



Association of Local Government Auditors

December 8, 2016

Bryan Mansky, City Auditor
City of Winnipeg Audit Department
185 King Street
Winnipeg, Manitoba, R3B 1J1

Dear Mr. Mansky,

We have completed a peer review of the City of Winnipeg Audit Department for the period January 1, 2015 through November 30, 2016. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

We reviewed the internal quality control system of your audit organization and conducted tests in order to determine whether your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

- Reviewing the audit organization's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit and attestation engagements and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

Based on the results of our review, it is our opinion that the City of Winnipeg Audit Department's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period January 1, 2015 through November 30, 2016.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor
City Auditor's Office
Arlington, TX

Jane Ying, CPA, CMA, CIA, CGAP, MHSc
Assistant Auditor General
Auditor General's Office
Toronto, Canada



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Bryan Mansky, City Auditor
City of Winnipeg Audit Department
185 King Street
Winnipeg, Manitoba, R3B 1J1

Dear Mr. Mansky,

We have completed a peer review of the City of Winnipeg Audit Department for the period January 1, 2015 through November 30, 2016 and issued our report thereon dated December 8, 2016. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the areas in which we believe your office excels:

- ❖ The staff members are professional, educated and certified.
- ❖ The Teammate configuration, including the integrated templates, checklists and mapping to standards help ensure staff adherence to Government Auditing Standards (GAS).
- ❖ The use of a table format to summarize risk assessment results, audit recommendations, management response, and implementation dates in the audit reports is helpful for readers.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

1. Standard 3.90 requires that audit organizations should establish policies and procedures for human resources that are designed to provide the audit organization with reasonable assurance that it has personnel with the capabilities and competence to perform its audits in accordance with professional standards and legal and regulatory requirements.

In reviewing the Office's policies and procedures, we observed that the CPE requirements stated in the Audit Manual are not aligned with those required by GAS. During staff interviews, it was also noted the staff was not aware of specific GAS CPE requirements.

We recommend that the Audit Manual be revised to reflect the CPE requirements stated in GAS and we recommend GAS requirements be communicated to all staff members.

2. Standard 3.91 requires that audit organizations should establish policies and procedures for audit performance, documentation, and reporting that are designed to provide the audit organization with reasonable assurance that audits are performed and reports are issued in accordance with professional standards and legal and regulatory requirements.

In reviewing the Office's policies and procedures, we observed that the Audit Manual does not reference all key requirements of GAS. We did note, however, that engagement working papers include templates, checklists and mapping to requirements. Staff interviews indicated reliance on the templates rather than specific knowledge of GAS.

We recommend that the Audit Manual be revised to include all key requirements of GAS, and we recommend the requirements be communicated to all staff members.

3. Standard 3.95 states that the audit organization should analyze and summarize the results of its monitoring process at least annually with identification of any systemic or repetitive issues needing improvement, along with recommendations for corrective action. The organization should communicate to appropriate personnel any deficiencies noted during the monitoring process and make recommendations for appropriate remedial action.

In reviewing your policies and procedures and your description of the quality control system, we observed that there is no established requirement for an annual monitoring process. We also did not identify any documentation evidencing this process has been completed.

We recommend that an annual monitoring process be established and documented.

4. Standard 5.32 requires that when performing a GAGAS examination engagement, if the examination report discloses deficiencies in internal control, fraud, noncompliance with provision of laws, regulations, contracts, or grant agreements or abuse, auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations, as well as any planned corrective actions.

In reviewing examination reports, we noted the views and planned corrective actions of responsible officials are not included.

We recommend that the views and planned corrective actions of responsible officials be included in examination reports.

5. Standard 6.69 requires that auditors should perform and document an overall assessment of the collective evidence used to support findings and conclusions, including the results of any specific assessments conducted to conclude on the validity and reliability of specific evidence

In reviewing audit engagement working papers, we observed there was no documentation of the auditor's assessment that evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting the findings and conclusions.

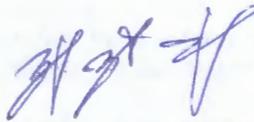
We recommend that audit engagement working papers include documentation of the auditor's assessment that evidence taken as a whole is sufficient and appropriate for addressing the audit objectives and supporting the findings and conclusions.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,



Lori Brooks, CPA, CIA, CGAP, CRMA
City Auditor
City Auditor's Office
Arlington, TX



Jane Ying, CPA, CMA, CIA, CGAP, MHSc
Assistant Auditor General
Auditor General's Office
Toronto, Canada

December 12, 2016

Lori Brooks, City Auditor, Arlington, TX
Jane Ying, Assistant Auditor General, Toronto, ON, Canada

Lori and Jane,

I would like to extend my sincere gratitude for your time and service in providing our first independent peer review of the City of Winnipeg Audit Department. I am also pleased that you have provided us with your professional opinion that you have found our office to be in compliance with *Government Auditing Standards* for the period of January 1, 2015 to November 30, 2016. The report you have provided shows that the audits we perform and the overall quality control system we have created have been found to comply with what we consider to be an excellent and rigorous standard of service. We are honoured to join our colleagues from the Toronto Auditor General's Office in being the only municipal auditing offices in Canada that have obtained peer reviews in accordance with *Government Auditing Standards*.

