
*For the First Meeting of the Audit Committee
to be held on **Tuesday, December 8, 2009**
in Committee Room C-12, Tom Davies Square at **4:30 p.m.***

DISCLOSURE OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

APPOINTMENT OF COMMITTEE CHAIR AND VICE-CHAIR

MANAGER'S REPORT

1. Report dated December 1, 2009 from the Auditor General regarding Office of the Auditor General – Audit Plan 2010 to 2015. **1 - 9**
(RECOMMENDATION PREPARED)

ADJOURNMENT **(RECOMMENDATION PREPARED)**

AUDIT COMMITTEE MEMBERS

Mayor John Rodriguez
Councillor Ted Callaghan, Chair, Finance Committee
Councillor Russ Thompson, Vice-Chair, Finance Committee
Councillor Claude Berthiaume
Councillor Frances Caldarelli

DISTRIBUTION

Mayor and Members of Council
Brian Bigger
Angie Haché


Request for Recommendation Audit Committee



Type of Decision							
Meeting Date	December 08, 2009			Report Date	December 01, 2009		
Decision Requested	<input checked="" type="checkbox"/>	Yes	<input type="checkbox"/>	No	Priority	<input checked="" type="checkbox"/>	High
						<input type="checkbox"/>	Low
	Direction Only				Type of Meeting	<input checked="" type="checkbox"/>	Open
						<input type="checkbox"/>	Closed

Report Title
OAG 08-09 Auditor General – Audit Plan 2010 to 2015

Budget Impact/Policy Implication	Recommendation
<p>This report has been reviewed by the Finance Division and the funding source has been identified.</p> <p>There are no budget implications with this report.</p>	<p>That the 2010 to 2015 Audit Plan as outlined in the Auditor General's report dated December 02, 2009 be approved.</p>
<input checked="" type="checkbox"/> Background Attached	<input type="checkbox"/> Recommendation Continued

Recommended by the Auditor General
<p>Brian Bigger Auditor General</p> 

Multi-year Audit Plan

This report represents the Auditor General's multi-year Audit Plan for the City of Greater Sudbury for the period January 2010 to Dec 2015. The Plan has been developed to deliver on the Auditor General's mandate with audit work aimed at assisting Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in operations. The Plan targets areas where the Auditor General expects to add value taking into account management actions underway. The Plan will be reviewed regularly to ensure continuing relevance.

Audit Methodology

Audit Planning Approach

Prior to selecting audit projects, information was gathered to understand the City of Greater Sudbury operations and possible audit entities.

The planning process involves several layers of activity before audit projects are selected. These include the identification of trends, operational risks, relevant audit objectives, and the population of potential audits (audit universe) followed by an audit risk ranking and assessment of these potential audits.

The audit universe is based on the current cost centre structure and includes all programs, activities and processes of all City departments, commissions, boards, municipally-controlled corporations, grant recipients and the offices of the Mayor and Members in Council. The development of the audit universe as well as the audit risk ranking and assessment is based on:

- Meetings with Members of Council and Senior Management
- Review of strategic, financial and budget documentation
- Review of other municipalities' audit plans and audit results
- Meeting with external auditor and other municipal auditors

Fifty-three auditable program units were identified in the audit universe. The multiyear Audit Plan has been designed to provide audit coverage for the highest risk ranked program areas first. The Plan does not provide full coverage of all program risk areas over the next three years because of the limited audit resources available, however the Plan has been adapted to provide coverage of key processes through a number of Cross Functional audits. Further flexibility is built into the plan with a provision for Emerging Issue Audits. The Plan will be regularly revisited and recommendations on needed resources will be provided to the Audit Committee.

The following risk factors were used to prioritize the auditable entities.

The risk factors used were compared with those used by other municipalities, as well as private sector audit organizations. The following six factors were chosen to risk rank each audit unit identified in the audit universe with a higher weighting given to some factors as they were considered more important to achieving the Auditor General mandate.

Risk Factor	Description
VFM / Savings Potential <i>Score of 1,2 or 3 x 25% weighting</i>	Potential for cost savings or efficiencies in operations. Key Drivers – 2009 Budget Salaries & Benefits, Contracted Services & 2008 Replacement Cost of Assets. Considers the impact of salaries & benefits, contracted services and the replacement value of tangible capital assets for each program
Materiality <i>Score of 1,2 or 3 x 25% weighting</i>	Based on the program's net impact on the operating levy . Key Drivers – 2009 Budget Total Expenditures, Total Revenues . Overall impact on the Net Tax Levy with revenues from internal and external sources net of operating expenditures
Control Maturity <i>Score of 1,2 or 3 x 15% weighting</i>	Based on the inherent risk/opportunity to revenues Key Drivers – 2009 Budget User Fees, Other revenues, Grants provided to other organizations . Collect a \$ or don't lose a \$ = 100% return.
Impact on Priorities <i>Score of 1,2 or 3 x 15% weighting</i>	Based on current Council interest through interviews Key Driver - # of mentions by Council of current opportunities for the Auditor General's office to add value to the organization
Complexity <i>Score of 1,2 or 3 x 10% weighting</i>	Based on equivalent # labour resources Key Drivers - estimate of the amount of labor resources (equivalent FTE's) required to deliver the program or service to the public
Sensitivity <i>Score of 1,2 or 3 x 10 % weighting</i>	Based on 2009 Budget Citizen Survey Key Drivers – derived from the importance and satisfaction ratings provided by the public in the recent 2009 Budget Survey, and # Media mentions over the last 2 years

