



City of Edmonton
EXTERNAL QUALITY ASSESSMENT OF
THE OFFICE OF THE CITY AUDITOR
September 11, 2015

PREPARED BY: MNP LLP
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September 11, 2015
City of Edmonton
Attention: Mr. David Wiun, City Auditor
Office of the City Auditor
1200 Scotia Place
10060 Jasper Avenue NW
Edmonton, AB, T5J 3R8

Dear Mr. Wiun,

Re: External Quality Assessment of the Office of the City Auditor

The City of Edmonton ("the City") engaged MNP LLP ("MNP") to conduct an external Quality Assessment ("QA") of the Office of the City Auditor ("OCA"). The principle objectives of the QA were to:

- Assess the OCA's conformance to the Institute of Internal Auditors' ("IIA") International Professional Practices Framework ("IPPF" or "the Standards");
- Assess the adequacy of the OCA's plans, policies, procedures and practices;
- Benchmark, identify and report leading practices that could assist the OCA in becoming more efficient and / or effective; and
- Identify recommendations to improve the operations of the OCA.

Opinion as to Conformance to the Standards

It is our overall opinion that the Office of the City Auditor of the City of Edmonton generally conforms to the Standards.

"Generally Conforms" is the top rating and means that the OCA has a charter, policies, and processes that are judged to be in conformance with the *Standards*. For a detailed assessment of conformance to each Standard, as well as opportunities for improvement, please refer to the attached report.

Scope and Methodology

The review took place during the months of May to August, 2015 and consisted of:

- Interviews with nine (9) representatives from across the organization including:
 - The Mayor;
 - Public Members of the Audit Committee;
 - Members of Corporate Leadership Team; and
 - The City Auditor and selected OCA staff members.
- Review of the City Auditor and Audit Committee Bylaws, OCA audit guidelines, current and prior year internal audit plans, a sample of five (5) completed audit engagements including supporting internal audit reports and working paper files.

Observations and Positive Attributes

The OCA is well-structured and progressive where the *Standards* are understood and management is endeavoring to provide useful audit tools and implement appropriate practices. Some successful practices observed were:

- A strong reputation and credibility with other departments within the City as well as the Audit Committee;
- A high percentage of staff with professional designations, including Internal Auditing Designations;
- A robust training program for internal audit staff;
- Engagement files that are well structured and follow internal audit principles and *Standards*.

Consequently, our comments and recommendations as outlined below are intended to build on this strong foundation already in place within the OCA.

Opportunities for Improvement / Enhancement

These findings will enhance the OCA's compliance with the *Standards*:

1. **Documenting Changes in Timelines** – Opportunity to enhance consistency with respect to documenting changes in audit project timelines.
2. **Sample Size Methodology** – Opportunity to provide additional guidance with respect to the selection and use of sample size methodologies.
3. **Quality Assurance and Improvement Program (“QAIP”)** – Opportunity to bring all elements of a QAIP (e.g. supervision and review of engagements, performance review of City Auditor, etc.) together in a formalized QAIP.

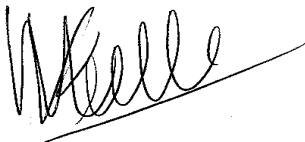
Industry Practice Recommendations

These findings will enhance the OCA's alignment with industry best practices:

1. **Periodic Review of the Internal Audit Charter (i.e. City Auditor Bylaw 12424)** – It is recommended that the Internal Audit Charter be reviewed on an annual basis to ensure that the purpose, authority and responsibility of the OCA, as defined in the Charter, continue to be adequate and current to enable the internal audit function to accomplish its objectives.
2. **Succession Planning** – It is recommended that the OCA develop a succession plan to ensure a plan is in place to retain corporate knowledge and relationships due to potential turnover in experienced staff.

Thank you for the opportunity to be of service to the City. We would be pleased to respond to further questions concerning this report and furnish additional information.

Yours truly,



Maggie Kiel, CIA, MBA, ABCP, CRMA
Partner, Enterprise Risk Services

Cc: Audit Committee
City Council
City Manager

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1. Executive Summary

Project Scope and Objectives

The City of Edmonton engaged MNP to conduct an external quality assessment of the OCA. The principle objectives of the QA were to:

- Assess the OCA's conformance to the IIA's IPPF;
- Assess the adequacy of the OCA's plans, policies, procedures and practices;
- Benchmark, identify and report leading practices that could assist the OCA in becoming more efficient and / or effective; and
- Identify recommendations to improve the operations of the OCA.

Approach

The review took place during the months of May to August, 2015, and consisted of:

- Interviews with nine (9) representatives from across the organization including:
 - The Mayor;
 - Public Members of the Audit Committee;
 - Members of Corporate Leadership Team; and
 - The City Auditor and selected OCA staff members
- Review of the City Auditor and Audit Committee Bylaws, OCA audit guidelines, current and prior year internal audit plans, a sample of five (5) completed audit engagements including supporting internal audit reports and working paper files.

Please refer to Appendix A and B respectively for a listing of interviewees and files reviewed.

Summary of Findings

Opportunities for Improvement / Enhancement

1. **Documenting Changes in Timelines** – Opportunity to enhance consistency with respect to documenting changes in audit project timelines.
2. **Sample Size Methodology** – Opportunity to provide additional guidance with respect to the selection and use of sample size methodologies.
3. **Quality Assurance and Improvement Program** – Opportunity to bring all elements of a QAIP (e.g. supervision and review of engagements, performance review of City Auditor, etc.) together in a formalized QAIP.



Industry Practice Recommendations

1. **Periodic Review of the Internal Audit Charter (i.e. City Auditor Bylaw 12424)** – It is recommended that the Internal Audit Charter be reviewed on an annual basis to ensure that the purpose, authority and responsibility of the OCA, as defined in the Charter, continue to be adequate and current to enable the internal audit function to accomplish its objectives.
2. **Succession Planning** – It is recommended that the OCA develop a succession plan to ensure there is a plan in place to retain corporate knowledge and relationships due to potential turnover in experienced staff.

2. Compliance with Standards

On the basis of our assessment, the OCA “Generally Conforms” to all *Standards* as summarized below.

IIA Standard	Description	Generally Conforms	Partially Conforms	Does not Conform
Attribute Standards				
1000	Purpose, Authority, and Responsibility	✓		
1100	Independence and Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1300	Quality Assurance and Improvement Program	✓		
Performance Standards				
2000	Managing the Internal Audit Activity	✓		
2100	Nature of Work	✓		
2200	Engagement Planning	✓		
2300	Performing the Engagement	✓		
2400	Communicating Results	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		

3. Opportunities for Improvement / Enhancement

Implementing the following recommendations will enhance the OCA's compliance with the *Standards*:

Observation	Recommendation	Benefits and / or Industry Trend
<p>3.1 Documenting Changes in Timelines</p> <p>The OCA started using audit management software (i.e. TeamMate) in 2013 to document and manage audit engagements. However, documenting changes in timelines was not always done consistently in the five files selected for review.</p>	<p>Opportunity to enhance consistency with respect to documenting changes in audit project timelines.</p>	<p>Documenting changes in timelines is necessary to ensure audit activities can be carried out in a manner that will support the achievement of the audit plan.</p> <p>Clearly established and updated timeliness will also serve to keep key stakeholders informed of progress.</p>
<p>3.2 Sample Size Methodology</p> <p>Sample size selection methodology and rationale was not clearly defined in one of the five files selected for review.</p> <p>On review of the Audit guidelines, we did not note any guidelines related to sample size determination and selection.</p>	<p>Opportunity to provide additional guidance with respect to the selection and use of sample size methodologies.</p>	<p>Clearly defined guidelines for sample size determination and selection is important to ensure standardization across all levels of staff during the execution of audit engagements.</p> <p>A clearly defined methodology will also ensure that the sample size selected is appropriate to meet the overall audit objectives and ensure sufficiency of audit evidence to support conclusions reached.</p>
<p>3.3 Quality Assurance and Improvement Program</p> <p>Various activities are captured throughout the OCA's Audit Guidelines that address ongoing monitoring of the performance of the internal audit function to support the quality of work performed and reports produced.</p> <p>There is however no formal and stand-alone QAIP that brings all internal and external quality assurance activities together in one central repository.</p>	<p>Opportunity to bring all elements of a QAIP (e.g. supervision and review of engagements, performance review of City Auditor, etc.) together in a formalized QAIP.</p>	<p>A QAIP is beneficial as it fosters a culture of quality and continuous improvement through ongoing and periodic self-assessments and external validation.</p>

4. Industry Practice Recommendations

Implementing the following recommendations will enhance the OCA's alignment with industry best practices:

