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

Monday, January 17th, 2011

at 4:00 pm

Committee Room C-12, Tom Davies Square

AUDIT COMMITTEE AGENDA

For the 1st Audit Committee Meeting
to be held on **Monday, January 17, 2011**
Committee Room C-12, Tom Davies Square at **4:00 pm**

DECLARATIONS OF PECUNIARY INTEREST AND THE GENERAL NATURE THEREOF

APPOINTMENT OF AUDIT COMMITTEE CHAIR AND VICE-CHAIR

PRESENTATIONS

1. Orientation - Office of the Auditor General 2011 **3 - 50**
   (ELECTRONIC PRESENTATION) (FOR INFORMATION ONLY)

   - Brian Bigger, Auditor General

   (The presentation outlines how the Auditor General's Office is assisting Council and Administration with audits contributing to continuous enhancement of the quality of stewardship and the achievement of value for money.)

Adjournment (Resolution Prepared)

ANGIE HACHÉ, CITY CLERK

FRANCA BORTOLUSSI, COUNCIL SECRETARY

For Information Only

Orientation - Office of the Auditor General 2011

Presented To:	Audit Committee
Presented:	Monday, Jan 17, 2011
Report Date	Thursday, Jan 13, 2011
Type:	Presentations

Recommendation

For Information Only

Signed By

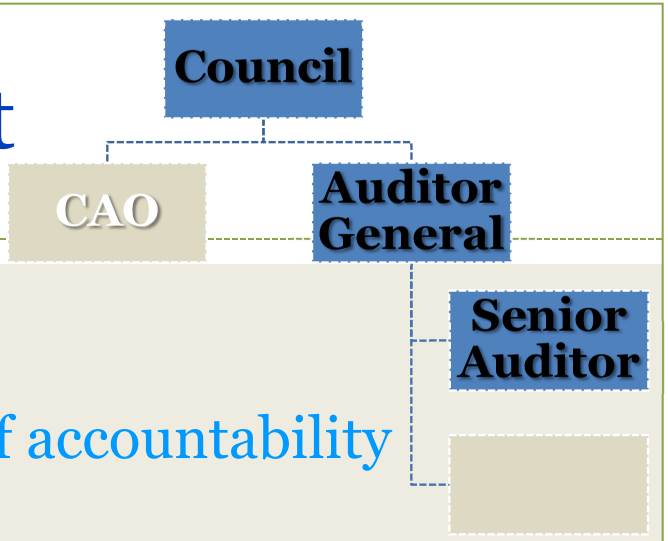
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Assisting Council and Overseeing Results To Improve the Future



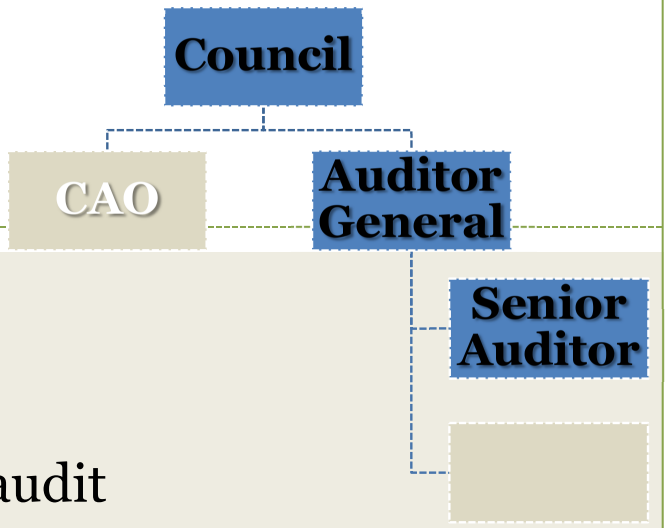
HOW THE AUDITOR GENERAL'S OFFICE IS ASSISTING COUNCIL AND ADMINISTRATION WITH AN AUDIT FUNCTION THAT CONTRIBUTES TO CONTINUOUS ENHANCEMENT OF THE QUALITY OF STEWARDSHIP AND THE ACHIEVEMENT OF VALUE FOR MONEY

Why We Exist



- Council wishes to
  - continue to demonstrate a high level of accountability and
  - continue to provide assurance to the public that municipal services are administered in an efficient, effective and economical manner