The total ranking score was calculated by multiplying the rating score for each factor, by the weighting %. The sum of the weighted scores by risk factor provided the total ranking score for each program.

Risk Ranking Scores

AUDIT UNIVERSE		Risk Scoring Categories						TOTAL RANKING SCORE (Out Of 3)	Rank
		VFM SAVINGS POTENTIAL 25% x Score	MATERIALITY 25% x Score	CONTROL MATURITY 15% x Score	IMPACT ON PRIORITIES 15% x Score	COMPLEXITY 10% x Score	SENSITIVITY 10% x Score		
List Of Auditable Units Based On CGS CostCentre Structure									
1	Transit	3	3	3	2	3	2	2.75	1
2	Environmental Services	3	3	3	2	3	1	2.65	2
3	Fire Services	3	3	2	2	3	2	2.60	3
4	Winter Roads Mtce Program	3	3	2	2	2	3	2.60	4
5	Water & Waste Water Linear	3	3	2	2	2	2	2.50	5
6	Housing Services	2	3	3	2	3	2	2.50	6
7	Summer Roads Mtce Program	3	3	1	2	2	3	2.45	7
8	Asset Management Real Estate	3	2	3	3	2	1	2.45	8
9	Asset Management Fleet	3	3	2	2	2	1	2.40	9
10	Parks Services	3	2	2	2	3	2	2.35	10
11	Ont Works Program	2	3	3	1	3	2	2.35	11
12	Engineering Services	2	3	1	3	2	2	2.25	12
13	Water Plants	3	2	1	3	2	2	2.25	13
14	Wastewater Plants	3	2	1	3	2	2	2.25	14
15	Emerg.Serv.Div.	3	2	2	2	3	1	2.25	15
16	Lt Care Senior Serv	3	1	3	1	3	3	2.20	16
17	Water / Wastewater Revenues	1	3	3	3	1	2	2.20	17
18	Community Arena Ctr	3	1	3	2	2	2	2.15	18
19	Community Other Ctr	3	1	3	2	2	2	2.15	19
20	Planning Development	2	2	2	2	2	3	2.10	20
21	Public Libraries	2	2	2	2	3	2	2.10	21
22	Financial Planning & Policy	2	3	1	2	1	2	2.00	22
23	Roads Maintenance Program Other	2	2	1	3	1	3	2.00	23
24	Economic Development	2	2	3	1	2	2	2.00	24
25	Police Services Board	3	3	1	1	1	1	2.00	25
26	Children Services	2	2	2	1	3	2	1.95	26
27	Build Serv Ent Com	2	1	3	2	2	2	1.90	27
28	Human Res Planning, Perf, Comp	2	2	1	2	2	2	1.85	28
29	Leisure Rec Services	2	2	2	1	2	2	1.85	29
30	Information Techn.	2	2	1	2	2	1	1.75	30
31	Greater Sudbury Housing Corp	3	2	1	1	1	1	1.75	31
32	Tax Billing & Collection Services	1	3	2	1	1	1	1.65	32
33	Community Development Other	1	3	1	1	1	1	1.50	33
34	Construction Services	1	1	1	3	2	2	1.50	34
35	Parking	2	1	2	1	1	1	1.40	35
36	Procurement Services	1	1	1	3	1	2	1.40	36
37	Citizen Services Other	1	2	1	2	1	1	1.40	37
38	Cemetery Services	2	1	2	1	1	1	1.40	38
39	Clerks Services	1	1	1	3	1	1	1.30	39
40	Financial Support & Budgeting	1	1	1	3	1	1	1.30	40
41	Adm. Other	1	2	1	1	1	1	1.25	41
42	Outside Brds Share Of Pub Hlth	1	2	1	1	1	1	1.25	42
43	G.D. Other	1	1	2	1	1	1	1.15	43
44	Sud. Airport Pers.	1	1	2	1	1	1	1.15	44
45	Accounting And Payroll Services	1	1	1	2	1	1	1.15	45
46	Tangible Capital Assets	1	1	1	2	1	1	1.15	46
47	Executive And Admin	1	1	1	1	1	2	1.10	47
48	Shelters Homeless	1	1	1	1	1	2	1.10	48
49	Legal Services	1	1	1	1	1	1	1.00	49
50	Provincial Offences	1	1	1	1	1	1	1.00	50
51	Financial Services Other	1	1	1	1	1	1	1.00	51
52	I.S. Other	1	1	1	1	1	1	1.00	52
53	Outside Brds Share Of NDCA	1	1	1	1	1	1	1.00	53