Current Practice	Recommendation
<p>4.1 Annual Review of the Internal Audit Charter (i.e. City Auditor Bylaw #12424)</p> <p>The OCA reviews the Internal Audit Charter (i.e. City Auditor Bylaw #12424) on an ad hoc basis. It was last updated in June 2006 and last reviewed in July 2014.</p>	<p>It is recommended that the Internal Audit Charter be reviewed on an annual basis to ensure that the purpose, authority and responsibility of the OCA, as defined in the Charter, continue to be adequate and current to enable the internal audit function to accomplish its objectives.</p>
<p>4.2 Succession Planning</p> <p>A number of the OCA's staff members have been with the OCA for a long time (e.g. five team members have been with the OCA for over ten years) and staff turnover has been very low. As such significant knowledge and relationships are at risk should some of these staff members retire or seek employment elsewhere.</p>	<p>It is recommended that the OCA formalize its succession plan to ensure corporate knowledge and relationships are retained in the event of potential turnover in experienced staff.</p> <p>One tool that could be useful in terms of succession planning is the development of a skills matrix that, in addition to outlining general / technical skills and capabilities, could also highlight the need for softer skills such as presenting at Audit Committee meetings or increased interaction with senior management.</p> <p>The OCA should develop a skills matrix that outlines the various skills required of its team members, as well as an assessment of each team member against the required skills. The OCA should then use the gaps identified therein to direct future training and skill development opportunities.</p>

5. Summary – Comparison Against Industry Practices

We have benchmarked the 2014/2015 operations of the OCA to results from the Global Audit Information Network (“GAIN”) report dated July 2015. The GAIN report benchmarks internal audit functions of organizations in a wide variety of industries and of various sizes. For comparative purposes, groups selected for benchmarking against the OCA have been selected from across the following three tiers:

- Tier 1 – Government.
- Tier 2 – Audit Staff Size 11 to 25.
- Tier 3 – Local Government.

We have compared the GAIN report to the OCA’s 2014 Audit Plan and Budget as well as current (2015) staff compliment and qualifications.

Positive attributes as compared to leading practices:

- **92%** of staff have professional designations (as compared to 79%, 69% and 77% respectively for Tier 1, 2 and 3).
- **69%** of professional staff have an Internal Auditing Designation such as Certified Internal Auditor (“CIA”) or Professional Internal Auditor (“PIA”) (as compared to 47%, 28% and 51% respectively for Tier 1, 2 and 3).
- On average, **64** training hours are provided to each staff member (as compared to 67, 69, and 45 hours respectively for Tier 1, 2 and 3).
- **93%** of audits planned are actually performed (as compared to 87%, 88% and 83% respectively for Tier 1, 2 and 3).
- **29** audits planned with a **93%** completion rate (as compared to 31, 48 and 29 audits respectively for Tier 1, 2, and 3, with an average completion rate of 86%)

Appendix A: Interviewee List

The following individuals were interviewed by MNP during the execution of the QA review:

Interviewee	Position
Mayor Don Iveson	Mayor, City of Edmonton
Ms. Mary Persson	Public Audit Committee Member
Mr. Simon Farbrother	City Manager
Councilor Andrew Knack	City Councilor
Ms. Linda Cochrane	General Manager Community Services
Mr. Robert Bhatia	Public Audit Committee Member
Ms. Janine Mryglod	Senior Audit Coordinator
Mr. Bill Cook	Senior Audit Coordinator
Mr. David Wiun	City Auditor

Appendix B: List of Engagements Reviewed

The following engagement files were reviewed by MNP during the execution of the QA review:

Project Code	Project Name
13365	Social Media
14369	City Streets Audit
14372	Google Procurement Process Review
14376	Community and Recreation Facilities - Cash Controls Audit
15393	Abuse of City Time Investigation

Appendix C: IPPF Standards Evaluation

Standard	Current State	Compliance ¹	Recommendation
Attribute Standards			
<p>1000 – Purpose authority and responsibility</p> <p>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>.</p>		Generally Conforms	
<p>1000 Purpose authority and responsibility</p> <p>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.</p> <p>1000. A1 The nature of assurance services provided to the organization must be defined in the internal audit charter. If assurances are to be provided to parties outside the organization, the nature of these assurances must also be defined in the internal audit charter.</p> <p>1000.C1 The nature of consulting services must be defined in the internal audit charter.</p>	<p>The City Auditor Bylaw #12424 formally defines the purpose, authority and responsibility of the OCA. The Bylaw is reviewed on an ad hoc basis and was last reviewed in July 2014.</p> <p>The Bylaw contains the nature of assurance services and consulting services that the OCA can provide to internal or external parties.</p>	GC	<p>4.1 Annual review of the Internal Audit Charter (City Auditor Bylaw #12424)</p>
<p>1010 Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter</p> <p>The mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i></p>	<p>The Bylaw mentions that the audit assignments must be conducted in accordance with generally accepted standards for the professional practice of audits. Also, it states that the OCA is entitled to rely on current ethical standards applicable to the</p>	GC	

¹ Generally Conforms[GC] / Partially Conforms[PC] / Does not Conform [DNC]

Standard	Current State	Compliance ¹	Recommendation
<p>must be recognized in the internal audit charter. The chief audit executive should discuss the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> with senior management and the board.</p>	<p>auditing profession for refusal to release confidential information.</p> <p>The OCA discusses the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> with Audit Committee members at Audit Committee Orientation sessions.</p>		
<p>1100 Independence and objectivity.</p> <p>The internal audit activity must be independent, and internal auditors must be objective in performing their work.</p>		<p>Generally Conforms</p>	
<p>1110 Organizational Independence.</p> <p>The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.</p> <p>1110. A1 – The internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results.</p>	<p>The OCA is independent of the City Administration and has accountability to Council for the exercise of all powers, duties and functions delegated to it. The OCA reports functionally to the Audit Committee, a Standing Committee established to assist the Council in fulfilling its oversight responsibilities.</p> <p>The Bylaw further states that the OCA is not authorized to perform or exercise direct authority over the activities they audit and may not give directions to the City Manager. It is the responsibility of operating management to implement corrective action on audit recommendations.</p> <p>During interviews with stakeholders, we did not identify any circumstances which would lead to restrictions to the scope, resources, and access of internal audit activity.</p>	<p>GC</p>	
<p>1111 Direct Interaction With the Board</p> <p>The chief audit executive must communicate and interact directly with the board.</p>	<p>The City Auditor communicates and interacts directly with the Audit Committee through the Audit Committee meetings, which are held at least four times a year.</p>	<p>GC</p>	

Standard	Current State	Compliance ¹	Recommendation
<p>1120 Individual Objectivity</p> <p>Internal auditors must have an impartial, unbiased attitude and avoid any conflicts of interest.</p>	<p>Based on a review of five (5) engagement files, no assignments appeared to be in conflict with the auditor's background and / or experience.</p> <p>Further, the results of the audit engagements were based on the work performed as per the audit work program and were supported by evidence gathered through interviews, data analysis and / or reporting.</p>	GC	
<p>1130 Impairments to Independence or Objectivity</p> <p>If independence or objectivity is impaired in fact or appearance, the details of impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.</p> <p>1130. A1 – Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.</p> <p>1130. A2 – Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.</p> <p>1130. C1 – Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.</p> <p>1130. C2 – If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.</p>	<p>Based on a review of five (5) engagement files, no assignments were identified where the OCA was responsible for the activity subject to the various audits.</p> <p>The OCA may assist management beyond scheduled audits in resolving business issues or improving business processes. However, it does not perform or exercise direct authority over these activities or the activities it audits. Therefore there are no audit assignments for which the OCA has responsibility over and which might impair its independence or objectivity.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
1200 Proficiency and Due Professional Care Engagements must be performed with proficiency and due professional care.		Generally Conforms	
<p>1210 Proficiency</p> <p>Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.</p> <p>1210. A1 – The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.</p> <p>1210. A2 – Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organization, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.</p> <p>1210. A3 – Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.</p> <p>1210. C1 – The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills or other competencies needed to perform all or part of the engagement.</p>	<p>OCA staff collectively as well as individually hold one or more professional certifications / designations which enables them to possess the knowledge, skills and other competencies needed to perform their individual responsibilities. This, in turn, enables the OCA to perform its responsibilities.</p> <p>Further, all staff undertake significant training and development on an annual basis and these hours are tracked as part of their Learning and Development Plan. In 2014, OCA staff completed an average of eight (8) days of professional development by attending courses, seminars, workshops, conferences, monthly professional association luncheons, and in-house training sessions pertaining to fraud investigation, project management, improving management in the public sector, Freedom of Information and Protection of Privacy, performance measurement, auditing (including computer-aided auditing), ethics, engineering and accounting principles.</p> <p>In addition, the OCA requires all staff to satisfy the continuing education requirements of any professional certifications they hold and staff members who are Certified Internal Auditors are required to complete at least 40 hours or five (5) days of continuing education every year.</p>	GC	4.2 Succession Planning

