

# Auditor General's Office 2012 Annual Report

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To: Audit Committee

# 2012 Annual Report

## Second Annual Report.

- Our annual report is provided in accordance with *Municipal Bylaw 2009-239 11 (1)*, which requires the Auditor General to provide an annual summary report to the Audit Committee.
- It highlights audits issued and the many administrative activities completed between July 2011 and June 2012.

# 2012 Annual Report

## Assisting Council and Reporting To The Public

- According to the Municipal Act 2001, and Municipal Bylaw 2009- 239 Council appointed an Auditor General who:

*"reports to council and is responsible for assisting the council in holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value for money in municipal operations".*

# 2012 Annual Report

## Auditor General's Authority Is Through Statutory Powers

- *The Municipal Act (2001) anticipates the need for, and provides Auditor Generals with many powers that support their ability to perform their responsibilities in an independent manner.*
- The Auditor general's statutory powers go well beyond powers provided to External Auditors, or other Internal Audit formats.

# 2012 Annual Report

## Public Trust Increases With Support For Oversight Functions

- These essential statutory powers are intended to increase transparency and accountability within municipalities, thereby preserving or enhancing the public's trust.
- This trust is founded on the public's expectation and belief that :
  - the Auditor General's access to the organization is unfettered,
  - that the Auditor General is able to perform his or her responsibilities without threats to this independence and,
  - that there is no obstruction of audit activities.

# 2012 Annual Report

## Continued Focus: Establishing A Sustainable Audit Function

- Institute Of Internal Auditors (IIA)
  - Auditor General's Office was in Full Compliance with Generally Accepted Government Auditing Standards.
  - "The Office of the Auditor General has established a solid foundation for the Internal Audit activity."
  - "All parties agreed on the importance of – and the need for – an effective Internal Audit activity."

# 2012 Annual Report

## ***2011 – 2012 Administrative Activities***

1. 2011 Annual Report – Auditor General's Office (8/2011)
2. Introduction To Reporting On Internal Controls (9/2011)
3. The Audit Process and Government Auditing Standards (9/2011)
4. Audit Follow Up – Transit Shift Trading (9/2011)
5. Audit Follow Up - Cash Handling – Transit/Parking (10/2011)
6. 2012 Proposed Audit Work Plan (11/2011)
7. Update of Auditor General Audit Manual (11/2011)
8. The Role Of Auditing In Public Sector Governance (1/2012)
9. 2012 Audit Work Plan (1/2012)
10. 2012 Quality Assurance Review Preparation (1/2012)
11. 2012 Quality Assurance Audit and Response (3/2012)
12. Establishing Formal Audit Protocols (5/2012 - ongoing)

# 2012 Annual Report

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## *Number of Audits*

- The number of audits is not generally considered a strong indicator of the success of an audit function as, more than any other element it often is a reflection of conscious decisions related to audit scope, and auditing style.



# 2012 Annual Report

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## Audit Recommendations Over Last Two Years

157

- We have made one hundred fifty seven recommendations in our audits over the last two years.

# 2012 Annual Report

## *Audit Benefits That Are Not Necessarily Quantifiable*

- On an ongoing basis, we monitor the City's responses and action plans that have evolved from or have been accelerated due to observations made in our reports. We see that audits are a catalyst, an **enabler for change**.
- Transparency and accountability has certainly been heightened.
- Policies and procedures have certainly been improved.
- A positive cultural shift has begun.

# 2012 Annual Report

## Obligatory Estimate of Potential Financial Benefits

**\$2.1 million    on    \$360 thousand**

- Although it is expected that we make an attempt to estimate direct financial benefits and operational efficiencies, this report also highlights non-financial benefits demonstrated through the City's responses and action plans that have evolved from or have been accelerated due to observations made in our reports.

# 2012 Annual Report

## Obligatory Estimate of Potential Financial Benefits

**\$2.1 million on \$360 thousand**

| ESTIMATED SAVINGS \$000's    |              |              |              |
|------------------------------|--------------|--------------|--------------|
| Year of Savings              | 2010         | 2011         | Total        |
| 2010                         | \$ 402,800   |              | \$ 402,800   |
| 2011                         | \$ 383,200   | \$ 415,530   | \$ 798,730   |
| 2012                         | \$ 383,200   | \$ 415,530   | \$ 798,730   |
| 2013                         | \$ 383,200   | \$ 415,530   | \$ 798,730   |
| 2014                         | \$ 383,200   | \$ 415,530   | \$ 798,730   |
| 2015                         | \$ -         | \$ 415,530   | \$ 415,530   |
| Total                        | \$ 1,935,600 | \$ 2,077,648 | \$ 4,013,248 |
| (A)                          |              |              |              |
| 2011 Operating Costs         |              |              |              |
| (Auditor General's Office)   |              | \$ 359,754   | (B)          |
| 2011 Return On Audit Dollars |              |              |              |
| Invested                     |              | \$ 5.78      | (A/B)        |

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## Cumulative Potential Savings

**\$5.78**

- In simple terms, for every **\$1 dollar** invested in the audit process the return on this investment has been **\$5.78 dollars**.