Audit projects are designed to answer questions (audit objectives)

In conducting an audit the auditor gives consideration as to what questions will be answered by the audit project. These audit objectives are established at the onset of the audit and can include any or all of the following, in accordance with the Auditor General mandate.

- Whether the City is acquiring, protecting, and using its resources economically and efficiently and the causes of any inefficiencies or uneconomical practices
- The extent to which established desired results for programs are relevant, measured, monitored and achieved effectively and efficiently
- Compliance with legislation, regulations, by-laws, policies and procedures
- Reliability of management and operational information. Areas that fall outside of the Auditor General mandate are political decisions and the administration of programs delivered by other levels of government.

The Audit Plan is received through Audit Committee and approved by Council

The Audit Plan is approved by Council and no deletion or amendment to the Plan shall be made except by the Auditor General or Council, supported by a two-thirds majority vote of Council. The Audit Plan is reviewed at least annually for continued relevance by the Auditor General and Audit Committee.

Audit Plan fits the available resources.

The plan has been prepared based on the available time of the Auditor General and one Senior Auditor assuming no additional resources are engaged. The scheduling of audits is based on eighty-two weeks available for audits annually after allocating twenty-two weeks for statutory holidays, vacation, continuing education, committee reporting and follow up on audit recommendations. No time has been scheduled to meet Council requests, however the Plan does include eight audit weeks per year for audits on emerging issues.

The audit process has 4 phases; planning, review, reporting, follow-up.

Management commitment to agreed timelines is expected.

Critical to the successful completion of the Audit Plan is management's commitment to the published audit schedule and required response timelines. "Terms of Reference", outlining detailed audit objectives, scope, criteria, timelines, will be completed for each audit project. Management will have an opportunity to review the document. The Auditor General has the authority to decide the scope of work. Staff have a duty to co-operate with the Auditor General and provide the necessary assistance in units where audits are performed. Management delay that impedes the ongoing audit and agreed timelines will be escalated as necessary to the General

Manager, Chief Administrator, and ultimately to Council through the Audit Committee. All audit projects will result in an audit report that is provided to Management for their comment, however the report is owned by the Auditor General and cannot be altered by management. Where there is agreement, management provides an action plan with timelines and the person accountable for the action. Where management disagrees, the disagreement is documented in the report along with the rationale. Issues uncovered by the Auditor General are reported regardless of whether management has remedied the situation during the course of the audit.

The Auditor General's office operates under a public reporting protocol that requires all Final Audit Reports to be issued publicly unless the contents involve personnel issues, fraud or legal actions. Final Audit Reports are those audit project reports where the report has been reviewed with and responded to by municipal staff. Audit reports become public through the Audit Committee Agenda process.

Follow up process by the Auditor General monitors and reports on status of action implementation

The Auditor General follows up on all agreed actions annually, to determine if corrective action has been taken and presents a status report to Council through the Audit Committee. It is expected that management will set reasonable and achievable action completion dates. Management is responsible for advising the Auditor General of actions that will not be met on time. Late and overdue actions will be reported to Council through the Audit Committee.

Program Specific Audits - Focus on Value For Money (VFM)

