



INDEPENDENT OFFICE OF THE CITY AUDITOR

# 2022 Annual Report

June 7, 2023



## Message from the City Auditor

Prior to 2021, the Independent Office of the City Auditor (Office) at the City of Saskatoon (City) was outsourced to a consulting firm. In December 2020, the City decided to bring the audit function in-house and hire a City Auditor. In April 2021, I was honoured and privileged to be appointed as a City Auditor with the City of Saskatoon.

I'm pleased to submit the first annual report that provides a summary of activities undertaken by the Office. Since the establishment of the Office, a number of actions have been undertaken to build and strengthen the audit function at the City. Some of the key actions include:

- Revising the Internal Audit Charter, which sets out the purpose, authority, and responsibility of the Audit Office. I encourage you to read the [Internal Audit Charter](#).
- Creating awareness of the Office through regular presentations and interactions at all levels within the City.
- Building strong relationships with staff based on mutual respect and collaboration with the aim of strengthening the processes and controls at the City.
- Demonstrating the independence of the Office and the direct reporting relationship to City Council through the Standing Policy Committee on Finance. To further demonstrate the Office's independence, the Office name was changed to the Independent Office of the City Auditor.
- Engaging Administration throughout the audit process and sharing audit results on an ongoing basis to avoid surprises at the end.
- Providing value-added and cost-effective recommendations to strengthen the governance, risk management and control processes at the City.
- Presenting audit reports regularly at the Council and Leadership meetings for discussion.
- Enhancing the Whistleblower Program at the City to bring the program in line with the best practice.
- Implementing a pilot 'Guest Auditor Program' where staff from other business areas join the audit team on a part-time basis to learn more about risks and controls so that they could apply those techniques in their own area to strengthen the control environment at the City.
- Obtaining regular status updates on past audit recommendations and conducting follow-ups to assess the implementation effectiveness of the recommendations.

I look forward to continuing to add value to the City's operations and provide assurance that the public funds are utilized effectively, processes are efficient, and risks are mitigated with effective controls.

Sohail Saleem, MBA, CPA, CGA, FCCA, CIA, CISA, CRMA, CFE  
City Auditor

## Mandate of the Independent Office of the City Auditor

The Independent Office of the City Auditor (Office) mandate is to enhance and protect the City's value by providing risk-based and objective assurance, advice and insight to City Council and the Administration on governance, risk management and control processes.

To provide for the independence of the audit activity and to ensure that audit results receive adequate consideration, the City Auditor reports to and is directly accountable to City Council through the Standing Policy Committee on Finance.

## Summary of Completed Audits

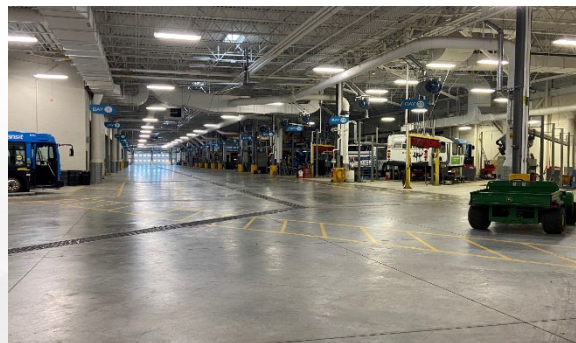
For 2022, the Office completed three audits, which were reported to City Council. These include Investigation of Service Disruptions in Saskatoon Transit; audit recommendations status update and follow-up; and Fleet Services Audit. The audit reports included 10 recommendations which focused on high and medium risks.

The Office is in the process of completing the audit of Fusion Wave 1 Implementation, Continuous Assurance and Project Management Processes, which will be reported to the Standing Policy Committee on Finance in 2023.

## Investigation of Service Disruptions in Saskatoon Transit

During the winter of 2021-2022, the City of Saskatoon Transit (Transit) services experienced significant disruptions. The Office conducted a root cause analysis of service disruptions during winter 2021-2022 and provided cost-effective and practical recommendations to avoid future disruptions in Saskatoon Transit.