# 2012 Annual Report

## Estimated Savings from 2011-2012 Audit Reports Where Potential Savings Are Quantifiable

| Report Title                         | One-time Savings | Ongoing Annual Savings | Total      | \$ Identified | Notes   |
|--------------------------------------|------------------|------------------------|------------|---------------|---|
| Conventional Transit Services        | \$ -             | \$ -                   | \$ -       | \$ 258,350    | U-Pass Annual Loss<br>(no report at contract renewal) |
| Handi Transit Services               | \$ -             | \$ -                   | \$ -       | \$ 275,000    | Potential From A 10% Shift To Reg Transit             |
| Transit Kiosk and Café Contract Mgmt | \$ -             | \$ -                   | \$ -       | \$ 67,616     | Additional Amounts Unclaimed                          |
| Transit Kiosk and Café Contract Mgmt | \$ -             | \$ -                   | \$ -       | \$ 30,084     | Potential 2% Interest Claim (After Sept '09)          |
| Audit of Watermain Emergency Repairs | \$ -             | \$ 322,000             | \$ -       | \$ 322,000    | Excavation Repair Efficiency (T-Box, 20Ton, 4 FTE)    |
| Audit of Watermain Emergency Repairs | \$ -             | \$ 93,530              | \$ -       | \$ 93,530     | Certified Operator Hrs Free'd (2,711 @\$23x1.5)       |
|                                      | \$ -             | \$ 415,530             | \$ 415,530 | \$ 1,046,580  |   |

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## Conventional Transit Services (8/2011)

- Council requested an operational review
- IBI's report supported the observations and recommendations made by the auditors, and Transit Management is basing strategy and tactics on the IBI report
- Manager of Finance and Administration (Transit & Fleet), and Transit Planner were hired.
- Fleet section was consolidated under the Director of Transit and Fleets Services
- New Transit / Fleet garage property purchased.
- Merging the two sections (inventory, workloads, duties and reporting relationships will be addressed)
- Finance has assisted Transit and Fleets Services with improvements to inventory controls, counts and transition to one inventory system

**Conclusion:** Transit and Fleets Services management as well as Finance have taken many positive steps to address the observations made in the audit report.

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## Handi Transit Services (8/2011)

- Management plans to continue to work with their service provider on coordinated dispatch as well as providing portions of rides on the conventional and Handi Transit systems.
- Management responded with an advertising campaign which was intended to provide Handi Transit customers with the information they required to make the decision to move to the conventional system.
- Management has also taken steps to improve the level of detail for information provided on Trans Cab invoices.

**Conclusion:** Transit and Fleets Services management as well as Finance have taken many positive steps to address the observations made in the audit report.



# 2012 Annual Report

## Transit Kiosk Contract (10/2011)

- A number of Finance's planned improvements appear to have been accelerated to address observations made in the audit report.
- This audit has clearly had the effect of heightening management's awareness of responsibility to manage adherence to terms and conditions of contracts.
- Many procedural and policy improvements have evolved from or have been accelerated due to observations made in our report.
- A detailed follow up report is expected in the new year.

**Conclusion:** City and Finance staff are responding to our audit observations in a decisive and positive manner, investing a significant amount of effort into reviewing and updating policies, procedures and controls in the many areas that this audit touched upon.

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## Emergency Water Main Repairs (4/2012)

- Many of our observations were immediately addressed during the audit, and we have noted that that trench boxes have been purchased by the City, and are in use.
- We estimated the value of changes if adopted by management of Water Main Repairs, to be \$415 thousand annually. These potential savings were a positive result of the audit, and were expected to be enough to offset costs of excavation practices utilizing trench-boxes.
  - Management accepted our recommendations to use trench boxes to potentially save the City \$322 thousand per year while freeing up 1,668 productive hours.
  - Removal of one Relief Operator (labourer) from the repair crew could free up 1,807 additional hours, and
  - Redeployment of the Operator “B” to do preventative maintenance work within the area could free up 904 additional hours which could be used for other core Water/Wastewater work (worth an additional \$93 thousand per year).

**Conclusion:** Noting that this report was presented to Council in April 2012, management has responded in a very decisive and positive manner to address observations made in our audit report.

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