

**Vision:** *The City of Greater Sudbury is a growing, world-class community bringing talent, technology and a great northern lifestyle together.*



# Agenda

## Audit Committee

meeting to be held

Wednesday, November 2<sup>nd</sup>, 2011

**at 4:00 pm**

Council Chamber, Tom Davies Square

## **AUDIT COMMITTEE AGENDA**

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For the 11<sup>st</sup> Audit Committee Meeting  
to be held on **Wednesday, November 2, 2011**  
**Council Chamber, Tom Davies Square at 4:00 pm**

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**COUNCILLOR CLAUDE BERTHIAUME, CHAIR**

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**Evelyn Dutrisac, Vice-Chair**

**(Please ensure that cell phones and pagers are turned off)**

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### **DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF**

## **PRESENTATIONS**

1. Report dated October 27, 2011 from the Auditor General regarding 2012 Proposed Audit Workplan. **4 - 13**

**(ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)**

- Brian Bigger, Auditor General

(The Auditor General is providing a proposed 2012 audit work plan to Audit Committee, for information, and Audit Committee feedback.)

2. Report dated October 27, 2011 from the Auditor General regarding Auditor General's Cost Centre - 2011 Year End Closing Procedures. **14 - 15**

**(VERBAL PRESENTATION) (RECOMMENDATION PREPARED)**

- Brian Bigger, Auditor General

(The Auditor General is requesting approval from the Council to draw the funds required to balance the Auditor General cost centre at year end.)

## **Adjournment (Resolution Prepared)**

**CAROLINE HALLSWORTH, EXECUTIVE DIRECTOR, ADMINISTRATIVE SERVICES/CITY CLERK**

**LIZ COLLIN, COUNCIL SECRETARY**

## For Information Only

### 2012 Proposed Audit Workplan

Presented To:	Audit Committee
Presented:	Wednesday, Nov 02, 2011
Report Date	Thursday, Oct 27, 2011
Type:	Presentations

#### **Recommendation**

For Information Only

#### **Finance Implications**

There are no financial implications.

Signed By

**Auditor General**

Brian Bigger

Auditor General

*Digitally Signed Oct 27, 11*

#### **Background:**

The purpose of this report is to provide City Council with details of the Auditor General's Proposed 2012 Audit Work Plan. The proposed 2012 audit work plan is attached as Appendix 1 and includes a list of future potential audits. Appendix 2 includes a summary of audits 2010 to 2011.

The proposed 2012 Audit Work Plan is provided to the Audit Committee as a combination of audits in progress, proposed 2012 audits and future potential audits. The plan also outlines the Auditor General's expected order of completion for the proposed 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.

At this draft stage, the Auditor General is seeking Audit Committee feedback on the attached proposed audits, any additional potential audits, and their desired order of completion. 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. The Auditor General will gather feedback received between today and the first Audit Committee meeting scheduled in 2012 to return with the 2012 Audit Work Plan.

Auditor General's Office

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Audit Committee Report

**2012**

# **Proposed Audit Work Plan**

Brian Bigger, C.G.A

Auditor General, City of Greater Sudbury

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## 2012 Proposed Audit Work Plan

DATE:	November 2, 2011
TO:	Audit Committee
FROM	Brian Bigger, Auditor General

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### Summary

The purpose of this report is to provide City Council with details of the Auditor General's Proposed 2012 Audit Work Plan. The proposed 2012 audit work plan is attached as Appendix 1 and includes a list of future potential audits. Appendix 2 includes a summary of audits 2010 to 2011.

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## Financial Impact

The recommendation in this report has no financial impact beyond the amount provided in the Auditor General's 2012 budget request.

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## 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."

The proposed 2012 Audit Work Plan as presented in this report provides City Council with an overview of how resources allocated to the Auditor General's Office may be used during 2012.

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## Comments

The initial 2010 to 2012 audit plan was mainly program based. The initial plan identified 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.

Having now completed close to two years of audits, the Auditor General's office has successfully demonstrated most types of audits that the auditors may use to provide value to the organization. With this accomplishment, we have learned that the broad Program audits originally desired by council, quite simply demand too much of our two person audit shop's resources. Although many beneficial recommendations have been made during the course of these audits, this has resulted in extended periods of time which program managers are under review, and has also resulted in greater time commitments from individual operational managers to respond and implement recommendations. These are undesired results, however they are a reality with limited audit resources.