The investigation concluded that multifaceted factors resulted in service disruptions and provided recommendations to strengthen operations of stores in Transit, enhance the governance processes and implement an effective preventative maintenance program.



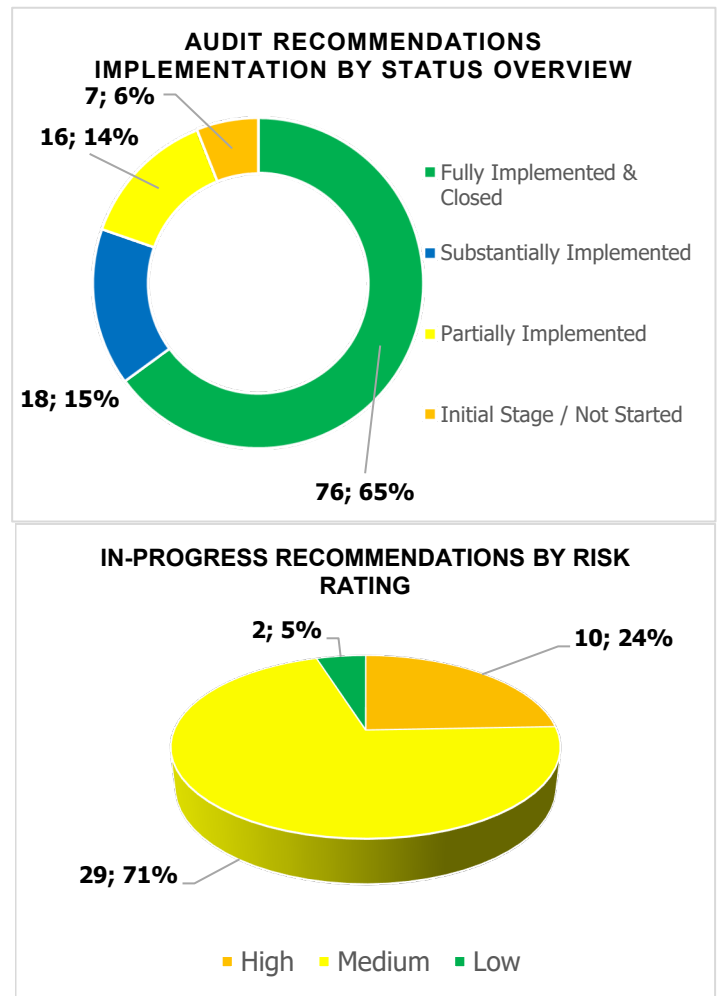
Link to the detailed report: [Investigation report – Service Disruptions in Saskatoon Transit](#)

## Audit Recommendations Status Update and Follow-up – Phase 2

In accordance with the Internal Audit Charter, the Independent Office of the City Auditor obtained status updates on past audit recommendations and conducted follow-ups to assess whether the recommendations were effectively implemented. The audit recommendations status update - Phase 2 report included the status update and follow-up for eight prior audit reports.

The results showed that as of September 30, 2022, 65% of the recommendations were fully implemented closed, 15% were substantially complete, 14% were partially complete, and the remaining 6% were in the initial implementation stage or not started.

Key recommendations which were in progress relate to the disability assistance program, transit ridership data tracking, resourcing, and scheduling and WCB benefits administration.



