

## Request for Decision

### Audit Work Plan for 2016 to 2018

Presented To:	Audit Committee
Presented:	Tuesday, Feb 02, 2016
Report Date	Wednesday, Jan 20, 2016
Type:	Presentations

### Resolution

THAT the City of Greater Sudbury receives the report dated January 20, 2016 from the Auditor General's Audit Work Plan for 2016 to 2018.

#### Signed By

**Report Prepared By**

Ron Foster  
Auditor General  
*Digitally Signed Jan 20, 16*

**Recommended by the Department**

Ron Foster  
Auditor General  
*Digitally Signed Jan 20, 16*

**Auditor General**

Ron Foster  
Auditor General  
*Digitally Signed Jan 20, 16*



## **Request for Decision Auditor General's Audit Work Plan for 2016 to 2018**

Presented To:	Audit Committee
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### **Resolution**

THAT the City of Greater Sudbury receives the report dated January 20, 2016 from the Auditor General's Audit Work Plan for 2016 to 2018.

### **Summary**

The purpose of this report is to provide Audit Committee and City Council with details of the Auditor General's Audit Work Plan and budget estimates for 2016 to 2018.

### **Financial Impact**

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2016 budget request.

### **The Audit Planning Context**

The Auditor General reports to Audit Committee 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. In doing so, the Auditor General's Office is guided by the definition of internal auditing which is summarized in the Institute of Internal Auditors' International Professional Practices Framework (IPPF) from which excerpts are provided at Appendix 2.

By-law 2015-217, which is provided at Appendix 3, sets out a number of provisions related to the preparation of the annual audit plan, including:

1. The Auditor General shall submit an annual audit plan for the next following year to the Audit Committee for information by December 31<sup>st</sup> of each year. This provision could not be met due to the timing of the current Auditor General's appointment in December and the need for a longer term plan to be prepared covering the term of Council.
2. The Auditor General may, at his discretion, prepare a longer-term audit plan for submission to Audit Committee.
3. No deletions or amendments to the annual audit plan shall be made except by the Auditor General.
4. Despite subsection (3) the Auditor General may, if requested by the Audit Committee or a board of Directors audit and report on additional matters. The audit plan before Council allocates time to requests from Audit Committee for the Auditor General's Office to review reports to Committee or Council.

## **Audit Activities Regarding 2110.A1 (Employee Code of Conduct)**

According to the IPPF of the Institute of Internal Auditors, the internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

During our first audit in 2010, the Auditor General's Office observed that the City of Greater Sudbury did not have a comprehensive formal Code of Conduct that was reviewed and/or updated annually with its employees. As a result, we issued a memo to City Administrators, encouraging the development of a formal Code of Conduct document. We also observed that a complaint process was not in place for whistle-blowing.

Staff have examined the whistle-blowing matter in recent months. A report on the Complaint Resolution Process that addresses whistle-blowers will come before Council at the January 26, 2016 Council meeting.

Time for the initial review of complaints from employees and residents has been included in the audit work plan for 2016 to 2018 provided at Appendix 1.

## **Audit Consultants**

In 2013, City Council directed the CFO and CAO to engage James Key to review the external peer review for the office of the Auditor General that was conducted in 2012 by the Institute Of Internal Auditors. One of the specific requirements of his review was to "Re-evaluate the audit approach".

Mr. Key observed that "The Municipal Act addresses the responsibility of council to governance and risk management in Section 224.d.1 ... to ensure the accountability and transparency of the operations of the municipality, including the activities of the senior management of the municipality."

Mr. Key also observed that "The effectiveness, maturity, and value of any internal audit assurance function is in large part dependent on the maturity of the governance and risk management structures and processes of any organization. Governance and its component risk management form the foundation of an internal audit process that is risk-based and which adds value to any enterprise."

The audit work plan for 2016 includes an audit of risk management processes within the City in 2016. It also includes high-level audits of the governance, risk management and control (GRC) processes within the City's major agencies, boards and municipally controlled corporations (ABCs) in 2017 and 2018. Audits of the GRC processes within the smaller ABCs will be completed in 2019 and 2020.