Standard	Current State	Compliance ¹	Recommendation
<p>1220 Due Professional Care</p> <p>Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.</p> <p>1220.A1 – The internal auditor must exercise due professional care by considering the:</p> <ul style="list-style-type: none"> • Extent of work needed to achieve the engagement’s objectives. • Relative complexity, materiality, or significance of matters to which assurance procedures are applied. • Adequacy and effectiveness of governance, risk management, and control processes • Probability of significant errors, fraud, or non-compliance; and • Cost of assurance in relation to potential benefits. <p>1220. A2 - In exercising due professional care the internal auditor must consider the use of technology-based audit and other data analysis techniques.</p> <p>1220. A3 – The internal auditor must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.</p>	<p>We reviewed a sample of five (5) audit engagements and noted that all of them were adequately supported by working papers to evidence the observations that had been reported.</p> <p>The OCA performs a preliminary risk assessment for the process/ program/ area under review and develops an audit program, based on those assessed risks, to ensure achievement of the engagement objectives. The risk based audit programs include the audit objectives, audit criteria and the audit procedures to verify and evaluate each audit criteria (whether the audit criteria are being met or not).</p> <p>The audit program and the risks are monitored and updated throughout the engagement for any change in audit objectives.</p> <p>It was noted that the OCA uses data analysis techniques for projects as appropriate.</p>	<p style="text-align: center;">GC</p>	
<p>1230 Continuing Professional Development</p>	<p>The OCA is committed to supporting the ongoing professional development of its staff and encourages professional certification, facilitates required continuing education, and supports staff</p>	<p style="text-align: center;">GC</p>	

Standard	Current State	Compliance ¹	Recommendation
Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.	involvement in professional associations to enhance the knowledge and competencies of its staff.		
1300 – Quality Assurance and Improvement Program The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.		Generally Conforms	
1300 Quality Assurance and Improvement Program The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	The components of the OCA's QAIP relating to on-going monitoring of quality is documented throughout the OCA Audit Guidelines, including: <ul style="list-style-type: none"> • Supervisory oversight of audit projects and review of audit working papers for performance in accordance with internal audit policies and with the Standards. Technical information meetings where staff meet bi-weekly to share knowledge gained from the projects and other sources, such as courses, seminars that individual auditors attend. • Annual risk assessments for purposes of annual audit planning. • Templates for reports, working papers and guidance memos stored in “electronic” manual. • Quality of audit reports to be maintained by ensuring multiple reviews of the audit report by staff, peers and clients before the report is finalized. • Maintaining appropriate communication and relationship with audit clients. • Feedback from audit clients after every engagement. • Independent Quality Assurance Review to be conducted by external consultants at least every five years. 	GC	3.3 Quality Assurance and Improvement Program

Standard	Current State	Compliance ¹	Recommendation
	<ul style="list-style-type: none"> Annual City Auditor performance evaluation by an independent consultant. Performance metrics and Learning and Development plans established for staff to improve quality, efficiency and effectiveness. Periodic activity and performance reporting to the Audit Committee Reporting on quality assurance measures including external assessments and follow-up. <p>In addition, OCA requires all its staff to satisfy the continuing education requirements of any professional certifications they hold and staff members who are Certified Internal Auditors are required to complete at least 40 hours (5 days) of continuing education every year.</p>		
<p>1310 Requirements of the Quality Assurance and Improvement Program</p> <p>The quality assurance and improvement program must include both internal and external assessments.</p>	<p>The quality assurance measures developed by the OCA have been described in detail under Standard 1300 - Quality Assurance and Improvement Program. The quality measures documented in the Audit Guidelines as well as the City Auditor bylaw contains both internal ongoing monitoring measures and external assessments.</p>	GC	
<p>1311 Internal Assessments</p> <p>Internal assessments must include:</p> <ul style="list-style-type: none"> Ongoing monitoring of the performance of the internal audit activity; and Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices. 	<p>Annual performance review of the City Auditor was performed by independent consultants, Conroy Ross Partners, in 2014 to evaluate the responsibilities and accountabilities of the City Auditor's role and the position's relationships with Council, OCA staff, Senior Management and internal / external stakeholders. The City Auditor received the highest quantitative ranking possible of "Outstanding" and continues to be valued across all stakeholder groups.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
	<p>This annual performance evaluation reviews the OCA against Standards, best practices, and benchmarks set out in the Alberta Auditor General's "Examination of Internal Audit Departments" report dated August 31, 2005. The review forms the basis for monitoring and evaluating the activities and impact of the OCA.</p> <ul style="list-style-type: none"> • The OCA conducts periodic reviews of the City Auditor Bylaw and OCA Guidelines. • The OCA is in the process of finalizing the latest review of the Guidelines. This includes assessing conformance with the IPPF mandatory guidance, the definition of internal auditing, the code of ethics and Standards. • The OCA's annual audit plan is based on a risk assessment performed on all program areas in the City. • The City Auditor reviews the OCA's performance metrics and they are included in the OCA Annual Report for Council to review. • During budget deliberations City Council and Audit Committee assess the Office of the City Auditor activities. 		
<p>1312 External Assessments</p> <p>External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. The chief audit executive must discuss with the board:</p> <ul style="list-style-type: none"> • The need for more frequent external assessments; and 	<p>Peer reviews by external service providers are included in the City Auditor Bylaw and are required to be completed every five (5) years. The OCA's last peer review was a full External Quality Assessment done by PwC in February 2011. The assessment evaluated compliance with the standards and compared the OCA to leading practices in public and private sector organizations. OCA achieved the highest rating an audit office can earn regarding compliance with the</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<ul style="list-style-type: none"> The qualifications and independence of the external reviewer or review team, including any potential conflict of interest. 	Standards. The assessment was conducted by a qualified and independent review team outside of the organization and within the past five years.		
<p>1320 Reporting on the Quality Assurance and Improvement Program</p> <p>The chief audit executive must communicate the results of quality assurance and improvement program to senior management and the board.</p>	Reporting on the QAIP performed by PwC was provided to the Audit Committee and MNP has been asked to also provide a report to the Audit Committee following the completion of this QA.	GC	
<p>1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”</p> <p>The chief audit executive may state that the internal audit activity conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> only if the results of the quality assurance and improvement program support this statement.</p>	The Internal Audit department passed their external assessment which was conducted in February 2011. They are therefore eligible to state that internal audit activity conforms to the <i>International Standards for the Professional Practice of Internal Auditing</i> .	GC	
<p>1322 Disclosure of Non-conformance</p> <p>When non-conformance with the Definition of Internal Auditing, the Code of Ethics, or the Standards impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.</p>	There have not been any instances of non-conformance.	GC	
Performance Standards			
<p>2000 – Managing the Internal Audit Activity</p> <p>The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.</p>		Generally Conforms	
<p>2010 – Planning</p>	The OCA has established risk-based plans in the following manner:	GC	

Standard	Current State	Compliance ¹	Recommendation
<p>The chief audit executive must establish risk- based plans to determine the priorities of the internal audit activity, consistent with the organization's goals.</p> <p>2010. A1 – The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.</p> <p>2010. A2 – The chief audit executive must identify and consider the expectations of senior management, the board, and other stakeholders for internal audit opinions and other conclusions.</p> <p>2010. C1 – The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. Accepted engagements must be included in the plan.</p>	<ul style="list-style-type: none"> • An audit universe of all potential OCA projects is maintained. • Information about risks, areas of concerns or ideas for potential projects are obtained annually on a formal and informal basis from members of City Council, public members of the Audit Committee, Corporate Leadership Team, City Administration, discussion with the City's external auditor, observations made by audit staff, hotline tips, and reviews of audits conducted in other jurisdictions. • Risk factors like volume and value of assets, expenditures, or transactions; vulnerability of the business area / process; amount of regulation; internal control environment; governance and ethics environment; sensitivity of information; when the OCA last reviewed the area and others are considered by the OCA to assess risks for potential projects. • The OCA administers individual program area risk self-assessments, which are completed by the City Administration and submitted to the OCA for review and analysis. • The OCA develops a consolidated risk assessment based on the program area risk self-assessments and the independent risk assessments and calculations completed by the OCA. • The high risk audit areas are then considered for the annual audit plan and for the three-year plan. This audit plan includes identified consulting engagements also based on the engagement's potential to improve management of risks, add value, and improve the organization's operations. • The audit plan is presented to the Audit 		

