

Presented To:	Audit Committee
Presented:	Tuesday, Apr 16, 2013
Report Date	Thursday, Apr 11, 2013
Type:	Presentations

## Request for Decision

### 2013 Audit Work Plan - Auditor General's Office

#### Recommendation

THAT the Audit Committee receive the Auditor General's Audit Work Plan for 2013 as outlined in the report dated April 10, 2013 from the Auditor General.

#### **Purpose**

The purpose of this report is to provide City Council with details of the Auditor General's 2013 Audit Work Plan.

#### **Financial Impact**

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2013 budget request.

#### **Background**

City bylaw 239-2009 formalized the appointment of an Auditor General for the City of Greater Sudbury in September of 2009.

The Auditor General "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."

At Council's request, the Auditor General developed an initial 2010 to 2013 audit plan was mainly program (performance) based. The initial plan identified auditable programs using the financial cost centre structure as a guide, and provided a sequence for those programs to be audited. The sequence was determined through an initial risk ranking process. The intention of the initial plan was to provide audit coverage across many areas of the organization. At the same time, the Auditor General also advised Council of the need for various cross-cutting audits intended to provide oversight of key activities and internal control structures that impacted activities across the organization (conformance).

Upon further clarification, the Auditor General's understanding of the intended focus of the audit activity by Council, was closely aligned with the professional standards established by the GAO as Generally Accepted Government Auditing Standards (GAGAS). Councillors did recognize that audit resources were limited, and did question if the resources were adequate at the time. It was accepted at that time, that resources would be re-evaluated at a later date. Councillors should also recognize that in addition to the efforts of Senior Auditor, over the last two years, the Auditor General's Office has retained co-sourced legal

#### Signed By

#### Report Prepared By

Brian Bigger  
Auditor General  
*Digitally Signed Apr 11, 13*

and audit expertise.

In 2013, City Council directed Administrators to provide a review of the audit activity to guide Council in determining the future direction of audit oversight at the City. Stakeholders should note that the Auditor General's work plan may be significantly impacted by the observations, conclusions and recommendations of Mr. James Key of The Shenandoah Group, in a report to Council expected May 2013.

The Auditor General continuously monitors Council and Committee meetings, CGS initiatives, CGS Benchmarking, Citizen Surveys and emerging issues. Audit topics are evaluated against an impact matrix that was previously provided to Audit Committee, to aid in ranking and sequencing audit projects. As always, projects have been identified where audit or review procedures are expected to present the greatest organizational value for the time committed. It is important to note that the audits completed over the next year may also be impacted by emerging issues identified by the Auditor General's Office or by Council request.

Having now completed close to three years of audit projects, the Auditor General's office has successfully demonstrated most types of audits that the auditors may use to provide value to the organization. The Auditor General's Office has provided oversight in a number of program areas originally identified in the program (performance), portion of the long term audit plan. The initial program risk assessment process appears to have worked as expected. Also, with further insight and understanding of the risk and governance challenges and opportunities found in the organization, the Auditor General has found it necessary to apply more audit resources to cross-cutting audits with the intention of providing oversight and insight into key activities and internal control structures that impact activities across the organization (conformance).

### **Comments**

In November and December of 2012, the Auditor General sought Audit Committee and Senior Management Team feedback on the attached proposed audits, additional potential audits, and their desired order of completion.

The Auditor General's 2013 Audit Work Plan is provided to the Audit Committee as a combination of audits in progress, planned 2013 audits and future potential audits. The plan also outlines the Auditor General's expected order of completion for these audits.

As in the past year, our audit work plan will also include formal follow-up review of completed audits to ensure recommendations contained in previously issued audit reports have been implemented.

Due to unforeseen circumstances, resources in the Auditor General's Office have been significantly reduced during the first quarter of 2013. A number of the audits on this work plan list will not be completed during 2013, as they will either commence later in the year and will not be completed until 2014.

The Audit Work Plan is intended to be flexible and may be amended by the Auditor General as required. The bylaw establishing the Auditor General's Office provides that once established, "no deletions or amendments to the annual audit plan shall be made except by the Auditor General, however, Council may add to the annual audit plan by a two-third's majority vote."

The 2013 Audit Work Plan provides a balance of audit work that will result in improving overall City operations by strengthening management controls, improving accountability and enhancing the efficiency and effectiveness of municipal services.