## **The Planning Process**

Like most internal audit functions, the Auditor General's office completes annual risk assessments and ranks elements in the audit universe (e.g., locations, business units, processes, and projects) according to an assessment of risk. Elements with higher and moderate risk ratings are then prioritized for audit.

With limited audit resources, the Auditor General's Office is currently only able to address items with the highest risks within its 3-year audit work plan. Areas with moderate risks have been deferred to 2019 and 2020. If significant risks come to the attention of the Auditor General's Office, we will consult with Audit Committee and may recommend that funding be drawn from

the Auditor General's Reserve to support the completion of additional audits with external resources. If Audit Committee or Council wishes to add items to the audit work plan, resources will need to be drawn from the Auditor General's Reserve to cover the cost for external resources.

The Auditor General's Office will complete an annual risk assessment and will update the audit work plan each December for the review of Audit Committee and Council. Resources to complete the plan and address all major risks will be included in the annual budget request for the Auditor General's Office.

#### **Comments On the Audit Work Plan for 2016**

The 2016 Audit Plan includes to one vendor audit that is currently in progress, two audits that are primarily designed to assess compliance with City financial policies and by-laws, and two value-for-money audits, and one performance audit to compare the City's risk management practices with leaders in the municipal sector. It also includes time to review reports to support Council decisions as well as the complaint process within the City. Finally, it includes time for planning, reporting and quality assurance activities within the office.

The audit work plan for 2016 incorporates estimates and is intended to be flexible to accommodate the availability of staff in the areas subject to audit. If audits or tasks are completed early, one or more audits will be brought forward from the 2017 audit work plan in consultation with Audit Committee.

## Appendix 1

# Audit Work Plan for 2016 to 2018

Auditor General's Office

January 19, 2016

## Overview

- Mandate of the Auditor General's Office
- Audit Planning Process
- Auditor General's Office Budget Forecast
- Audit Plans for 2016 to 2018

## Mandate of the Auditor General's Office

- The Auditor General “reports to Audit Committee 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.”
- The Auditor General's Office plans, conducts, evaluates and monitors the results of financial, compliance and performance audits (except the annual attest audit) of all programs, activities and function of CGS including departments, agencies, boards and commissions, and the office of the Mayor and members of Council.

# Audit Planning Process

- The Auditor General prepares a work plan for approval by the Audit Committee and Council.
- The Auditor General's work plans are risk-based, incorporate Council input.
- The proposed audit work plan covers the major risks within the City and will be updated annually with input from senior staff.
- By-law 2015-217 indicates that no deletions or amendments can be made to the plan except by the Auditor General and that the budget shall be equal or greater than 0.065% of the annual operating budget.
- Subject to available resources, the Auditor General may, if requested by Audit Committee or a Board of Directors, audit additional matters.



## Auditor General's Office Budget Forecast

	2015	2016	2017*	2018*
Salary & Benefits	\$290,068	\$294,618	\$322,000	\$346,000
Materials	3,926	3,926	4,000	4,000
Contract Services	23,022	23,022	14,000	7,000
Prof Dev & Training	10,487	10,487	9,000	9,500
Internal Recoveries	21,998	21,353	22,000	23,000
<b>Total Budget</b>	<b>349,501</b>	<b>353,406</b>	<b>371,000</b>	<b>389,500</b>

\* Subject to approval of Development Program by Audit Committee and Council

2016	Audit Project Title Compliance (C), Performance (P), Financial (F)	AG Days	Senior Days	P T Days	Total Days
2016.1	Vendor Audit (C, F)	15	20		35
2016.2	Finance Audit (C, P, F)	10	10	10	30
2016.3	Risk Management Processes (P)	45	15		60
2016.4	Procurement Follow-Up Audit (C,P, F)	10	40	15	65
2016.5	Facilities Services VFM Audit (C, P, F)	70	30		100
2016.6	Roads Services VFM Audit (C, P, F)	10	90		100
	Review of Complaints	20	0		20
	Review of Reports to Council	15	0		15
	Quality Assurance Review	5	5	5	15
	Annual Report to Council	2.5	7.5		10
	Annual Risk Assessment & Audit Plan	7.5	2.5		10
	Total Days Assigned to Audits	210	220	30	460

