

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a blue square background.

OFFICE OF
THE CITY AUDITOR

REPORT

2022 Annual Work Plan

NOVEMBER 10, 2021

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BYLAWS

In accordance with Bylaw 12424, City Auditor Bylaw, the City Auditor is responsible for all internal auditing activities within City Programs and City Agencies.

Bylaw 12424, The City Auditor Bylaw, establishes the position of City Auditor and delegates the powers, duties, and functions to that position. This includes:

- Providing independent, objective assurance and advisory services designed to add value and improve the City's programs.
- Assisting the City with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- Coordinating fraud investigation activities.

Bylaw 16097, Audit Committee Bylaw, gives Audit Committee the power to approve the Annual Work Plan.

PROFESSIONAL PRINCIPLES AND STANDARDS

As audit professionals we uphold the principles of all the professional associations we represent and those of the City of Edmonton.

We follow the International Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics established by the Institute of Internal Auditors. These Standards are the internationally accepted guidance by which internal audit departments around the world must comply with and are measured and evaluated against.

To continually maintain internal audit skills and knowledge our staff are members of Institute of Internal Auditors, Canadian Comprehensive Auditing Foundation, Association of Local Government Auditors, Information Systems Audit and Control Association, and the Association of Certified Fraud Examiners.

Annual Work Plan Development

The Office of the City Auditor's (OCA) annual planning process is designed to focus on the risks with the potential to affect the corporation's ability to achieve its objectives.



POTENTIAL PROJECTS AND RISK AREAS

We identified potential projects and risk areas through suggestions from members of City Council, Executive Leadership Team, City Administration, the general public, discussion with the City's external auditor, staff observations made by audit staff, hotline tips, reviews of audits conducted in other jurisdictions, and reviews of risk publications.

As well, we exercise professional judgment to acknowledge varying degrees of impact on overall operations, public interest, trends within the City, or Council-directed projects in determining the final list of potential projects.

DRAFT ANNUAL WORK PLAN DEVELOPMENT

The OCA reviews and selects potential projects by considering project scope, potential outcomes, link to corporate objectives, resources required, and audit priority. The OCA also shares the draft plan with the City's Executive Leadership Team.

ANNUAL WORK PLAN APPROVAL

The OCA circulates the draft Annual Work Plan to Audit Committee and City Council for discussion and approval at the last Audit Committee meeting of the year. Audit Committee can propose changes to the Annual Work Plan prior to its approval. After approval, the City Auditor meets with the City's external auditor to coordinate audit activities and avoid duplication.

ANNUAL REPORTING

To support City Council and Audit Committee's governance responsibilities, we will provide an annual report to summarize how well we delivered on our work and operating plans, including recommendations and key performance indicators. This will be reported in the first quarter of 2023.

2022 Annual Work Plan

VALUE FOR MONEY AUDITS

Assess efficiency,
effectiveness, and economy

To support City Council and Audit Committee's governance responsibilities, we will provide an annual report to summarize how well we delivered on our work and operating plans, including recommendations and key performance indicators. This will be reported in the first quarter of 2023.

Below are audits related to the following Corporate Business Plan objective: *Manage the Corporation for Our Community*

Covid Response - Lessons
Learned

This audit will assess how effectively the City responded to COVID-19. We will not commence this audit until after the pandemic has ended. If required we will postpone it until 2023.

IT Hardware Asset Management

IT asset management is the process of ensuring an organization's IT assets are accounted for, deployed, maintained, upgraded, and disposed of when the time comes.

This audit will focus on the City of Edmonton's procurement, management and disposal of user-focused IT hardware (desktop computers, laptops, tablets, etc.). This is currently managed through a multi-year contract with a third party.

Cybersecurity Program

Cybersecurity is the protection of information and technology assets against cyber threats. The City faces increased sophistication of threat actors and increased appetite for digitalization of services by the public it serves. Robust cybersecurity processes are needed to enable the City to deliver services securely and confidently.

The audit will focus on how the City of Edmonton manages its cybersecurity program to identify, protect, detect, respond and recover from those looking to exploit our security vulnerabilities.

Capital Asset Management

Capital assets include major City facilities, infrastructure, equipment and networks that enable the delivery of public services. Budgetary pressures often impede capital program expenditures or investments for maintenance and replacement, making it increasingly difficult to sustain the asset in a condition necessary to provide expected service levels. As the physical condition of the asset declines, deferring maintenance and/or replacement could increase long-term costs and liabilities.

The audit will focus on how the City of Edmonton assesses, plans, budgets and reports for capital maintenance and replacement needs.

Payroll Exception Time - Continuous Auditing

Payroll exceptions time includes absences (e.g., sick time, vacation, and medical leave) and additions to regular time (e.g., overtime).

The audit will include conducting data analytics on exception time to identify anomalies and determine if they could be the result of error or mismanagement.

Governance Reporting

City Council is the governing body of the municipal corporation and custodian of its legislative and administrative powers. The councillors and mayor work together to make decisions about plans, strategies and policy to govern the City which is informed through information and reporting from the City Manager and Administration.

The audit will focus on the City of Edmonton governance reporting (structure, completeness, accuracy) to inform City Council decision making. This will be an annual engagement due to the volume of reporting presented to City Council.

Hybrid Workplace and Supports

For many corporations, the pandemic has changed the workplace, requiring employees to work from home as part of the new normal. Organizations are adopting hybrid workforce models, where employees come into offices when it makes

sense, but have the flexibility to work remotely. The hybrid workforce model brings risks and opportunities from cyber, to productivity, to employee wellbeing, and to culture.

The audit will focus on the City of Edmonton's implementation of its work from home arrangement and will look at processes to manage cyber risks, equipment, productivity, and employee wellbeing.

