



THE CITY OF  
**CALGARY**  
CITY AUDITOR'S OFFICE

**Quarterly Status Report  
January 1, 2014 – March 31, 2014**

**April 17, 2014**

**Katharine Palmer  
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 2014, and represents audit activity during the period of January 1, 2014 to March 31, 2014. The report includes a summary of current performance, specific details on audit and advisory activities, follow-up on audit recommendations, operating costs, and staffing updates.

## 2. Summary of Current Performance

The main objective of the City Auditor's Office is to provide independent and objective value-added assurance, advisory and investigative services. We plan to track our success in achieving this objective by providing quarterly dashboard reports, starting in July 2014, based on the following key performance indicators:

- Efficiency
  - progress against annual plan (target: 80% on track to quarterly plan)
- Effectiveness
  - client agreement to audit recommendations (target: 95% client agreement)
  - implementation of audit recommendations (indirect measure on trending)
- Quality Delivery
  - results of auditee survey (target: 75% meet or exceed client expectations)
- Transparency
  - ongoing client communication plan (target 80% on track to plan commitments)
- Staff Proficiency
  - professional training (target 80% fulfillment of training objectives)
  - staff retention (target year-end average of 2.8 years of service)

## 3. Quarterly Completion of Audit Plan

Bylaw 30M2004, *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 2014 Annual Audit Plan was approved by Audit Committee on December 16, 2013. **Appendix 1** provides a detailed listing on current progress against plan as of March 31, 2014.

### 3.1. Audits

The following reports have been previously presented in Audit Committee meetings during first quarter 2014.

### **3.1.1. Payroll Review and Approval Process-Part 2 (January 23, 2014)**

Our review confirmed that controls are in place and operating effectively to transfer time and labour data from the Parks and Water Business Units accurately and completely into PeopleSoft.

An annual process is in place whereby the Business Units provide a high level sign off to Pay Services indicating that they are responsible for controls. The Payroll Review & Approval audit in June 2013 recommended that the Manager Pay Services revise the annual payroll sign-off to include a checklist of the controls that should be in place prior to an employee signing the form. Management has taken steps to provide clarity through a revised checklist; however, we feel that additional clarity around role expectation is required.

### **3.1.2. Virtual Server Security (February 20, 2014)**

Virtualization is a software technology that divides a physical resource, such as a server, into virtual resources called virtual machines. For the operating systems and programs running within these Virtual Machines, it appears that they are running on their own physical computer. In actuality, they are actually sharing resources such as the physical hardware. In other words, virtualizations allows one physical computer to act and perform like many computers.

Due to the nature of this audit, the report was presented confidentially to Audit Committee in-camera. Management agreed to implement action plans to address the seven audit recommendations to strengthen existing controls.

### **3.1.3. Facility Utilization (January 23, 2014)**

This audit examined if The City had defined and communicated a governance structure to enable the efficient utilization of facilities. Facility was defined as permanent buildings with an acquisition value of greater than \$50,000 falling under the accountability of the City Manager.

Two recommendations were raised to improve facility governance. Management agreed to both recommendations.

## **3.2. Advisory Activities**

The following project was reported to Administration during first quarter 2014. A formal report was not issued to Audit Committee regarding this activity.

### **3.2.1. Flood Response, Recovery and Early Resilience - Lessons Learned**

A management letter was issued on February 28, 2014 commenting on the Calgary Emergency Management Agency (CEMA) 2013 Flood Debrief Summary dated February 4, 2014 specific to CEMA's processes used to collect the lessons learned, the completeness of reporting and the prioritization of actions. Advisory recommendations have been received for consideration and future implementation.

Our next management letter will be issued after the review of the Conference Board of Canada report which CEMA expects to receive later in April.

#### 4. Ongoing Recommendation Follow-up

We are working collaboratively with Administration to enhance our follow-up process, which will support an ongoing approach rather than a formal semi-annual approach. We believe this process will increase awareness and timely response and implementation of effective risk mitigation controls. This new process is targeted to begin in second quarter 2014.

Currently the City Auditor's Office is tracking a total of 118 recommendations. Of these, 89 have action plan dates on or before March 31, 2014. The remaining 29 have action plan dates in the second (7), third (9), and fourth (13) quarters. The trending of our follow-up activities under the revised process will be reported to Audit Committee starting in our July report.