2017	Audit Project Title Compliance (C), Performance (P), Financial (F)	AG Days	Senior Days	PT Days	Total Days
2017.1	Overtime Controls (C, P, F)	10	30	20	60
2017.2	Police Services GRC Audit (C, P, F)	30	10		40
2017.3	Sudbury Utilities GRC Audit (C, P, F)	30	10		40
2017.4	Fleet Services Audit (C, P, F)	20	70		90
2017.5	Fire Services VFM Audit (C, P, F)	70	20		90
2017.6	Water & Wastewater Services VFM Audit (C, P, F)	20	70		90
	Review of Complaints	10	0		10
	Review of Reports to Council	10	0		10
	Annual Report	5	5		10
	Annual Risk Assessment & Audit Plan	5	5		10
	Total Days Assigned to Audits	210	220	20	450

2018	Audit Project Title Compliance (C), Performance (P), Financial (F)	AG Days	Senior Days	PT Days	Total Days
2018.1	Sudbury Airport GRC Audit (C, P, F)	20	10		30
2018.2	Library GRC Audit (C, P, F)	20	10		30
2018.3	Pioneer Manor GRC Audit (C, P, F)	25	10		35
2018.4	S&D Board of Health GRC Audit (C, P, F)	15	20		35
2018.5	Emergency Services VFM Audit (C, P, F)	70	20		90
2018.6	Leisure & Recreation Services VFM Audit (C, P, F)	10	70	10	90
2018.7	Housing Services VFM Audit (C, P, F)	20	70		90
	Review of Complaints	10	0		10
	Review of Reports to Council	10	0		10
	Annual Report	5	5		10
	Annual Risk Assessment & Audit Plan	5	5		10
	Total Days Assigned to Audits	210	220	10	440

## **Appendix 2 - Excerpts from the IPPF of the Institute of Internal Auditors**

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

### 2110 – Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organization;
- 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.

2110.A1 – The internal audit activity must evaluate the design, implementation, and effectiveness of the organization's ethics-related objectives, programs, and activities.

2110.A2 – The internal audit activity must assess whether the information technology governance of the organization supports the organization's strategies and objectives.

### 2120 – Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

2120.A1 – The internal audit activity must evaluate risk exposures relating to the organization's governance, operations, and information systems regarding the:

- Achievement of the organization's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

### 2130 – Control

The internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

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:

- Achievement of the organization's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

By-law 2015-217

**A By-law of the City of Greater Sudbury  
to Establish the Position and Duties of the Auditor General  
of the City of Greater Sudbury**

**Whereas** the Council of the City of Greater Sudbury wishes to establish the position of Auditor General and to define certain duties and responsibilities of the Auditor General;

**And Whereas** the Council of the City of Greater Sudbury wishes to continue to demonstrate a high level of public accountability and continue to provide assurances to the public regarding the quality of stewardship over public funds and for the achievement of value for money in municipal operations;

**And Whereas** under the *Municipal Act, 2001*, S.O. 2001, c.25, the Auditor General is responsible for assisting 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”;

**Now therefore the Council of the City of Greater Sudbury hereby enacts as follows:**

**Definition**

1. In this by-law, “Auditor General” means the Auditor General of the City of Greater Sudbury.

**Establishment of the Position of Auditor General**

2. The position of Auditor General is hereby established with the duties and functions as set out in this By-law or any other By-law or provincial statute that makes reference to the Auditor General.

**Appointment or Removal of Auditor General**

3. The appointment of a person to the position of Auditor General may be made, suspended or revoked only by a two-thirds majority vote of Council.

**Accountability**

4. The office of the Auditor General shall be independent of the City administration.

5. The Auditor General shall report to the Audit Committee.

## **Responsibilities**

6.-(1) The Auditor General shall have full carriage and control of and be fully responsible for the conduct of the Auditor General's office.

(2) The Auditor General is empowered to conduct, or cause to be conducted, audit projects identified by the Auditor General in the areas of compliance, financial (excluding attest), program or value-for-money, information technology, environment, and sustainability; and other audits as appropriate; for all programs, activities and functions of all City departments, agencies, boards and commissions and corporations and the offices of the Mayor and members of Council.

(3) To undertake investigations including suspected fraudulent activities, misappropriation or other similar irregularities.