Audits in progress related to this corporate objective:

- Fort Edmonton Park Governance Audit
- Project Management of Transportation Infrastructure
- City Financial Condition (Part 2) - Updated Compilation of Financial Condition Measures
- City Productivity (Part 2) - Performance Measurement Framework

**Below are audits related to the following Corporate Business Plan objective:
*Deliver Excellent Service to Our Community***

Homelessness Strategy and Implementation

In 2016, it was estimated that 1% of Edmontonians or 11,300 people experienced homelessness. In 2009, Edmontonians committed to an ambitious goal: ending homelessness in our community and launched: A Place to Call Home: Edmonton's 10 Year Plan to End Homelessness. The plan was updated in 2018 with an emphasis on system planning, an integrated approach through affordable housing, prevention, poverty reduction, and support and efforts. Homeward Trust Edmonton (a not-for-profit organization) is the lead on the 10 year plan and all orders of government have funded them to create and execute the plan.

The audit will focus on the City of Edmonton's efforts, response and effectiveness in executing the homelessness plan and dealing with homelessness.

Valley Line LRT Public-Private Partnership and Delivery

The Valley Line LRT is a 27 km low-floor, urban line that will operate between Mill Woods in southeast Edmonton and Lewis Farms. The Valley Line Southeast is currently under construction and expected to open in the first quarter of 2022.

The Valley Line West began in 2021 and will take six years to complete. Both projects are delivered as a Public-Private Partnership, a model in which the City partners with the private sector to share risks and rewards in designing, building and operating infrastructure.

The audit will focus on the City of Edmonton's public-private partnership planning, procurement and construction phases to minimize cost overruns, delays and delivery.

Building Permits and Inspections

The City issues permits and licences for the development, construction and use of all commercial, industrial, institutional or residential properties and buildings. The permits set standards for the health and safety of the citizens of Edmonton and ensure Edmonton's reputation as a great place to live, work and do business.

The audit will focus on the efficiency and effectiveness of the City of Edmonton's review, approval and inspection of building permits. This includes reviewing roles and responsibilities of various stakeholders.

Audits in progress related to this corporate objective:

- Enforcement Audit: Community Standards and Neighbourhoods Branch
- Arterial Roadway Assessment
- Community Granting

ADVISORY PROJECTS

Provide proactive, strategic, risk, and control-related advice

These projects allow us to provide proactive, strategic, risk, and control-related advice prior to and during the development and implementation of projects, programs, and systems. This helps to ensure that appropriate controls and safeguards are in place to achieve the stated goals.

Other advisory activities we undertake include serving on selected corporate committees; this allows the OCA to ensure that leading practice and control-related inputs receive appropriate attention throughout the project.

In 2022 we will work on **3 advisory projects**. We will also undertake additional advisory projects throughout the year as requested by Administration. As these projects are not yet known, they are not listed in the Annual Work Plan.

Enterprise Commons

Enterprise Commons represents a major, transformational corporate shift achieved through integrating the processes, data and technology required to perform core business functions (human resources, finance and supply chain) in a standardized and efficient way.

We will review and advise the Administration on the design of human resource and finance business rules and controls.

Enterprise Risk Management

Enterprise risk management is a culture, capabilities, and practices that organizations integrate with strategy-setting and apply when they carry out that strategy, with a purpose of managing risk in creating, preserving, and realizing value.

We will advise the Administration on its efforts in developing, reviewing, and maturing enterprise risk management .

Environmental, Social, and Governance (ESG) Risk Management and Reporting

ESG risks are adverse environmental, social, and governance conditions in an organization's operating environment. These risks can cause an actual or a potential material negative impact to an organization should they occur. ESG risks are often driven by factors that can be difficult to measure objectively, such as inclusion, ethical behavior, corporate culture, and embracing sustainability across the organization.

We will work with the Administration to determine the City's ESG maturity level, identify opportunities to improve it, and understand how ESG can enhance performance and value.

INVESTIGATIONS

The City Auditor has primary responsibility for investigating suspected fraud.

As per the City's Administrative Directive A1454, Fraud and Whistleblower Protection, the City Auditor has primary responsibility for investigating suspected fraud. Depending on the nature and scope of the complaint we may involve Administration. We perform investigations to prove or refute alleged fraudulent behaviour or misconduct by a City employee or other parties.

We receive these allegations via the City's Fraud and Misconduct Hotline (which we administer), or directly from the Administration, Council or the public. We forward claims of harassment and discrimination to the City's safe disclosure office.

Fraud risk management involves detecting and preventing suspected fraud, both internal and external to the City. We will continue to support the City's fraud risk management efforts by maintaining the City's fraud awareness website, posting fraud prevention tips and facilitating fraud awareness presentations throughout the organization as requested by business areas or initiated by us.

We will also work on developing an OCA fraud strategy that will help guide our work to support the City's fraud risk management efforts for the next few years. We will also do a review of the City's key fraud risks to inform our audits for 2022 and 2023.

RECOMMENDATION FOLLOW-UP

We report on the status of recommendations at each Audit Committee meeting.

We will monitor and report on the status of outstanding recommendations we make in our reports. We will review the status of actions taken on recommendations with management to determine if management has implemented the intent of our recommendation. We maintain a database of these recommendations to facilitate follow-up and reporting on the status of the recommendations.

EMERGING ISSUES

Unplanned projects arising during the year.

These are audits or advisory projects that we undertake during the year that are not listed in the Annual Work Plan. OCA staff might identify these projects during a scheduled audit, or City Council, the Administration, or a member of the public may bring the project to the attention of the City Auditor. The City Auditor assesses their importance and risks, and uses discretion to assign resources to these emerging issues. We include an appropriate resource allotment in the work plan to address these unforeseen issues.