Recognizing the above, the Auditor General's proposed 2012 audit work plan is intended to provide audit coverage across more divisional and program areas of the organization, and is expected to reduce better balance workload pressures on individual operational managers.

The Auditor General's 2012 Audit Work Plan contains details of audit projects planned during the year. As always, projects have been identified where audit or review procedures are expected to present the greatest organizational value for the time committed.

A number of the audits on this work plan list will not be completed during 2012, as they will either commence later in the year and will not be completed until 2013.

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 2011 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.

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## Contact

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Carolyn Jodouin, Senior Auditor, Auditor General's Office

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## Signature



Brian Bigger, Auditor General

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## Attachments

Appendix 1: "2012 Audit Work Plan and Future Potential Audits"

Appendix 2: "Summary of Audits 2010 and 2011"

APPENDIX 1		
2012 PROPOSED AUDIT WORK PLAN		
AND FUTURE POTENTIAL AUDITS		
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
Impact of Changes To Road Design (Asphalt Grindings and Road Cross-fall)	<ul style="list-style-type: none"> <li>Evaluation of engineering, managerial and financial controls over asphalt grindings assets</li> <li>Review road and asphalt tendering specifications (identifying highest and best uses of asphalt eg. recycling of the city's asphalt grindings)</li> <li>Evaluation of the impact of changes to road cross fall in the costs of repair road construction, remediation and replacement</li> </ul>	1
Procurement Card Review	<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>	2
Grants, Contributions Sponsorships, Donations and Support Expenditures	<ul style="list-style-type: none"> <li>Evaluate expenditure and compliance controls as compared to city policies, bylaws and resolutions</li> <li>Evaluate transparency in reporting and relationships to municipal purpose and objectives of council</li> </ul>	3
Procurement Budget and Bid Review	<ul style="list-style-type: none"> <li>Evaluation of budget information disclosure prior to tender award</li> <li>Review of bid price variations, unbalanced bids</li> <li>Review of management price tracking mechanisms driving price analysis and budget estimates</li> </ul>	4
Water and Wastewater, Emergency Construction Activities	<ul style="list-style-type: none"> <li>Evaluate contractor oversight and management of emergency construction activities supporting the achievement of value for money through operations</li> </ul>	5
Purchase Cost Agreements Review	<ul style="list-style-type: none"> <li>Review for compliance and value for money</li> <li>Blanket orders pricing and price increases and price indexing through pre-approved vendors</li> <li>Sole source contracts</li> </ul>	6
Falconbridge ISF Roads Project, Value For Money and Control	<ul style="list-style-type: none"> <li>Evaluation of engineering, managerial and financial risks, opportunities and controls experienced in this project</li> <li>Evaluate opportunities for improvement in project management</li> <li>Evaluation of the final outcome (did we get what we paid</li> </ul>	7

	for?)	
FUTURE POTENTIAL AUDITS		
Stewardship Transparency Review	<ul style="list-style-type: none"> <li>Review of various reporting relationships</li> <li>Review of information required or requested by Council</li> <li>Review of best practice meeting protocols</li> </ul>	
Tender Process review	<ul style="list-style-type: none"> <li>Review tender award complaint history and resolution</li> </ul>	
Construction Management, Warranty and Acceptance	<ul style="list-style-type: none"> <li>A review of construction quality issues, deficiencies identified, and policy and procedures related to the acceptance of work or final resolution of warranties</li> <li>Review of concrete sidewalk deficiencies in various projects across the city</li> </ul>	
Transit and Arena Advertising Contract(s)	<ul style="list-style-type: none"> <li>Review delay between tender award and contract signing</li> <li>Evaluate contract administration and the recovery of advertising revenues</li> </ul>	
Travel Expense Review	<ul style="list-style-type: none"> <li>Review of compliance with established policy and procedures</li> </ul>	
Salaries and Benefits Expenditures	<ul style="list-style-type: none"> <li>Evaluate management, reporting and financial control of elements contributing to increased Salaries and Benefits expense over past years</li> </ul>	
Property Sales Process Review	<ul style="list-style-type: none"> <li>Review policies and practices around property purchases and sales</li> <li>Review policies around appraisals</li> <li>Determine how various risks are being identified and managed</li> <li>Ensure there is full transparency and accountability</li> </ul>	
Municipal Tax Write- offs, Refunds, Credits	<ul style="list-style-type: none"> <li>Review of compliance with the Municipal Act, and established policy and procedures</li> </ul>	
Cash Handling Audit	<ul style="list-style-type: none"> <li>Review of compliance with established cash handling policy and procedures</li> <li>Location TBD</li> </ul>	
User Fee – Shift In Funding Sources	<ul style="list-style-type: none"> <li>User fees are generally increasing by 3% per bylaw, while current operating costs are increasing by ___ %</li> <li>Review of shifts in the balance between user (rate) funding and general (tax) funding for various programs</li> <li>Review of the full operating and capital cost and sustainability of programs.</li> </ul>	
Hiring Process Review	<ul style="list-style-type: none"> <li>Review of compliance with established hiring policies and procedures</li> </ul>	