Standard	Current State	Compliance ¹	Recommendation
	Committee for review and approval.		
<p>2020 Communication and Approval</p> <p>The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and to the board for review and approval. The chief audit executive must also communicate the impact of resource limitations</p>	<p>The City Auditor has communicated the OCA's 2015 Annual Work Plan to the Audit Committee during its November 25, 2014 meeting.</p>	GC	
<p>2030 Resource Management</p> <p>The chief audit executive must ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.</p>	<p>Staffing plans and financial budgets are determined from the annual audit plan and activities of the OCA, as evidenced in the OCA's 2015 Annual Work Plan and the 2015 Proposed Budget. The Audit Committee reviews and recommends the OCA's annual budget and staffing to Council for final approval.</p>	GC	
<p>2040 Policies and Procedures</p> <p>The chief audit executive must establish policies and procedures to guide the internal audit activity.</p>	<p>There are policies and procedures in place which are communicated to and understood by the OCA staff, such as the City Auditor Bylaw, the Fraud Administrative Directive, and the OCA Guidelines.</p>	GC	
<p>2050 Coordination</p> <p>The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.</p>	<p>Based on the OCA's Annual Planning Guidelines, internal audit activities are coordinated with those of the external auditor to ensure efforts are not duplicated. The OCA also works closely with the Corporate Centre for Project Management, Enterprise Risk Management, and Performance Monitoring programs to minimize duplications.</p>	GC	
<p>2060 Reporting to Senior Management and the Board</p> <p>The chief audit executive must report periodically to senior management and the</p>	<p>The Audit Committee package, which is provided to the members of the Audit Committee prior to the meeting can include:</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<p>board on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the board.</p>	<ul style="list-style-type: none"> • Audit reports issued during the period outlining significant risk exposures and control issues . • Reports, if any, issued by the outsourced service provider. • Presentation of a year-end report on the internal audit plan in the last meeting of the year of the Audit Committee. • Status report on outstanding recommendations. • Presentation of any other matter that requires Audit Committee consideration. • The Audit Committee meets at least four times a year. 		
<p>2070 External Service Provider and Organizational Responsibility for Internal Auditing</p> <p>When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity.</p>	<p>Not Applicable.</p>	<p>GC</p>	
<p>2100 – Nature of Work</p> <p>The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.</p>		<p>Generally Conforms</p>	
<p>2110 Governance</p> <p>The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:</p> <ul style="list-style-type: none"> • Promoting appropriate ethics and values within the organization; 	<p>The OCA is engaged in performing various types of audits, namely: value for money audits; management requests; fraud control probes and special investigations; emerging issues that are identified during a scheduled audit; and proactive audits to provide pre-emptive, strategic, risk, and control-related advice prior to and during the</p>	<p>GC</p>	

Standard	Current State	Compliance ¹	Recommendation
<ul style="list-style-type: none"> • Ensuring effective organizational performance management and accountability; • Communicating risk and control information to appropriate areas of the organization; and • Coordinating the activities of and communicating information among the board, external and internal auditors, and management. <p>2110. A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics related objectives, programs and activities.</p> <p>2110. A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.</p>	<p>development and implementation of projects, programs, and systems.</p> <p>The OCA's audit work plan provides for the above types of audits and these help to assess the existing governance framework and provide recommendations for improving the overall control environment which contributes to enhanced governance.</p> <p>The OCA has completed a variety of governance reviews, most notably a governance review of the City of Edmonton in 2007.</p>		
<p>2120 Risk Management</p> <p>The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.</p> <p>2120. A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> • Reliability and integrity of financial operational information; • Effectiveness and efficiency of operations and programs; • Safeguarding of assets; and 	<p>The OCA, as one of the activities of its annual and long term audit plan, requires the City Administration to complete the Program Area Risk Self-Assessment for all program areas. The OCA has based this self-assessment tool on the City's Enterprise Risk Management framework, which has 23 risk categories including fraud risks, financial risks, etc. The OCA's self-assessment tool has a risk matrix and a risk scorecard, which it requires the City Administration to complete and submit for each program area. The OCA then reviews the Administration's responses and calculates total risk scores, which the OCA uses to rank the program areas for consideration in its annual and long term audit plans.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<ul style="list-style-type: none"> Compliance with laws, regulations, policies, procedures and contracts. <p>2120. A2 – Internal audit activity must evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.</p> <p>2120. C1 – During the consulting engagements, internal auditors must address risk consistent with the engagement’s objectives and be alert to the existence of other significant risks.</p> <p>2120. C2 – Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organization’s risk management processes.</p> <p>2120. C3 – When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.</p>	<p>Further, the OCA uses the risks identified at this time as well as after discussion with the relevant stakeholders to develop its audit program for the area under review.</p> <p>Therefore, the OCA considers all the risks, including fraud risk, pertaining to the area under review to develop a risk based work program to audit the area for effectiveness and efficiency and come up with deviations, if any.</p> <p>In 2005 the OCA conducted an ERM engagement, which focussed on Corporate Business Planning. Since that time, the OCA has been working with the Administration to enhance that program.</p> <p>Lastly, the OCA is not involved in implementing risk management strategies or action plans, therefore it has not assumed any management responsibility for managing risk.</p>		
<p>2130 Control</p> <p>The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.</p> <p>2130.A1 – The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding the:</p> <ul style="list-style-type: none"> Reliability and integrity of financial and operational information; 	<p>The OCA assesses the effectiveness and adequacy of controls for the various risks identified through the risk assessment of the auditable process / program area, including those outlined in Standard 2130A. The audit procedures to verify the controls ensure that the controls are adequate to mitigate the risk.</p> <p>For each audit engagement performed (including consulting engagements), a risk assessment is conducted and subsequent internal controls are evaluated for adequacy and effectiveness.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<ul style="list-style-type: none"> Effectiveness and efficiency of operations and programs; Safeguarding of assets; and Compliance with laws, regulations, policies, procedures and contracts. <p>2130. C1 – Internal auditors must incorporate knowledge of controls gained from consulting engagements into evaluation of the organization’s control processes.</p>			
<p>2200 – Engagement Planning Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing and resource allocations.</p>		<p>Generally Conforms</p>	
<p>2201 Planning Considerations In planning the engagement, internal auditors must consider:</p> <ul style="list-style-type: none"> The objectives of the activity being reviewed and the means by which the activity controls its performance. The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level. The adequacy and effectiveness of the activity’s risk management and control processes compared to a relevant control framework or model; and The opportunities for making significant improvements to the activity’s risk management and control processes. 	<p>For each engagement (including consulting engagements), a Project Initiation Memo is sent to management to announce the start of the project. Risks are identified and assessed which then drive the audit engagement and form the basis of the audit objectives. Once the risks are identified, a formal audit kick-off and other informal meetings are held during which the risks, audit objectives, audit criteria and the audit scope are discussed and agreed upon with the client. The OCA staff then develop and execute an audit program for each engagement that addresses the risks identified.</p> <p>The OCA does not perform audits or consulting engagements for parties outside the City.</p>	<p>GC</p>	

Standard	Current State	Compliance ¹	Recommendation
<p>2201. A1 – When planning an engagement for parties outside the organization, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations.</p> <p>2201. C1 - Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities, and other client expectations. For significant engagements, this understanding must be documented.</p>			
<p>2210 Engagement Objectives Objectives must be established for each engagement.</p> <p>Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.</p> <p>2210. A2 – Internal auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.</p> <p>2210. A3 – Adequate criteria are needed to evaluate controls. Internal auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management to develop appropriate evaluation criteria.</p>	<p>The OCA is engaged in performing various types of audits, namely: value for money audits; management requests; fraud control probes and special investigations; emerging issues audit that are identified during a scheduled audit; and proactive audits to provide pre-emptive, strategic, risk, and control-related advice prior to and during the development and implementation of projects, programs, and systems.</p> <p>The OCA identifies and performs a preliminary risk assessment for the process / program / area under review and develops an audit program based on those assessed risks. The risk based audit programs include the audit objectives, audit criteria and the audit procedures to verify and evaluate each audit criteria (whether the audit criteria are being met or not).</p> <p>Based on our review of five (5) engagement files (including consulting engagements), we noted for four of the engagements that a formal kickoff meeting and other informal meetings took place and covered introductions, engagement objectives, engagement scope, engagement</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<p>2210. C1 – Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the client.</p> <p>2210. C2 – Consulting engagement objectives must be consistent with the organization's values, strategies, and objectives.</p>	<p>criteria, staffing, audit process and time frames for the various stages of the audit. The fifth engagement was an investigation based on a hotline report received by the OCA and did not have a formal kick off meeting. However, concerned parties to the investigation had been contacted and appropriately involved in the investigation.</p>		
<p>2220 Engagement Scope</p> <p>The established scope must be sufficient to satisfy the objectives of the engagement.</p> <p>2220. A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.</p> <p>2220. A2 – If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.</p> <p>2220. C1 – In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.</p> <p>2220. C2 – During consulting engagements, internal auditors must address controls consistent</p>	<p>Based on a review of five (5) engagement files, it was noted that the audit scope is linked to the engagement objectives and considers the relevant systems in use, the records required and the personnel who are responsible for the various activities at the client.</p> <p>During the formal kick-off meeting and other informal meetings, engagement objectives, engagement scope, audit criteria, audit process and timelines are discussed and communicated to the client.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
with the engagement's objectives and be alert to significant control issues.			
<p>2230 Engagement Resource Allocation</p> <p>Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.</p>	<p>Staff is selected based on the skills requirement for each engagement and the skills, experience and availability of the staff. Resource needs are identified and allocated to the specific audits when developing the OCA's Annual Work Plan.</p>	GC	
<p>2240 Engagement Work Program</p> <p>Internal auditors must develop and document work programs that achieve the engagement objectives.</p> <p>2240. A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.</p> <p>2240. C1 – Work programs for consulting engagements may vary in form and content depending upon the nature of the engagement.</p>	<p>The OCA staff develops a risk-based audit program incorporating the audit objectives, audit criteria, the audit procedures and the timeline to perform the audit.</p> <p>Based on a review of five (5) engagement files, an audit program was developed. The audit program and subsequent program adjustments are reviewed and approved by the Project Manager and the City Auditor.</p>	GC	
<p>2300 – Performing the Engagement</p> <p>Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.</p>		<p>Generally Conforms</p>	
<p>2310 Identifying Information</p> <p>Internal auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.</p>	<p>The audit working papers contain the description of relevant risks being addressed, the audit objectives and criteria, the work performed to test whether criteria are being met, description of the observations / findings and recommendations. This enables the OCA to ensure that sufficient, reliable, relevant, and useful information to achieve the engagement's objectives are</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
	identified. . See Standard 2330 below for review performed against the five (5) files.		
<p>2320 Analysis and Evaluation Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.</p>	<p>Deviations are identified when observations do not appear to be in line with the expectations based on the understanding of the audit objectives and criteria. Audit conclusions and engagement results are based on appropriate analyses and evaluation of the deviations. . See Standard 2330 below for review performed against the five (5) files.</p>	GC	
<p>2330 Documenting Information Internal auditors must document relevant information to support the conclusions and engagement results.</p> <p>2330. A1 – The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.</p> <p>2330. A2 – The chief audit executive must develop retention requirements for engagement records regardless of the medium in which each record is stored. These retention requirements must be consistent with the organization’s guidelines and any pertinent regulatory or other requirements.</p> <p>2330. C1 – The chief audit executive must develop policies governing the custody and retention of engagement records, as well as their release to internal and external parties. These policies must be consistent with the organization’s</p>	<p>Based on a review of five (5) engagement files, sufficient information was recorded to support the conclusions and audit results.</p> <p>The OCA has controlled access to the working papers and, under the City Auditor Bylaw, is entitled to rely on current ethical standards applicable to the audit profession for a refusal to release confidential information. The OCA discusses requests for confidential information with the project client and the Law Branch, as appropriate, prior to responding to the request.</p> <p>The OCA has a formal Record Retention Policy and Schedule in place, which is currently set at 11 years.</p>	GC	<p>3.1 Documenting Changes in Timelines 3.2 Sample Size Methodology</p>