### **Contact**

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Tel: 705-674-4455 ext 4402, E-mail: [brian.bigger@greatersudbury.ca](mailto:brian.bigger@greatersudbury.ca)

**Signature**

Brian Bigger, Auditor General

Auditor General's Office

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Audit Committee Report

**2013**

**Audit Work Plan**

Brian Bigger, C.G.A

Auditor General, City of Greater Sudbury

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# 2013 Audit Work Plan

DATE:	April 10, 2013
TO:	Audit Committee
FROM	Brian Bigger, Auditor General

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## Summary

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## Contact

Brian Bigger, Auditor General, Auditor General's Office

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## Signature



Brian Bigger, Auditor General

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## Attachments

Appendix 1: "Oversight And Reporting Relative To The Long Term Audit Plan"

Appendix 2: "2013 Audit Work Plan"

Appendix 2: "Risk Impact Matrix Used In Evaluating Performance and Conformance Audits"

APPENDIX 1 OVERSIGHT AND REPORTING RELATIVE TO THE LONG TERM AUDIT PLAN

<b>PROGRAM PERFORMANCE AUDITS</b>	
Determine whether a department service or program operates effectively efficiently and economically, and whether risks are managed appropriately.	
Transit	Completed Audit
Environmental Services	Audit In Progress
Fire Services	Completed Audit
Winter Roads Mtce Program	Completed Audit
Water & Waste Water Linear	Completed Audit
Housing Services	Proposed Future Audits
Summer Roads Mtce Program	Proposed Future Audits
Asset Management Real Estate	Planned 2013 Audit
Asset Management Fleet	Proposed Future Audits
Parks Services	Proposed Future Audits
Ont Works Program	Proposed Future Audits
Engineering Services	
Water Plants	
Wastewater Plants	
Emerg. Serv. Div.	
Lt Care Senior Serv	
Water / Wastewater Revenues	
Community Arena Ctr	
Community Other Ctr	
Planning Development	
<b>CROSS-FUNCTIONAL AUDITS</b>	
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.	
Contract Management	Audit In Progress
Timesheets & Payroll	Planned 2013 Audit
Construction Management	
Payables & Receivables	
Revenues & Recoveries	
Procurement	Planned 2013 Audit
Risk Management & Assurance Providers (Legal, Insurance, Health & Safety)	Planned 2013 Audit
Grant & Funding Expenditures	Proposed Future Audits
Safeguarding of Assets	
<b>CASH HANDLING AUDITS</b>	
Review cash handling activities to safeguard against risk and loss.	
Cash Handling	Proposed Future Audits
<b>AUDIT FOLLOWUP REVIEWS</b>	
Monitor the effectiveness of management's actions to address reported risks or operational improvement opportunities.	
Audit followup	Completed Audit

-  Management Study Or Report
-  Completed Audit
-  Audit In Progress
-  Planned 2013 Audit
-  Proposed Future Audits

## APPENDIX 2

## 2013 AUDIT WORK PLAN

Work Plan Opportunities	Projects identified where audit or review procedures are expected to present the greatest organizational value for the time committed	Proposed Order of Audits
<b>2012 AUDITS TO BE COMPLETED IN 2013</b>		
Advertising Revenue Agreement (Transit and Arena advertising)  <b>3B</b>	<ul style="list-style-type: none"> <li>• A review of agreements for Transit and Community Arena Advertising               <ul style="list-style-type: none"> <li>○ Evaluate current contract and receivable management practices</li> <li>○ Examine accuracy of yearly statements</li> <li>○ Evaluate efficiency, economy &amp; effectiveness against objectives</li> </ul> </li> </ul>	1
Environmental Services Waste Management  <b>3B</b>	<ul style="list-style-type: none"> <li>• A review of waste management contract(s) to identify opportunities in support of the achievement of value for money in waste management operations               <ul style="list-style-type: none"> <li>○ Mid point evaluation of a ten(10) year waste collection contract awarded in January 2006</li> <li>○ Evaluate opportunities for improvement in the handling of citizen inquiries and concerns</li> </ul> </li> </ul>	2
<b>2013 AUDITS</b>		
Procurement Review  <b>5B</b>	<ul style="list-style-type: none"> <li>• Use of RFPs, Tenders etc. (% of goods and services purchased through procurement process was 35.5% for CGS in 2011. OMBI median was 45.1%.)               <ul style="list-style-type: none"> <li>○ Evaluate procurement methods used, and compliance with Purchasing Bylaws ensuring appropriate competitive processes are followed</li> <li>○ Evaluate any current backlog (timing), of renewal of procurement agreements</li> </ul> </li> </ul>	1
Employee Position Management Review  <b>3B</b>	<ul style="list-style-type: none"> <li>• Management of Council approved employee positions / approved part time hours and their related job rates (rates of pay), may significantly impact total payroll costs               <ul style="list-style-type: none"> <li>○ Evaluate impacts of how approved employee positions and hours are managed</li> </ul> </li> </ul>	2