		ANNUAL AUDIT FOCUS (AUDIT WEEKS)					
		2010	2011	2012	2013	2014	2015
AUDIT UNIVERSE		2010	2011	2012	2013	2014	2015
PROGRAM PERFORMANCE AUDITS							
Determine whether a department service or program operates effectively efficiently and economically, and whether risks are managed appropriately.							
1	Transit	10					
2	Environmental Services	10					
3	Fire Services	10					
4	Winter Roads Mtce Program		8				
5	Water & Waste Water Linear		10				
6	Housing Services			6			
7	Summer Roads Mtce Program	8					
8	Asset Management Real Estate		10				
9	Asset Management Fleet		10				
10	Parks Services			10			
11	Ont Works Program				4		
12	Engineering Services			8			
13	Water Plants			8			
14	Wastewater Plants			8			
15	Emerg.Serv.Div.				6		
16	Lt Care Senior Serv		10				
17	Water / Wastewater Revenues			8			
18	Community Arena Ctr			8			
19	Community Other Ctr				8		
20	Planning Development				8		
21	Public Libraries				8		
22	Financial Planning & Policy				8		
23	Roads Maintenance Program Other				8		
24	Economic Development					8	
25	Police Services Board						8
26	Children Services						4
27	Bulld Serv Enf Com					8	
28	Human Res Planning, Perf, Comp					8	
29	Leisure Rec Services			10			
30	Information Techn.					8	
31	Greater Sudbury Housing Corp		4				
32	Tax Billing & Collection Services					8	
33	Community Development Other						2
34	Construction Services					6	
35	Parking					6	
36	Procurement Services						4
37	Citizen Services Other						4
38	Cemetery Services					8	
39	Clerks Services						4
40	Financial Support & Budgeting						4
41	Adm. Other						4
42	Outside Brds Share Of Pub Hlth						2
43	G.D. Other						1
44	Sud. Airport Pers.						2
45	Accounting And Payroll Services						2
46	Tangible Capital Assets						2
47	Executive And Admin						2
48	Shelters Homeless						2
49	Legal Services						4
50	Provincial Offences						4
51	Financial Services Other						2
52	I.S. Other						1
53	Outside Brds Share Of NDCA						2
TOTAL PROGRAM PERFORMANCE AUDIT WEEKS		38	48	60	60	60	60

Cross Functional Audits – Focus on Financial and/or Compliance and/or VFM

CROSS-FUNCTIONAL AUDITS Areas identified as high risk where audit involvement would provide the greatest value. Also provides a presence where Program Audits are not planned for some time.		2 0 1 0	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5	6 YR TOTAL # WKS
54	Contract Management	6	3	2	2	2	2	17
55	Timesheets & Payroll	6	3	2	2	2	2	17
56	Construction Management	5	3	2	2	2	2	16
57	Payables & Receivables	4	2	2	2	2	2	14
58	Revenues & Recoveries	4	3	1	1	1	1	11
59	Procurement	4	3	1	1	1	1	11
60	Risk Management & Assurance Providers (Legal, Insurance, Health & Safety)	3	2	1	1	1	1	9
61	Grant & Funding Expenditures	3	1	1	0	1	1	7
62	Safeguarding of Assets	1	4	0	1	0	0	6

EMERGING ISSUE AUDITS Unforeseen priority projects undertaken at the discretion of the Auditor General.								
63	Tangible Capital Assets	3	0	0	0	0	0	3
64	Energy Management	3	0	0	0	0	0	3
65	Capital Variance & Status Reporting	2	0	0	0	0	0	2
	Other Emerging Issue Audits	0	8	8	8	8	8	40

CASH HANDLING AUDITS Review cash handling activities to safeguard against risk and loss.								
66	Cash Handling	2	2	2	2	2	2	12

AUDIT FOLLOWUP REVIEWS Monitor the effectiveness of management's actions to address reported risks or operational improvement opportunities.								
67	Audit followup	2	4	4	4	4	4	22

EXTERNAL AUDIT SUPPORT Coordinated audit efforts with external auditors.								
68	External Audit Support	1	1	1	1	1	1	6
	TOTAL OTHER AUDIT WEEKS	49	39	27	27	27	27	

ADMINISTRATION								
	Training	2	2	2	2	2	2	
	Administration, Stat Holidays, Council / Committee Reporting	7	7	7	7	7	7	
	Vacation	8	8	8	8	8	8	
	TOTAL PLANNED ADMINISTRATIVE WE	17	17	17	17	17	17	

TOTAL PLANNED AUDIT WEEKS	104	104	104	104	104	104	104	
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Performance Measurement

Professional standards provide an overall framework for ensuring that auditors have competence, integrity, objectivity and independence in planning, conducting and reporting their work. Professional Standards require external assessments at least every 5 years. The Audit Plan is developed in accordance with the Institute of Internal Audit professional standards. Consistent with the City's existing performance measurement framework, key performance indicators (KPIs) will be used for measuring the performance of the Auditor General Office. The following performance measures are proposed for the Auditor General Office.

Key Performance Measures for Auditor General office	Actual	Target
Councillor satisfaction surveys (<i>% satisfied: good and above</i>)		90%
Senior staff satisfaction surveys (<i>% satisfied: good and above</i>)		80%
Cost of Audit (<i>% of CGS Operating Budget</i>)		0.065%
Audit improves efficiency & effectiveness and controls (<i>% of actions implemented within agreed timelines</i>)		65%
Delivery of Audit Plan (<i>% of Plan completed</i>)		80%
Timeliness of reporting (<i>% of Reports issued within 2 weeks of agreed times in the Terms of Reference</i>)		75%
Output of audit adds value (<i>% of recommendations accepted</i>)		85%
Continuing professional education credits earned by Auditor General & Senior Auditor		60 hours

Source - North American Local Government Audit Association Benchmarking & Best Practice Survey, 2002