Standard	Current State	Compliance ¹	Recommendation
guidelines and any pertinent regulatory or other requirements.			
<p>2340 Engagement Supervision Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.</p>	<p>The OCA has put in place a quality assurance review process whereby the engagements are appropriately reviewed and supervised at each step to ensure engagement objectives are achieved, quality is maintained and staff is developed. The planning documentation, audit program, audit working papers and final report are all reviewed and signed off by a one-up approver to ensure appropriate audit evidence is obtained to support the project deliverables.</p> <p>All reports were reviewed by the City Auditor prior to being released.</p>	GC	
<p>2400 – Communicating Results Internal auditors must communicate the results of engagements.</p>		<p>Generally Conforms</p>	
<p>2410 Criteria for Communicating Communications must include the engagement’s objectives and scope as well as applicable conclusions, recommendations, and action plans.</p> <p>2410. A1 – Final communication of engagement results must, where appropriate, contain the internal auditor’s opinion or conclusion must take account of the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.</p> <p>2410.A2 – Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.</p>	<p>There is evidence of appropriate and timely communication with management.</p> <p>The audit report has the following key sections:</p> <ul style="list-style-type: none"> • Introduction • Background • Audit Objective, Scope and Methodology • Observations, Recommendations, and Action Plans • Conclusions <p>Satisfactory performance is acknowledged in the engagement communications, both verbally to management and formally within the audit reports.</p> <p>There is a robust process in place to validate findings with process owners and management prior to issuing the final report.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<p>241 0.A3 – When releasing engagement results to parties outside the organization, the communication must include limitations on distribution and use of the results.</p> <p>241 0.C1 – Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.</p>	<p>The OCA operates under a public reporting protocol that requires audit reports to be issued publicly unless a specific exemption to disclosure exists under the Freedom of Information and Protection of Privacy Act (FOIP). Therefore Standard 2410.A3 does not apply. The OCA does not normally release Confidential Reports beyond the client’s management team. In cases where, due to the nature of the audit, there is concern about public release of information, the OCA will determine the level of reporting to members of the Audit Committee, City Council, and the public through consultation with the client prior to distribution. The OCA will discuss requests for confidential reports with the project client and Law Branch, as appropriate, prior to responding to the request.</p>		
<p>2420 Quality of Communications Communications must be accurate, objective, clear, concise, constructive, complete, and timely.</p>	<p>Draft audit reports are distributed to the primary contact and other stakeholders (e.g. Branch Manager, General Manager - as agreed upon during development of the Terms of Reference) for comment and feedback. The final audit report is distributed to the above as well as the City Manager, City Clerk, Mayor, Councillors, Public Audit Committee Members and the auditors who performed the audit. A copy of the report is also posted on the OCA website for public information.</p> <p>The OCA maintains open communication with project stakeholders throughout the project to ensure that findings and recommendations are accurate, objective, clear, concise, constructive, complete, and discussed with them prior to the audit report being finalized.</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<p>2421 Errors and Omissions If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.</p>	<p>Where appropriate, communication of corrected information is provided to all parties. Based on a review of five (5) engagement files, no such instance was identified.</p>	GC	
<p>2430 Use of “Conducted in Conformance with the <i>International Professional Practices Framework</i>” Internal auditors may report that their engagements are “conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i>” only if the results of the quality assurance and improvement program support the statement.</p>	<p>The audit reports issued by the OCA state that the audit engagements were “<i>conducted in conformance with the International Standards for the Professional Practices of Internal Auditing</i>”. Results of the external assessment review, which took place in 2011, were positive and makes the OCA eligible to report that their engagements are in conformance with the IPPF.</p>	GC	
<p>2431 Engagement Disclosure of Non-conformance When non-conformance with the IPPF impacts a specific engagement, communication of the results must disclose the:</p> <ul style="list-style-type: none"> • Principle or rule of conduct of the Code of Ethics or Standard(s) with which full conformance was not achieved; • Reason(s) for non-conformance; and • Impact of non-conformance on the engagement and the communicated engagement results. 	<p>During our review, we did not identify any instances of non-conformance with the IPPF.</p>	GC	
<p>2440 Disseminating Results The chief audit executive must communicate results to the appropriate parties. 2440. A1 – The chief audit executive is responsible for communicating the final results to parties who</p>	<p>There is a robust process in place to validate findings with process owners and management prior to issuing the final report. Audit reports are distributed to the primary contact and other stakeholders (e.g. Branch Manager, General Manager - as agreed upon during</p>	GC	

Standard	Current State	Compliance ¹	Recommendation
<p>can ensure that the results are given due consideration.</p> <p>2440.A2 – If not otherwise mandated by legal, statutory or regulatory requirements, prior to releasing results to parties outside the organization, the chief audit executive must:</p> <ul style="list-style-type: none"> • Assess the potential risk to the organization. • Consult with senior management and/or legal counsel as appropriate; and • Control dissemination by restricting the use of the results. <p>2440. C1 – The chief audit executive is responsible for communicating the final results of consulting engagements to clients.</p> <p>2440. C2 – During consulting engagements, governance, risk management, and control issues may be identified. Whenever these issues are significant to the organization, they must be communicated to senior management and the board.</p>	<p>development of the Terms of Reference), City Manager, City Clerk, Mayor, Councillors, Public Audit Committee Members and the auditors who performed the audit. A copy of the report is also posted onto the OCA website for public information.</p> <p>The OCA does not normally release Confidential Reports beyond the client’s management team. In cases where, due to the nature of the audit, there is concern about public release of information, the OCA will determine the level of reporting to members of the Audit Committee, City Council, and the public through consultation with the client prior to distribution. In situations where there may be legal implications associated with the public release of documents, sensitivity of recommendations, the OCA will provide a copy of the draft report to the City’s Law Branch for comments.</p>		
<p>2450 Overall Opinions</p> <p>When an overall opinion is issued, it must take into account the expectations of senior management, the board, and other stakeholders and must be supported by sufficient, reliable, relevant, and useful information.</p>	<p>Based on a sample review of five (5) engagements files, we noted that the audit reports did not provide an overall opinion on the function / activity / department being audited. Conclusions are provided in audit reports based on Audit Objectives, and supported by sufficient, reliable, relevant, and useful information</p>	GC	
<p>2500 – Monitoring Progress</p> <p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p>		<p>Generally Conforms</p>	
<p>2500 Monitoring Progress</p>	<p>The OCA has established a follow-up process where both the City Manager and the OCA work</p>	GC	