	<ul style="list-style-type: none"> <li>○ Evaluate how job level / pay evaluations are managed</li> </ul>	
<b>PROPOSED FUTURE AUDITS</b>		
<p>CGS Citizen Interface</p> <p style="text-align: center;">3B</p> <p style="text-align: center;">3C</p>	<ul style="list-style-type: none"> <li>• 311 has been shown to increase constituent satisfaction while delivering significant improvements in productivity and costs savings, by reducing duplicate requests acted upon, and improving response times for service</li> <li>• 311 also improves inter-departmental communications &amp; accountability <ul style="list-style-type: none"> <li>○ Evaluate performance and handling of CGS Phone / Email / Social media / Mail interfaces</li> <li>○ Evaluate 311 opportunities to maximize VFM <ul style="list-style-type: none"> <li>▪ Review of call handling and resolution</li> <li>▪ Integration of additional functions</li> </ul> </li> </ul> </li> </ul>	1
<p>Corporate Grants, Donations and Contributions</p> <p style="text-align: center;">3B</p> <p style="text-align: center;">3C</p>	<ul style="list-style-type: none"> <li>• To improve communication and understanding of value for money achieved through corporate grants, donations and contributions, identifying budget pressures due to financial and “in-kind” expenditures in support of Council objectives <ul style="list-style-type: none"> <li>○ Determine the number of different points of access organizations and individuals have to obtain CGS support through grants, donations and other contributions</li> <li>○ Determine the types (financial and in-kind) and the value of support provided to organizations and individuals to assist them in achieving stated goals and objectives</li> <li>○ Evaluate expenditure and compliance controls as compared to city policies, bylaws and resolutions</li> </ul> </li> </ul>	2
<p>Corporate Mileage &amp; Transportation Expense Review</p> <p style="text-align: center;">3C</p>	<ul style="list-style-type: none"> <li>• Our main focus is on value for money <ul style="list-style-type: none"> <li>○ Review of compliance with established policy and procedures for mileage claims, and payroll benefits</li> <li>○ Review for opportunities to improve value for money (eg rental cars, pooled cars, personal use of vehicles, car allowances)</li> </ul> </li> </ul>	3
<p>Parks Services</p> <p style="text-align: center;">3B</p>	<ul style="list-style-type: none"> <li>• A value for money audit of parks operations and maintenance activities</li> </ul>	4

Roads Summer Maintenance  3B	<ul style="list-style-type: none"> <li>• A value for money audit of roads summer operations and maintenance activities</li> </ul>	5
Real Estate Planning and Procurement Review  3B	<ul style="list-style-type: none"> <li>• A review of the timing and coordination of planning for land acquisitions between various departments and Real Estate Services. <ul style="list-style-type: none"> <li>○ Potential impact on value for money associated with timeliness of property purchases and sales</li> <li>○ Policies and practices around appraisals</li> </ul> </li> </ul>	6
Housing Services  3C	<ul style="list-style-type: none"> <li>• A value for money audit of housing services activities</li> </ul>	7
Ontario Works  3C	<ul style="list-style-type: none"> <li>• A value for money audit of Ontario Works activities</li> </ul>	8
Corporate Credit Card (Procurement Card) Review  2B	<ul style="list-style-type: none"> <li>• Review of adequacy of managerial and financial controls for corporate procurement cards</li> <li>• Review of compliance with established procurement card policy and procedures</li> </ul>	9
Safeguarding Tests  1B	<ul style="list-style-type: none"> <li>• Spot audits can contribute to safeguarding of City assets. Examples are as follows: <ul style="list-style-type: none"> <li>○ Review collection of revenues (eg. only 66% of registered program capacity for recreation programs is used/recovered)</li> <li>○ Review compliance with established cash handling policy and procedures.</li> <li>○ Review compliance with fuel system controls</li> </ul> </li> </ul>	10