(4) To examine specific problems and carry out special assignments identified by the Auditor General, or requested and approved by two-thirds majority resolution of Council.

(5) At the request of Council or a board of directors, the Auditor General may conduct financial (excluding attest), compliance and performance audits of autonomous organizations that have an agreement with the City that contains provisions for an audit by the City.

(6) At the request of Council or a board of directors, the Auditor General may also conduct financial (excluding attest), compliance and performance audits of boards, commissions or corporations where the City holds more than 50% of the shares or appoints more than 50% of the members of the board.

(7) Audits shall be conducted at such time and to the extent that the Auditor General considers appropriate.

(8) The Auditor General shall not call into question or review the merits of the policies and objectives of Council.

## **Access to Information**

7.-(1) The Office of the Auditor General will provide an independent, objective assurance activity designed to add value and protect and enhance the economic, social and environmental well-being of present and future generations of Sudburians. It will assist the city in accomplishing its objectives by bringing a systematic, disciplined approach to monitor, evaluate and report on the quality of stewardship achieved through effective risk management, control,

reporting and governance processes, and the achievement of value for money through effective and efficient operations, the safeguarding of assets, and compliance with laws, regulations, contracts and policies. In support of this role, the Office of the Auditor General shall have unrestricted access to all personnel, records, reports, property, functions, activities, policies, procedures, processes and systems necessary to the fulfillment of the Auditor General's responsibilities.

(2) The office of the Auditor General shall have full and free access to the Mayor and members of Council.

(3) Personnel in units being audited shall assist and cooperate with the Office of the Auditor General.

### **Annual Audit Plan**

8.-(1) The Auditor General shall submit an annual audit plan for the next following year to the Audit Committee for information by December 31st of each year.

(2) The Auditor General may, at his or her discretion, prepare a longer term audit plan for submission to the Audit Committee.

(3) No deletions or amendments to the annual audit plan shall be made except by the Auditor General.

(4) Despite subsection (3) the Auditor General may, if requested by the Audit Committee or a Board of Directors audit and report on additional matters.

### **Reporting**

9.-(1) On or before June 30th of each year, the Auditor General shall submit an annual report that summarizes the audits completed in the previous calendar year to the Audit Committee for information.

(2) The requirement in subsection (1) for the Auditor General to submit an annual report to the Audit Committee shall commence on or before June 30, 2016.

(3) The Auditor General may, at his discretion, report on a more frequent basis to the Audit Committee.



## **Office of the Auditor General**

**10.**-(1) The Auditor General is authorized to establish the Office of the Auditor General including a managerial hierarchy and administrative policies and procedures.

(2) The Auditor General is authorized to appoint, promote, demote, suspend and dismiss, subject to any personnel policies adopted by Council, all employees of the Office of the Auditor General.

(3) The Auditor General is authorized to review the performance of personnel within the Office of the Auditor General subject to any personnel policies applicable to employees of the City.

(4) The Auditor General is authorized to retain the services of any individual or corporation for purposes related to the operation of the Office of the Auditor General and execute all agreements and contracts required for the provision of such services subject to the provisions of the City's Purchasing By-law and the City's Delegation By-law.

## **Annual Budget**

**11.**-(1) The annual budget of the Office of the Auditor General shall be equal to or greater than 0.065% of the annual operating budget of the City.

(2) Requests by Council or a board of directors pursuant to subsection 6(5) shall be subject to the provision of appropriate funding.

## **Immunity**

**12.**-(1) No proceeding for damages or otherwise shall be commenced against the Auditor General or an employee or agent of the Auditor General for any act done in good faith in the performance or intended performance of a duty or authority under this by-law or for any alleged neglect or default in the performance in good faith of the duty or authority.

(2) Notwithstanding any general laws neither the Auditor General nor his or her staff may be compelled, without benefit of a subpoena, to give testimony relating to information obtained in the performance of their duties.

**13.** The Mayor is hereby authorized to enter into an employment agreement with the Auditor General.

**14.** By-law 2009-239 and all amendments thereto are hereby repealed.

15. This By-law shall come into full force and effect upon passage.

**Read and Passed in Open Council** this 3rd day of November, 2015

  
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Mayor

  
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Clerk