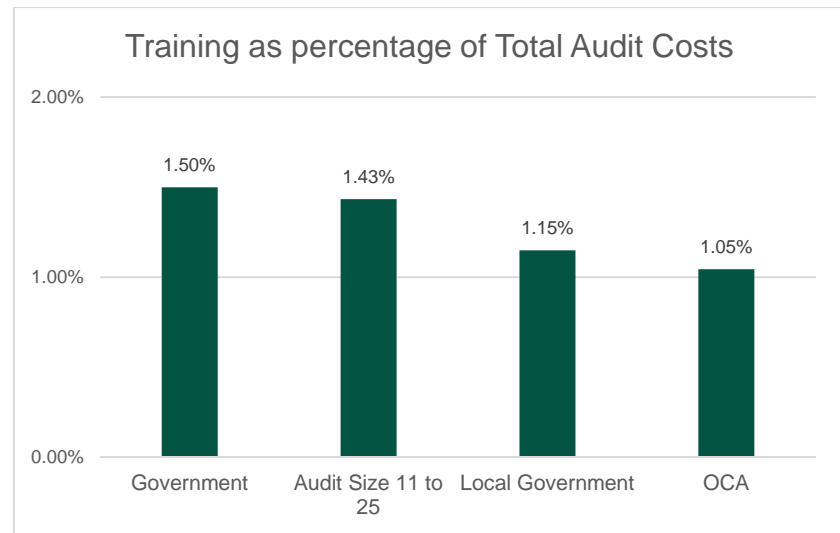
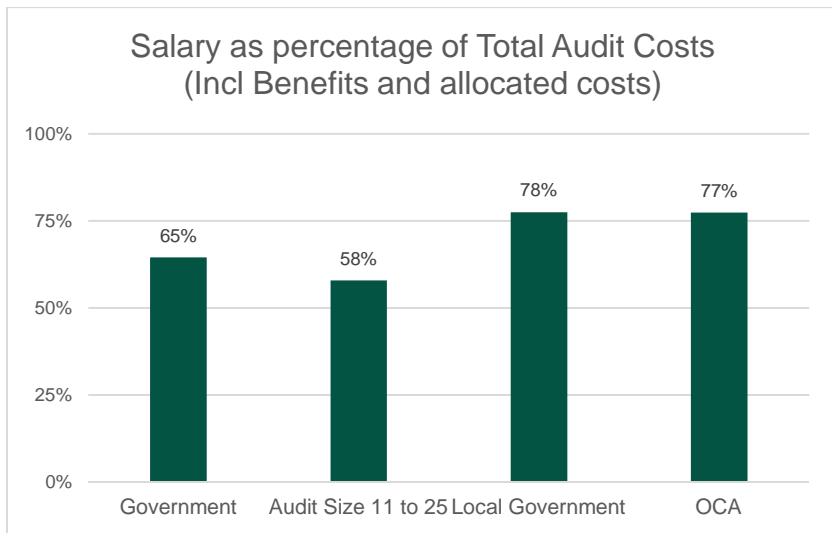
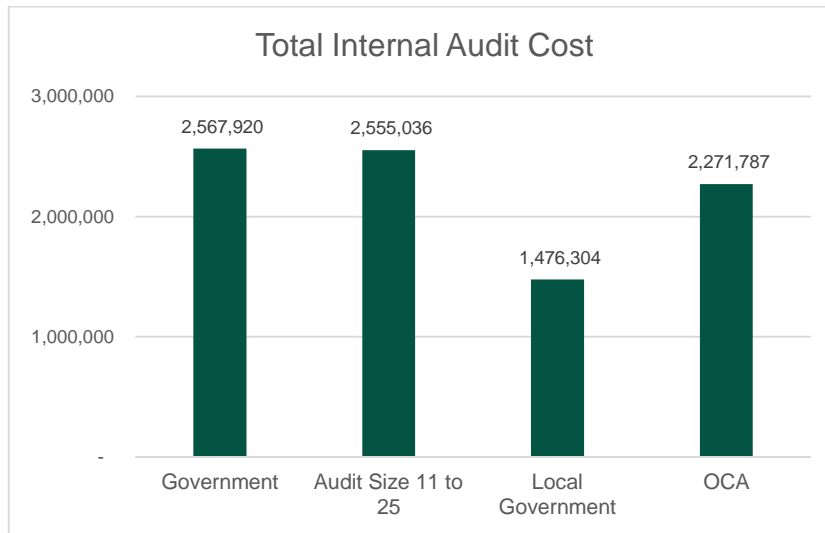
Standard	Current State	Compliance ¹	Recommendation
<p>The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.</p> <p>2500. A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.</p> <p>2500. C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.</p>	<p>together to ensure that actions to implement recommendations are timely and complete. The Office of the City Manager ensures that Administration is taking action and reports the implementation status on a timely basis. The OCA evaluates the actions taken to determine whether the intent of the recommendations has been addressed and provides the Audit Committee with semi-annual reports on the status of all outstanding recommendations.</p> <p>We reviewed a <i>“Follow up of Recommendations”</i> report provided to members of the Audit Committee dated October 24, 2014 which included the total number of open action plans (61), action plans implemented (19), action plans in-progress (42 of which 30 are current) and percentage completed (31.3%) during the prior reporting period.</p>		
<p>2600–Resolution of Senior Management’s Acceptance of Risks</p> <p>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.</p>		<p>Generally Conforms</p>	
<p>2600 Resolution of Senior Management’s Acceptance of Risks</p> <p>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,</p>	<p>Based on a review of a sample of five (5) engagement files, no instances were identified whereby management did not accepted the recommendations reported by the OCA.</p> <p>Per discussion with the City Auditor, the OCA effectively communicates with management during the entire engagement to understand the issues and concerns facing their operations and ensures the recommendations developed are practical and</p>	<p>GC</p>	

Standard	Current State	Compliance ¹	Recommendation
the chief audit executive must report the matter to the board for resolution.	cost-effective to implement. If a situation were to arise where management did not accept a recommendation, the City Auditor represented that the recommendation would still be included in the report and the matter would be reported to the Audit Committee.		

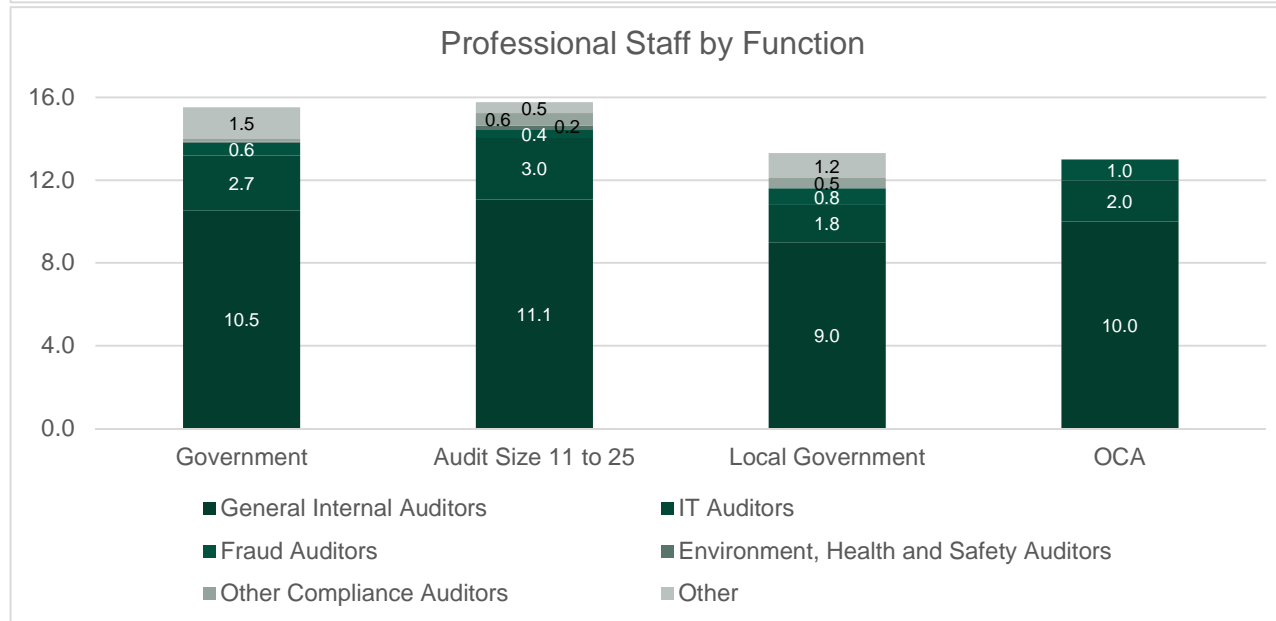
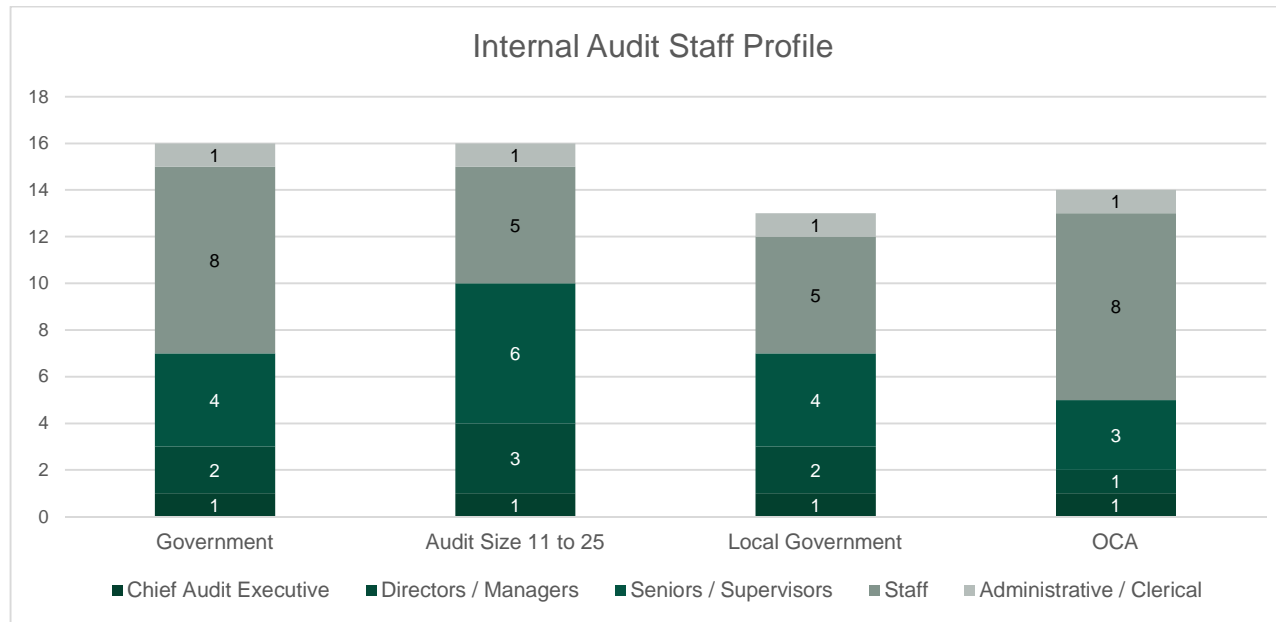
Appendix D: Comparison Against Leading Practices