Link to the detailed report: [Audit Recommendations Status Update and Follow-up – Phase 2](#)

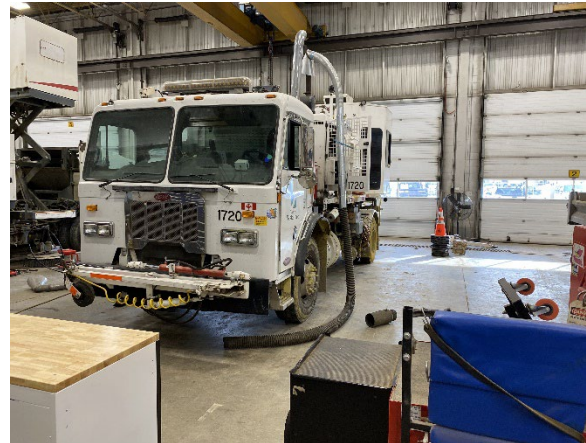
## Fleet Services Audit

The City of Saskatoon's (City) Fleet Services (FS) provides maintenance, repairs, fuel distribution, vehicle regulatory requirements, fleet replacement, and purchasing and leasing of fleet for various City's Civic Departments. Saskatoon Fire Department (SFD) manages its own fleet management practices independent of FS.

The objective of the audit was to assess the effectiveness, efficiency, and economy of FS and identify improvement opportunities.

Overall, there were robust processes in place with respect to warranty administration, periodic vehicle inspections, and rental model for the use of the fleet. We identified opportunities to strengthen processes and controls related to fuel management, management of fleet at Fire, management and monitoring of fleet assets, and compliance with regulations.

Link to the detailed report: [Fleet Services Audit](#)



## Advisory Services

The Office provides ongoing advisory services to strengthen the governance, risk management and control processes at the City. The advisory services are performed where such services do not represent a conflict of interest or detract from the program's assurance services obligations.

# Investigations – Whistleblower Program

## Background

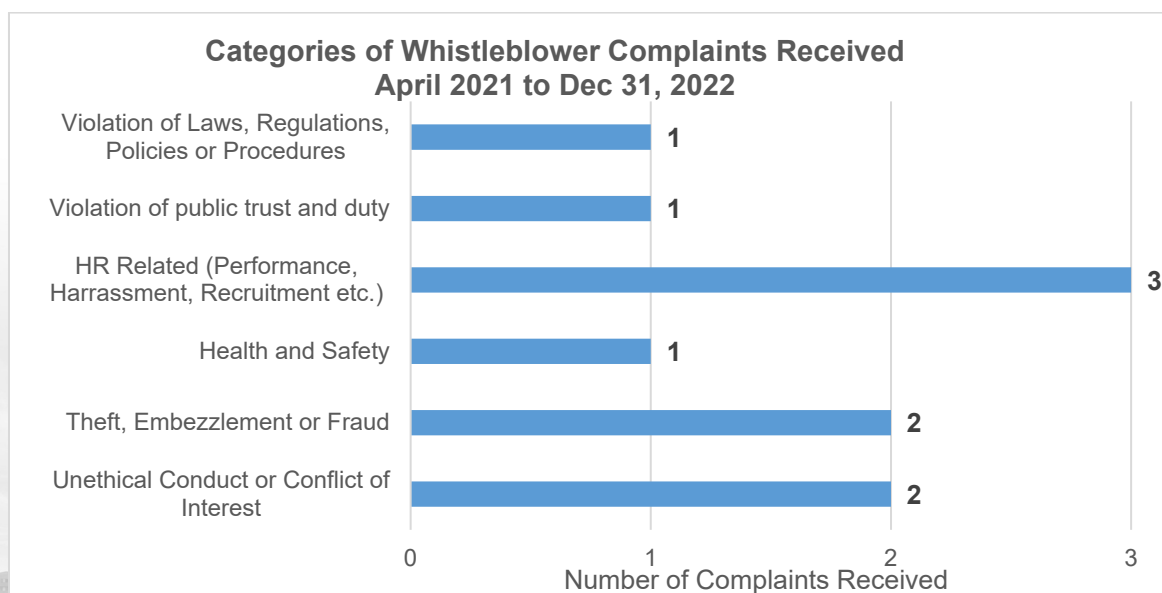
The City of Saskatoon (City) Policy No. C04-028 Whistleblower Protection Policy was developed in September 2020, which laid the foundation of the City's Whistleblower Program (Program). The policy provides protection to employees to report complaints related to issues of wrongdoing, such as fraud, theft etc., without any fear of reprisal.