## APPENDIX 3

## Risk Impact Matrix Used In Evaluating Performance and Conformance Audits

IMPACT MATRIX				
Rating	Descriptor	( A ) Damages and Liability	( B ) Operational Effects	( C ) Reputation
(1)	<b>Insignificant</b>	<ul style="list-style-type: none"> <li>Incur/reduce damages of by &lt;\$35K</li> <li>Results in no injuries</li> <li>Very limited exposure of sensitive information</li> <li>Very limited loss of physical assets</li> <li>Very minor, non-permanent environmental damage requiring no clean-up measures</li> </ul>	<ul style="list-style-type: none"> <li>No or very minor improvement/disruption in services, projects or processes</li> <li>No or very minor gain/loss of service data</li> <li>No or very minor cost savings/overruns in delivery of services</li> </ul>	<ul style="list-style-type: none"> <li>No or very minor impact on client trust</li> <li>No or very minor media attention</li> </ul>
(2)	<b>Minor</b>	<ul style="list-style-type: none"> <li>Incur/reduce damages of by \$35K - \$200K</li> <li>Minor, non-permanent environmental damage requiring very limited cleanup efforts</li> <li>Limited exposure of sensitive information</li> <li>Minor injuries</li> <li>Limited loss of physical assets</li> </ul>	<ul style="list-style-type: none"> <li>Minor improvement/disruption in services, projects or processes</li> <li>Minor gain/setback in achievement of service objectives</li> <li>Limited gain/loss of service/service group data</li> <li>Minor cost savings/overruns in delivery of services</li> </ul>	<ul style="list-style-type: none"> <li>Minor gain/setback in building client trust</li> <li>Some favourable/unfavourable media attention</li> <li>Some favourable/unfavourable observations by review agencies</li> <li>Minimal improvements suggested by external or internal audit</li> <li>Threat of lawsuit</li> </ul>
(3)	<b>Moderate</b>	<ul style="list-style-type: none"> <li>Incur/reduce damages of by \$200 K - \$1M</li> <li>Exposure of limited amount of confidential/sensitive information</li> <li>Loss of large, but replaceable physical assets</li> <li>Serious injuries to public/staff</li> <li>Moderate environmental damage with moderate clean-up effort required, no permanent damage</li> </ul>	<ul style="list-style-type: none"> <li>Moderate improvement/disruption in essential services</li> <li>Some gain/loss of service knowledge</li> <li>Some over/underachievement of service objectives</li> <li>Some gain/loss of service data</li> <li>Moderate cost savings/overruns in delivery of services</li> <li>Moderate source of additional revenue</li> </ul>	<ul style="list-style-type: none"> <li>Some gain/loss of client trust</li> <li>Positive/negative media attention</li> <li>Praise/criticism by review agencies</li> <li>Strong recommendations from external or internal audit</li> <li>Out-of-court settlement</li> </ul>
(4)	<b>Major</b>	<ul style="list-style-type: none"> <li>Incur/reduce damages of by \$1M – \$5M</li> <li>Loss of significant physical asset</li> <li>Exposure of significant amount of confidential information</li> <li>Major environmental damage – extended clean-up required some permanent damage</li> <li>Serious injuries to public or staff resulting in some permanent disability</li> </ul>	<ul style="list-style-type: none"> <li>Significant improvement/disruption in delivery of essential services</li> <li>Significant gain/loss of service knowledge</li> <li>Significant over/underachievement of service/service group objectives</li> <li>Significant gain/loss of service data</li> <li>Significant cost savings/overruns in delivery of services</li> <li>Significant source of additional revenue</li> </ul>	<ul style="list-style-type: none"> <li>Significant gain/loss of client trust</li> <li>Public media outcry for removal of departmental official</li> <li>Strong praise/criticism by review agencies</li> <li>Strong praise/criticism by external or internal audit</li> <li>Public trial</li> <li>Significant increase/decrease in quality of life indicators with resulting impact on City image</li> </ul>
(5)	<b>Extreme</b>	<ul style="list-style-type: none"> <li>Incur/reduce damages of by &gt;\$5M</li> <li>Loss of key physical assets</li> <li>Public officials charged criminally</li> <li>Significant increase/decrease in provincial/federal funding</li> <li>Irreparable, significant damage to environment</li> <li>Exposure of critical confidential information</li> <li>Death and/or significant permanent disability of public or staff</li> </ul>	<ul style="list-style-type: none"> <li>Unable to perform essential services for extended period</li> <li>Total loss of service group data</li> <li>Ability to deliver newly identified essential service</li> <li>&gt;\$5M in cost savings/overruns in delivery of services</li> <li>&gt;\$5M from additional revenue sources</li> </ul>	<ul style="list-style-type: none"> <li>Public/media outcry for change in administration and council</li> <li>A Public Inquiry/trial</li> <li>Very positive/negative public ratings</li> <li>Very significant increase/decrease in quality of life indicators with resulting impact on City image</li> </ul>