The following outlines the comparisons of the GAIN report to the OCA's 2014 Audit Plan and Budget as well as current (2015) staff compliment and qualifications.

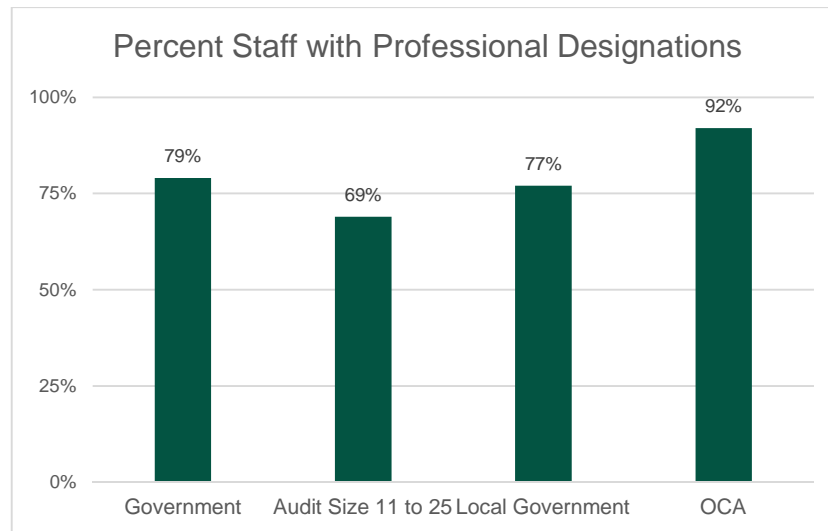
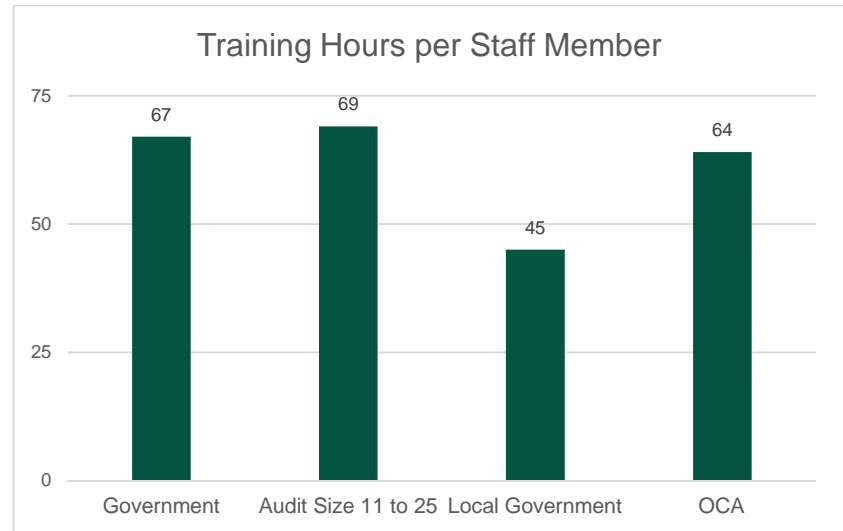
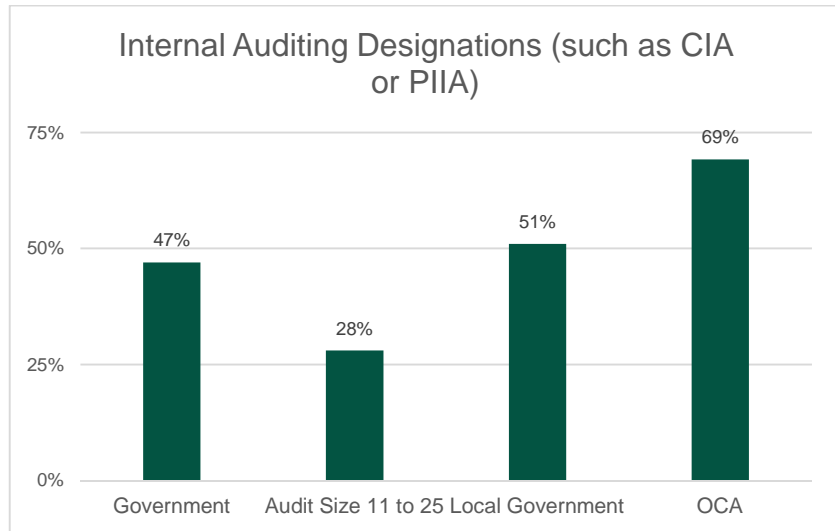
Summary Audit Costs