#### 5. Budget Management

Budget, actual and forecast comments for the City Auditor's Office as of March 31, 2014 are presented in Exhibit 1.

**Exhibit 1 - City Auditor's Office Operating Costs (\$'000's)**

	<b>2014 Annual Budget</b>	<b>1<sup>st</sup> Quarter Budget 2014/03/31</b>	<b>Actual 2014/03/31</b>	<b>Variance</b>	<b>Comments</b>
<b>Salary</b>	\$2,045	\$530	\$428	\$102	Positive variance anticipated to continue as full staffing will not occur until 4 <sup>th</sup> quarter.
<b>Contracts</b>	\$43	\$23	\$23	(\$0)	Negative variance anticipated in Q2 as contract auditors/ investigators employed.
<b>Training</b>	\$36	\$9	\$8	\$1	Possible shortfall anticipated by end of 3 <sup>rd</sup> quarter.
<b>Other</b>	\$112	\$25	\$22	\$3	Anticipate funding contract and training shortfalls through reduction of spend in other areas.
<b>Total</b>	<b>\$2,236</b>	<b>\$587</b>	<b>\$481</b>	<b>\$106</b>	

#### 6. Staff Proficiency

##### 6.1. Professional Training

Annually we develop individually customized professional development plans for each of our auditors based on key competency expectations. We invest professional training dollars to ensure our professional staff remains current on risk mitigation best practices and maintain their designation requirements.

Our team of auditors have a diverse base of expertise that they apply to their audits. One of the designations held by three members of our team is the Certified Information Systems Auditor certification, namely:

Evelyn Otte, Acting Deputy City Auditor  
Ross Visscher, Senior Auditor  
Andre Cohen, Senior Auditor

The Certified Information Systems Auditor (CISA) is a certification issued by the Information Systems Audit and Control Association (ISACA). The CISA is globally recognized in the field of audit, control and security of information systems and has gained worldwide acceptance based on uniform certification criteria. The certification has a high degree of visibility and recognition in the fields of IT security, IT audit, IT risk management and IT governance. The purpose of the certification is to assist employers in hiring auditors who are skilled in measuring and assessing IT controls.

## **6.2. Staff Retention**

Our ability to work effectively and efficiently on our audit activity is enhanced by creating an environment which supports retention of staff for an average period of at least two to three years. In the last few years there has been a significant turnover of staff and our objective is to create more stability and opportunities for leadership opportunities within our department.

During this quarter we promoted, Evelyn Otte, formerly Senior Auditor to an Acting Deputy City Auditor position. We are also expanding the types of positions offered within the City Auditor's Office with the addition of a one year term Whistle-Blower Program Investigator position. We are currently evaluating candidates for this role.

Our current average years of service, as at end of March, stands at 2.6 years reflecting the recent departure of one Senior Auditor.

## APPENDIX 1

### 2014 Annual Audit Plan – Status as of March 31, 2014

#	Title	Description	Plan	Status
1	Flood Recovery Expenditures	An audit of the systems and processes in place by The City to maintain accountability and transparency of flood funding recovery expenditures.	Q1-Q2	Fieldwork
2	Flood Response, Recovery and Early Resilience - Lessons Learned	An advisory project examining the collection, assessment and implementation of lessons learned as initiated by Calgary Emergency Management Agency (CEMA). CEMA in turn has retained the Conference Board of Canada to conduct an independent assessment of its emergency management and response efforts as they relate to best practice.	Q1-Q4	Ongoing  1 <sup>st</sup> Memo issued 2014/02/28
3	Corporate Credit Cards - Continuous Monitoring	First step toward a continuous monitoring system. Build continuous monitoring reports to assess Credit Card expenditure compliance.	Q1-Q3	Ongoing
4	Procurement Response under State of Emergency	An audit of the procurement and expediting processes that occurred during the 2013 State of Emergency and the processes supporting subsequent payment of these contracts.	Q2-Q3	Planning
5	Virtual Desktop Information Technology	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.	Q2-Q3	Not Started
6	Sewer Capacity Management Processes	An audit of The City's processes to manage sewer capacity risk.	Q3-Q4	Not Started
7	Roads Business Unit Vehicle Asset Control	An audit of systems and processes in place to manage timely maintenance and cost of vehicles utilized in the Roads Business Unit.	Q3-Q4	Not Started
8	Corporate Ethics Program Assessment	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.	Q3-Q4	Not Started