I have reviewed the associated management report you have provided to us and would like to thank you for your recognition of the areas in which you believe our office excels. Our audit files have been carefully mapped to *Government Auditing Standards* and the auditing standards published by CPA Canada to ensure that we provide the highest quality of service that we can to our clients. We also strive to present our reports in a fashion that will best communicate our findings to our clients and to the public. But none of this is possible without the ongoing dedication and creativity of our professional staff on whom we rely every day for our success. Thank you for also recognizing them in your report.

I also appreciate that your team has provided us recommendations for improvement on areas where we can enhance our adherence to *Government Auditing Standards*; this advice is why we have requested the peer review and where we find a great amount of value in the peer review process. As this peer review report is made public by our organization, I would like to take the opportunity to respond to each finding individually for the benefit of those who may not be familiar with our operations, or with *Government Auditing Standards*.

I agree with the recommendation that our Audit Manual should be more concretely aligned with the guidance of *Government Auditing Standards* in relation to continuing professional education (CPE) requirements. While all of our audit staff are Chartered Professional Accountants, and are required to obtain and report on the same number of required CPE hours with CPA Manitoba, our process has been to rely on the CPA Manitoba requirements to guide our staff in the CPE that should be obtained. We recognize that CPA Manitoba does not have the same requirement to obtain a minimum number of CPE hours in government auditing and environment as *Government Auditing Standards* does, and appreciate the recommendation to provide greater clarity to our staff on what types of CPE should be pursued.

I appreciate that you have recognized that our audit working paper files have been meticulously mapped to *Government Auditing Standards* to ensure that our audits meet the standards in all regards. Our former approach has been to format our audit file templates in a way that guides our staff in the standards relating to audit engagements, and to format our Audit Manual in a way that guides our staff on all of the standards that are not included in an audit engagement. We agree that providing the language of *Government Auditing Standards* relating to audit engagements in our Audit Manual will provide more clarity to our staff, and also recognize that these standards should be better communicated outside of both the Audit Manual and the audit file templates.

I agree with the recommendation to complete an annual monitoring process for the department as a whole to identify systemic or repetitive issues that require improvements. Our past approach had been to complete a post-project review to document our critical assessment of our work and the lessons learned in each engagement, which we would supplement with informal conversations of what should be improved based on go forward basis. We agree that formalizing the process will bring us into better adherence to the standards and will integrate this process into our annual audit planning process.

I agree with the recommendation that the views of responsible officials should be obtained and reflected in all of our attestation engagements where recommendations have been made. We have not traditionally completed this on our annual audits of the Councillors' Ward Allowance accounts. Our process in these audits was to track outstanding recommendations that had been made in subsequent years, to build specific procedures into the next year's audit to determine whether the recommendations had been sufficiently addressed, and to repeat the recommendations in our management letter if they had not been implemented. Obtaining responses from responsible officials will enhance our compliance with *Government Auditing Standards*, and we will be soliciting these responses in future engagements.

I agree with the recommendation to provide a documented conclusion on whether the audit work as a whole is sufficient and appropriate for addressing the objectives of our audits in our audit files. Our process until now has been to prepare a working paper that visually ties the work completed in our audit to our audit objectives based on the risks that we have assessed for each objective. We used this as documentation that we had determined that the work was appropriate and sufficient (coupled with our working paper where we document whether we have faced circumstances where not enough information has been collected to be able to conclude on our objectives). Based on this process, we had always included the statement that we believe the work completed had been sufficient and appropriate to conclude on our objectives in our reports. In the future, we will also include a written overall conclusion on our work on the working paper described above for the benefit of those reviewing our files.

I agree with all of your recommendations and plan to have the solutions implemented within the next twelve months.

I would once again like to thank you for your professionalism and candour in the review that you have provided and would like to welcome you back to our great city at any time. Your time and commitment in providing this service to your municipal auditing colleagues is greatly appreciated, and the advice you have provided to us will help us to better meet *Government Auditing Standards*, and continue to provide audits of the highest quality possible.

Most sincerely,



Bryan R. Mansky, MBA, CPA, CMA, CIA
City Auditor

BRM/mg