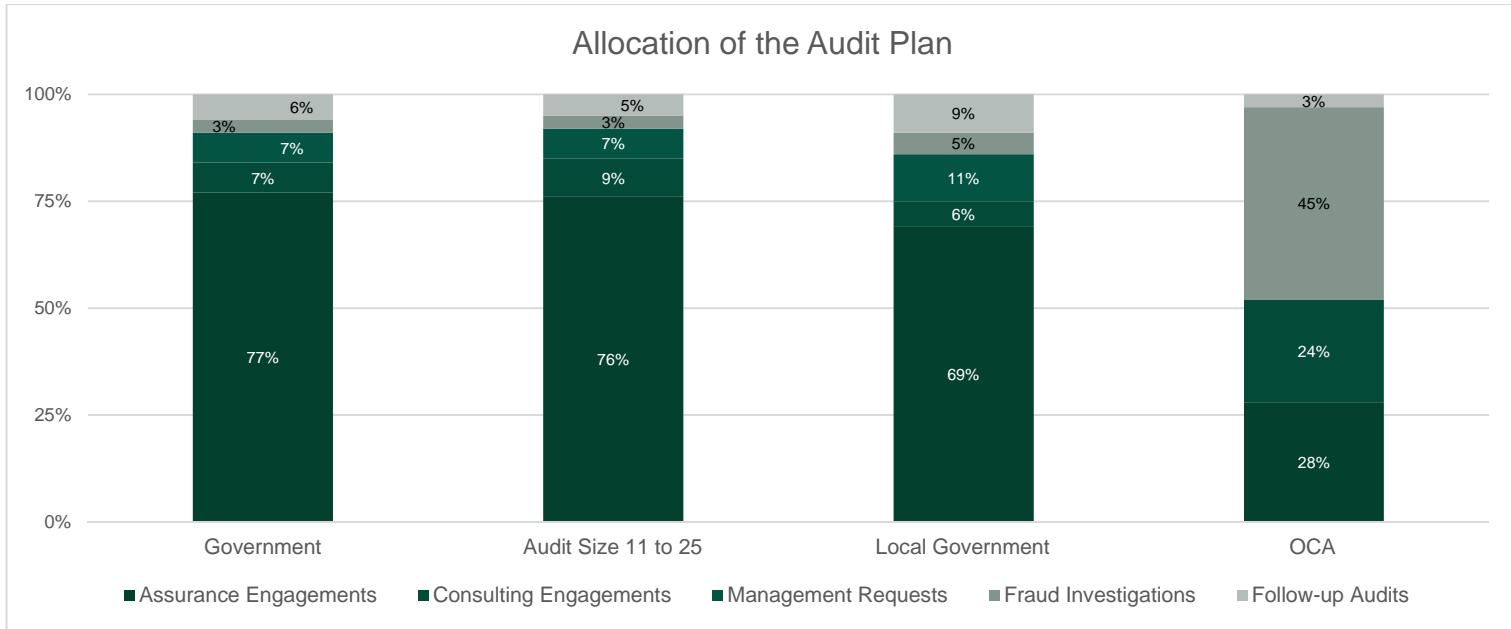
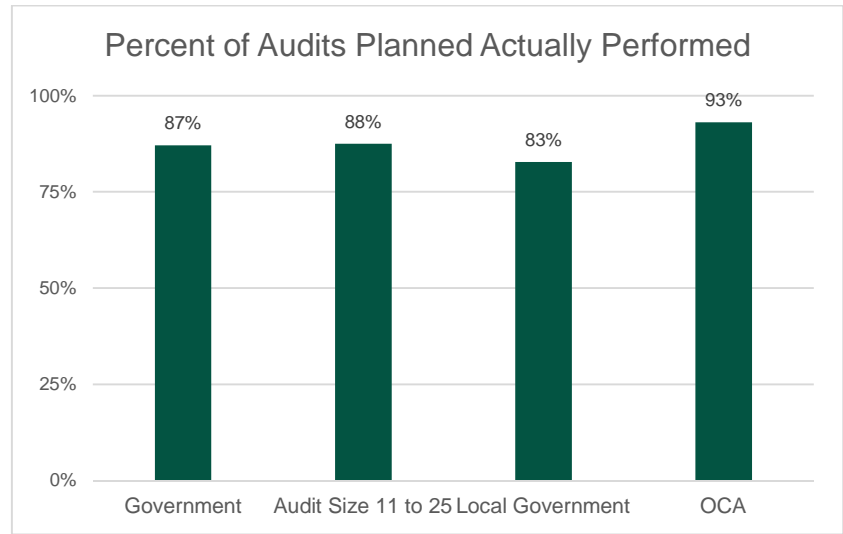
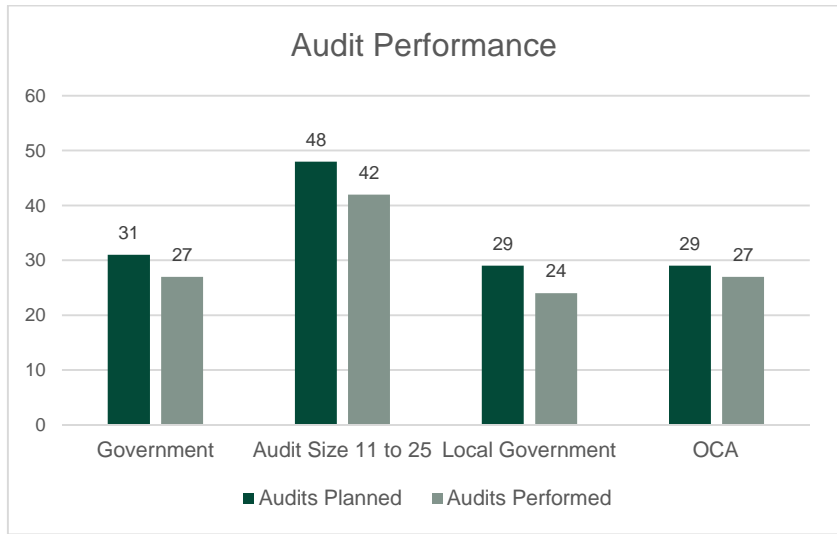
Internal Audit Staff Profile



Internal Audit Staff Designations and Training



Audit Planning





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By Aon Hewitt



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General

We accept all five recommendations provided in the report and will take steps to further enhance our Office processes and leading internal auditing practices. The following are the OCA's responses and action plans to implement the recommendations:

1. Documenting changes in timelines - *Opportunity to enhance consistency with respect to documenting changes in audit project timelines.*

We currently have a guideline in place for Lead Auditors to ensure all changes to the scope or schedule of the project are approved by the Project Manger and the City Auditor and documented in the file.

The audit management software we use has a location for tracking project milestone dates (such as initiation memo date, draft report date, final report date, audit committee date, etc.). This is where any changes in the timeline of the project should be documented.

At our August 27th staff meeting we reviewed the guideline and the use of the milestone tracking with staff to increase staff awareness of the guideline and future consistency of documenting changes in project timelines.

Implementation Date: August 27, 2015 and ongoing

2. Sample size methodology - *Opportunity to provide additional guidance with respect to the selection and use of sample size methodologies.*

We will develop an audit sampling guideline that outlines the basis for choosing among sampling methodologies and provides overviews of the processes involved in each. Methodologies to be described include non-probability, stratified, statistical, survey, and simple random sampling. The guideline will address the purposes, limitations, advantages, and disadvantages of each methodology and provide examples of how each could be used.

Implementation Date: December 31, 2015

3. Quality assurance and improvement program - *Opportunity to bring all elements of a QAIP (e.g., supervision and review of engagements, performance review of City Auditor, etc.) together in a formalized QAIP.*

Our current QAIP includes the following:

- The OCA undergoes a quality assessment review conducted by a qualified, independent, assessment team from outside the City every five years.
- The OCA's Project Process Guideline includes guidelines for ongoing supervision, assessing the audit engagement action plan prior to fieldwork, working paper procedures and signoff by engagement supervisors, review of reports and supporting

Office of the City Auditor
Response to External Quality Assessment Recommendations

documentation for comments, and feedback from internal audit clients and other stakeholders.

- The templates for projects in our audit management software are set up to match the OCA Project Process Guideline. This is the starting point for each engagement file. All of the procedures are prepared and reviewed, ensuring compliance with OCA Guidelines.
- The following self-assessments are completed:
 - The OCA conducts periodic reviews of the City Auditor Bylaw and OCA Guidelines.
 - During budget deliberations, City Council and Audit Committee assess the Office of the City Auditor activities.
 - The City Auditor (and the work done by his staff) is evaluated annually by City Council, administration, and OCA staff. This assessment focuses on the processes and effectiveness of the City Auditor and his staff.
 - We review and publicly report on the results of performance measures appropriate and relevant to the internal audit activity.
 - The City Auditor reviews each project file for compliance with the IIA standards in preparation for Audit Committee.

We will document our Quality Assurance and Improvement Program as part of our OCA Guidelines.

Implementation Date: December 31, 2015

4. Annual review of the Internal Audit Charter (i.e., City Auditor Bylaw 12525)

It is recommended that the Internal Audit Charter be reviewed on an annual basis to ensure that the purpose, authority and responsibility of the OCA, as defined in the Charter, continue to be adequate and current to enable the internal audit function to accomplish its objectives.

Currently, the City Auditor reviews the City Auditor Bylaw on an as-needed basis. Going forward, the City Auditor will undertake an annual Bylaw review. This review will be to ensure that the purpose, authority, and responsibility of the OCA, as defined in the Bylaw, continue to be adequate and current to enable the internal audit function to accomplish its objectives and meet internal auditing standards. This review and its purpose will be included as a step in the OCA's Annual Planning Guideline.

The City Auditor will bring forward any significant changes to Audit Committee for review and approval prior to proposing changes to the Bylaw.

Implementation Date: Annual Planning Guideline update - December 31, 2015
Review of City Auditor Bylaw - Annually

5. Succession planning

It is recommended that the OCA formalize its succession plan to ensure corporate knowledge and relationships are retained in the event of potential turnover in experienced staff.

One tool that could be useful in terms of succession planning is the development of a skills matrix that, in addition to outlining general / technical skills and capabilities, could also highlight the need for softer skills such as presenting at Audit Committee meetings or increased interaction with senior management.

The OCA should develop a skills matrix that outlines the various skills required of its team members, as well as an assessment of each team member against the required skills. The OCA should then use the gaps identified therein to direct future training and skill development opportunities.

The City Auditor currently conducts a skills gap analysis for each staff member during the annual appraisal process in collaboration with the Human Resources Branch. The City Auditor will use the information gathered through this process to develop a skills matrix. The matrix will outline the general, technical and soft skills and capabilities of each OCA staff member and identify areas for improvement for each staff member. The City Auditor will use the information included in the matrix to help make decisions regarding what types of experiences staff require in order to improve their skills and prepare them to take on increasing responsibilities within the office.

Implementation Date: December 31, 2015