The Independent Office of the City Auditor (Office) manages the Program at the City. An independent third party has been engaged to provide hotline services. Employees can report their complaints 24/7/365 by telephone, email, and web portal. Complaints received through the hotline are forwarded to the Office for assessment and investigation. After the completion of the investigation, the investigation reports are issued to the City Manager for corrective actions, and the Office conducts regular follow-ups to assess if the corrective actions and recommendations have been implemented effectively.

The Office has developed a roadmap to enhance the Program and to bring it in line with best practice. Currently, employees at the City can report concerns of wrongdoing. However, as part of the enhancement, the Program will increase coverage to include contractors and the public and include reporting of any suspected act of wastage. The implementation of the Roadmap is currently in progress and will be completed by end of 2024.

## Whistleblower Complaints Reporting

From April 2021 to December 31, 2022, 10 Whistleblower complaints were received at the Office. The complaints received fall into the following categories.



## Handling of Whistleblower Complaints

The Whistleblower Protection Policy defines Wrongdoing as follows:

“Illegal, harmful, or inappropriate conduct including, but not limited to:

- a) Crime or suspected criminal activity, including theft, fraud, and embezzlement;
- b) Breach of Code of Conduct or any other City Council or Administrative Policies;
- c) The wrongful or unauthorized acquisition, use, appropriation, or disposal of City assets, including cash, information, data, records, materials, labour, or equipment;
- d) The violation of public trust or duty;
- e) The misuse of position, authority or gross mismanagement of City funds or City assets for personal gain;
- f) Failure to follow any civic policies regarding monetary transactions, cash handling, use of signing authority, competitive bidding, purchasing, or procurement;
- g) Any claim for reimbursement of expenses not incurred for the exclusive benefit of the City; and
- h) Knowingly directing or counseling a person to commit wrongdoing mentioned in clauses (a) to (g).”

Each complaint received at the Office was reviewed and assessed against the Whistleblower Protection Policy. Based on the evaluation and assessment, the following actions were undertaken with respect to the whistleblower complaints.



All five investigations were completed, and reports were issued to the City Manager for corrective actions and implementation of the recommendations. No further action was taken for the remaining five complaints because of insufficient information or because the complaints did not meet the Whistleblower Protection Policy threshold. In some cases, the complaints were passed to other departments for further review.

## Outcomes of Whistleblower Investigations Conducted

	Wrongdoing Substantiated	Wrongdoing not Substantiated	Total
Whistleblower Complaints Investigated (April 2021 – Dec 2022)	1	4	5

## Summary of Substantiated Investigation

### Use of City assets for non-civic purposes

A reporter alleged that an employee was using the City's vehicle for non-civic purposes. The investigation substantiated the allegation and appropriate action was undertaken by Administration. In addition, recommendations were provided to create awareness among employees on the appropriate use of City assets and training supervisors on their roles and responsibilities related to monitoring and reporting of misuse of City assets.

## Resources

Out of the approved 2022 audit budget of \$ 426,900, \$ 412,680 was spent on undertaking audit activities and the remaining \$ 14,220 was transferred to help offset the corporate operating deficit.

The Office comprises of two staff, i.e., City Auditor and a Senior Audit Specialist. The Senior Audit Specialist position was added in August 2022. The Office also engages external consultants to assist in the conduct of the audits, as required.

## Professional Activity

The City Auditor volunteered as a speaker at the 2022 Association of Certified Fraud Examiner Fraud Conference Canada. The topic of the presentation was "Protecting Your Organization Against Fraud Using the Three Lines Model".

## More Information

To learn more about the Office, please visit our website

<https://www.saskatoon.ca/city-hall/mayor-city-councillors/independent-office-city-auditor>