APPENDIX 2		
SUMMARY OF AUDITS 2010 TO 2011		
2010 TO 2011 AUDITS COMPLETED		
2010	Emerging Issue Audit - Miscellaneous Roads Maintenance	
2010	Cash Handling Audit - Transit Cash Office, (Parking/Citizen Service Ctres)	
2011	Payroll and Timesheet Audit - Shift Trading	
2011	Program Audit - Transit Services / Conventional Transit	
2011	Program Audit - Transit Services / Handi Transit	
2011	Accounts Payable Audit – Recoveries	
2011	Audit Follow Up - Miscellaneous Roads Maintenance	
2011	Audit Follow Up - Transit Cash Office	
2011	Audit Follow Up - Shift Trading	
2011	Contract Management Audit - Kiosk and Café Contracts & Receivables	
2010 TO 2011 AUDIT BACKGROUND WORK		
2010	User Fee – Shift In Funding Sources	
2010	Construction Services - Impact of Changes To Road Design (Asphalt Grindings and Road Cross-fall)	
2010	Infrastructure Services – Falconbridge ISF Roads Project, Value For Money and Control	
2010	Construction Services – Construction Management, Warranty and Acceptance	
2010	Codes of Conduct	
2010	Program Audit - Fire Services	
2010 TO 2011 AUDITS TO BE CANCELLED		
2010	Program Audit - Fire Services	Independence

2010 TO 2011 OTHER AUDIT ACTIVITIES		
	Audit Manual Development – Policy and Procedures (GAGAS 2007)	Developed 2010
	Audit Manual Development – Policy and Procedures (GAGAS 2011)	Updated 2011
	Audit Independence Challenges - Access To Information, Solicitor Client Privilege etc	2011
	Training, Coordination and Preparation For ALGA Peer Review	Planned Jan. 2012

## Request for Decision

### Auditor General's Cost Centre - 2011 Year End Closing Procedures

Presented To:	Audit Committee
Presented:	Wednesday, Nov 02, 2011
Report Date	Thursday, Oct 27, 2011
Type:	Presentations

#### Recommendation

That the Audit Committee recommend to Council that the funds required to provide for the anticipated net over expenditure in the Auditor General's cost centre at year end be drawn from funds previously set aside in the reserve for various approved by Council.

Signed By

**Auditor General**

Brian Bigger

Auditor General

*Digitally Signed Oct 27, 11*

#### Finance Implications

If approved, a draw of approximately \$20,000 from the reserve for various will be required to balance the Auditor General's cost centre to budget.

#### Summary:

The Auditor General is requesting approval from the Council to draw the funds required to balance the Auditor General cost centre at year end.

In 2011, the Auditor General's office experienced extraordinary, unbudgeted legal expenses. The Auditor General estimates that a draw of approximately \$ 20,000 from the Reserve For Various will be required. The actual amount required to be drawn from the Reserve For Various will be determined by the Finance department through the normal course of year end procedures.

#### Background:

In a report to Audit Committee, dated August 9, 2010, the Auditor General requested that the Procedures bylaw and the Purchasing bylaw be amended to allow the Auditor General to retain independent legal council on behalf of Council, and in support of the Auditor General's mandate and work plan. Those changes were subsequently approved by council, and the bylaws were amended accordingly.

In that same report, the Auditor General committed to Audit Committee and Council that a report would be provided to the Audit Committee if funds were required to be drawn from the reserve to offset those legal fees.

