audit on effective asset management processes, and utilization of housing units.	Q3	Planning
12	Exempt Employee Time Reporting	An audit using data analytics to assess effectiveness of computer and manual tools to support accurate exception time reporting for exempt employees.	Q2	Planning
13	Contract Procurement Process	A horizontal audit to evaluate factors impacting timeliness of the contract procurement process.	Q4	Fieldwork
14	Rocky Ridge Recreation Centre	A project management audit of the capital construction project to build the Rocky Ridge recreation centre.	Q4	Not Started
15	New Calgary Central Library	An ongoing project management audit on the capital construction of the new Calgary Central Library.	Q2/Q4	Planning
16	Emerging Issues - City Auditor discretion	Audit resources to be assigned at the City Auditor's discretion. The City Auditor will update the Audit Committee on audit	TBD	Not Started

2015 Annual Audit Plan		
		resources being allocated to emerging issues, as well as the outcome of those activities upon completion.
City Auditor Office Initiatives		
17	Audit Committee Orientation	The City Auditor supported an Audit Committee Orientation session for all members of Council in January 2015.
18	Quality Assessment Improvement Program	In-house file reviews for audits completed in Q4 2014 and Q1 2015 were assigned and completed. File reviews assess conformance to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, and may also identify opportunities for improvement in the audit process.
19	Audit Software Tools	In first quarter, the City Auditor's Office implemented our audit software, TeamMate, to track and record our follow up of recommendations. System version upgrades to TeamMate and ACL (software used for data analytics) used by the City Auditor's Office have been initiated with support from The City's IT Business Unit.
20	Training and Development Guidance	Staff annual training plans have been developed as part of individual 2015 objectives. Development of an Office competency based training program and support tools is planned for Q4.

APPENDIX 2

Client Satisfaction Survey

AUDIT:

AUDIT REPORT DATE:

AUDITORS:

SURVEY COMPLETION DATE:

EVALUATOR'S NAME (optional):

EVALUATOR'S TITLE (optional):

Please provide your evaluation of the recently completed audit by ticking the box that best reflects the manner in which the audit was conducted.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	5	4	3	2	1
1. Audit objectives, scope and the audit process were clearly communicated.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The audit focused on the key issues and risk areas within the defined audit objectives and scope.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Audit timelines were communicated and adhered to throughout the audit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Client suggestions and concerns were considered throughout the audit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The audit team understood the audit topic.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The audit team were professional, courteous and open minded.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Communication regarding audit results and status of the audit was timely and adequate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Audit recommendations were constructive and practical.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The audit report was issued in a timely manner following the completion of the audit work.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. The audit report was accurate, clear, and concise and fairly captured the significance of audit findings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. Overall, the audit added value to the Business Unit/service/project/program audited.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Overall, the audit process was completed to your satisfaction.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please provide any additional comments you may have in response to the questions above.

Please suggest any opportunities to improve the audit process.

Please send your completed surveys to City.Auditor@calgary.ca

This survey is collected under the authority of the Freedom of Information and Protection of Privacy Act, Section 33(c), and will be used to provide feedback to the City Auditor's Office to improve our services. If you have any questions or concerns with this survey, please contact the City Auditor's Office at 403.268.5670.

Internal Audit Process

A Collaborative Approach



Internal audit's mandate

The City Auditor has the responsibility to assist Council in its oversight of City Administration, accountability for stewardship over public funds and achievement of value for money in City operations (Bylaw 30M2004).

How do we fulfill our mandate?

We do this by performing independent and objective reviews of City operations, programs, processes and systems designed to support Council Priorities.

When do audits occur?

Our audits are prescheduled and included in our annual plan. The annual plan is developed in consultation with Administration, Council, other internal assurance partners and the External Auditor. Audits are determined through assessment of priority areas based on key risks and our ongoing commitment to providing coverage across the entire organization.

What does this mean to you?

- We work collaboratively to ensure that the focus of our audit will provide value to you and help you to meet your business goals and objectives.
- We need your input and assistance because you are the business experts.
- We are interested in what you do and we want you to be successful.
- We are all part of a great city.

What are the benefits of an internal audit?

- Professional expertise in risk management and cost effective control processes.
- Timely identification of significant risk exposure impacting business objectives.
- Reduced risk mitigation costs.
- Value-added advice on risks related to strategic initiatives, and organization and process changes.
- Insight to overcome barriers to future success.

Key steps in the internal audit process

Planning

We hold an initiation meeting to inform you of the overall purpose of the audit and the general timing. We are looking for your input on key challenges that your business faces as well as subject matter experts that can provide information to further our understanding of key processes. At the conclusion of our planning we will provide you with a project plan that outlines the audit objective, key risks, timelines and our audit approach.

Fieldwork

Formal audit procedures will be completed. It is our goal to do this with minimal disruption to your day-to-day operations and, to the extent possible, we will coordinate our activities around your critical deadlines. We will tell you about significant interim results as they are identified.

Reporting

Summary of Observations/ Recommendations The purpose of this key document is to foster discussion since we need your input to validate our conclusions and recommendations.

Draft Report The draft report provides a balanced view of our results and is circulated to management and Administration for feedback, including a formal management response and action plan to address the recommendations in the report.

Final Report The final report is available to the public prior to presentation to Audit Committee.

Client Feedback

We will ask for feedback at the end of the audit to evaluate the effectiveness and the quality of the audit services provided. We are committed to providing the best service possible.

Follow-Up

We monitor the progress of actions taken to address our audit recommendations and report to Audit Committee on the adequacy, effectiveness and timeliness of implementation. We will follow up with you 30 days after the action plan implementation date to discuss the status of your action plans.

What expertise do we bring?

All of our audit staff hold professional and/or technical designations. We conform to the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. We have processes in place to ensure internal audit quality that includes ongoing staff training requirements.



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