#	Title	Description	Plan	Status
9	Unallocated Audit	To support flexibility to respond and address emerging risk areas. The audit will be identified during the year at the City Auditor's discretion. The City Auditor will update the Audit Committee on nature of the activity, as well as the outcome of those activities upon completion.	Q2-Q4	Not Started
10	Unallocated Audit	To support flexibility to respond and address emerging risk areas. The audit will be identified during the year at the City Auditor's discretion. The City Auditor will update the Audit Committee on nature of the activity, as well as the outcome of those activities upon completion.	Q2-Q4	Not Started
11	Recommendation Follow-up	Follow-up on the status of management's action plans to address City Auditor recommendations. Bylaw 48M2012 requires the City Auditor to prepare a report on the Administration action on the recommendations contained in previous audit reports.	Q1-Q4	Planning
12	Integrated Risk Management	Independently validate the maturity self-assessment that was conducted by the City Manager's Office in November 2012 on The City's IRM program.	Q1	Reporting
13	Payroll Review and Approval Process- Part 2	Specific to Water and Parks time and labour data: <ul style="list-style-type: none"> <li>- Assess that the time and labour data is transferred across the interface accurately and completely.</li> <li>- Assess that the time and labour data is monitored by both the Business Units and Pay Services to ensure the data transferred accurately and completely across the interface.</li> </ul>	Q1	Complete – 2014/01/23
14	Attainable Homes Calgary	Review controls over the home ownership business cycle to provide assurance that controls are in place, are effective and support the shared equity model.	Q1	Reporting
15	Virtual Server Security	Assess The City's processes and procedures for server virtualization are adequate and effective. Assess the security over the virtualized server environment are adequate and effective.	Q1	Complete – 2014/02/20

#	Title	Description	Plan	Status
16	Facility Utilization	Assess whether a defined governance structure enables the efficient utilization of facilities.	Q1	Complete – 2014/02/20
17	Whistle-Blower Investigations	Bylaw 48M2012 requires the Audit Committee to oversee, through the City Auditor's Office, the operation of a Council Policy CC026, <i>Whistle-Blower Policy</i> . This policy directs the City Auditor to ensure reports received through the City's Whistle-Blower program are investigated, tracked and appropriately resolved.	Q1-Q4	Ongoing
18	2015 Annual Audit Plan	Bylaw 48M2012 requires the City Auditor to prepare an Annual Audit Plan for approval by Audit Committee.	Q2-Q4	Not Started
<b>Office Initiatives</b>				
19	Quality Assessment Improvement Program – Periodic Assessment	Formalizing procedure to complete independent quarterly reviews of audit files and in-house assessment of compliance to IIA standards.		
20	Staff Training and Development	Staff annual training plans developed and approved as part of individual objectives.		
21	Secondment Program	Not started.		
22	Corporate Liaison	Under development.		
23	Audit Work Paper Tools	<p>The CAO is currently using TeamMate as an audit work paper tool. TeamMate increases the efficiency and productivity of the internal audit process, including: risk assessment, scheduling, planning, execution, review, report generation, trend analysis, audit committee reporting and storage. By providing an integrated paperless strategy for managing audits, the audit software eliminates the barriers associated with paper-filled binders and disconnected electronic files, driving efficiencies into all areas of the internal audit workflow.</p> <p>An analysis was undertaken to determine whether to remain with TeamMate or to pursue another Audit Work Paper Tool. TeamMate was found to be incompatible with Internet Explorer (IE) version 10. Results of the analysis indicated to stay with TeamMate, however, to remain with IE version 9.</p>		
24	Audit Committee Orientation/Awareness	Plans underway to support facilitation of audit committee lunch and learn. Orientation manual will be re-assessed and updated in mid Q3.		
25	Controls Advice	The CAO responded to a request to provide internal controls advice to review documents and provide input regarding cloud computing in January 2014.		

#	Title	Description	Plan	Status
26	Email Encryption	Research was undertaken by the City Auditor's Office to evaluate various options with respect to encrypting email. A brief research paper was written recommending various alternative options.		
27	Windows 7 Upgrade	The City Auditor's Office is scheduled to upgrade to Windows 7 in April 2014. The CAO reviewed standard software required and came up with a standard build (software requirements) for the office. The Windows 7 rollout was piloted by 3 people in the CAO and issues were captured and resolved in order to make the transition smoother for remaining staff.		