Who We Are



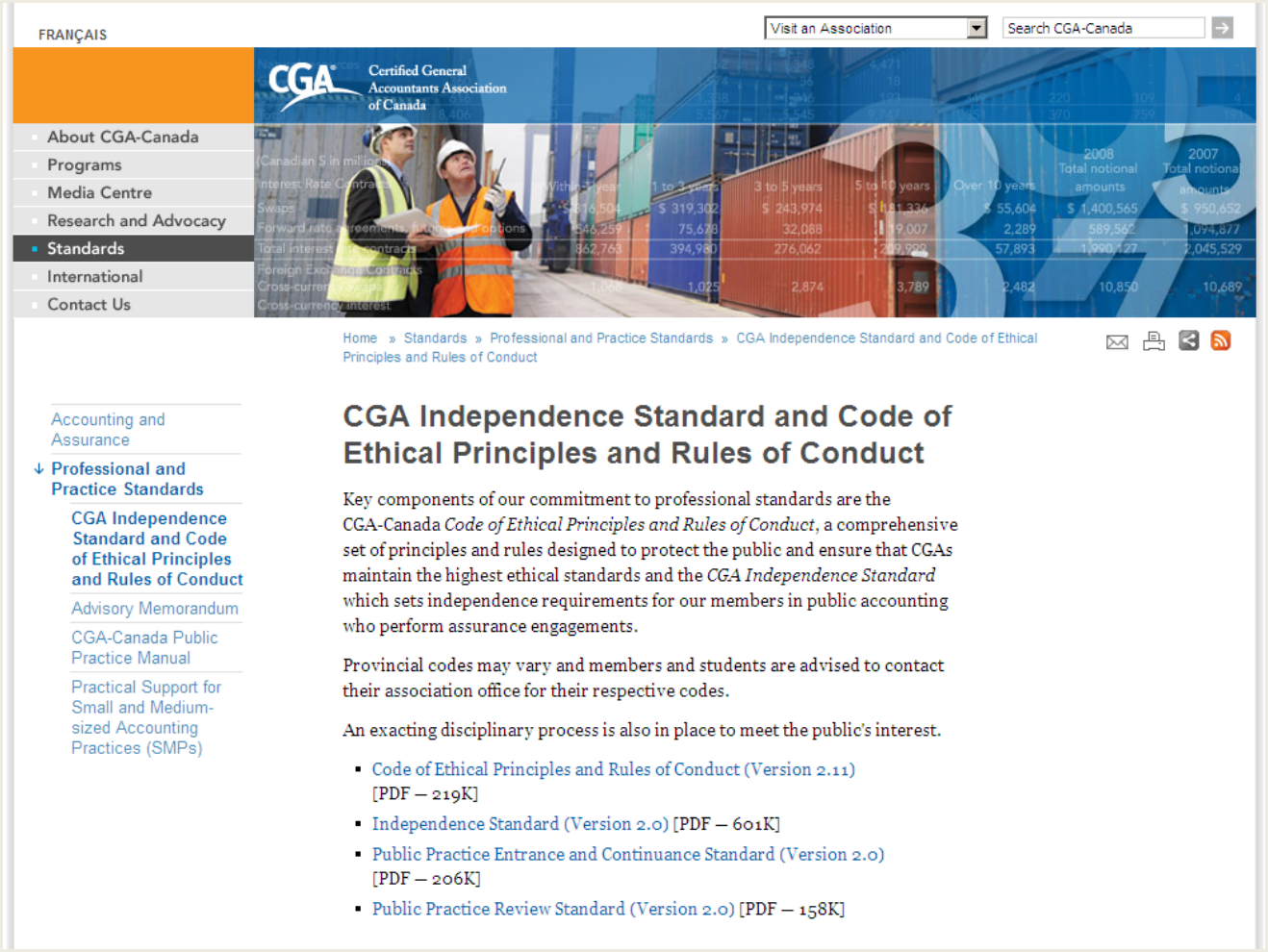
- Auditor General
  - Brian Bigger BCOM, CGA
    - Large private sector corporate internal audit
    - "Most Trusted Canadian Retailer" for many years
      - Customer Focus - "Satisfaction guaranteed"
      - "We service what we sell" – Canada's Largest National Service Delivery Organization
    - Municipal Finance and Operations
- Senior Auditor
  - Carolyn Jodouin BCOM, CA, CIA
    - Large private sector corporate internal audit
    - External Audit

Why We Do What We Do

- CGA, ICA
  - Professional Codes of Ethics
- ALGA
  - Association of Local Government Auditors
  - Yellow Book – Generally Accepted Government Auditing Standards
- Municipal Act 2001
  - Accountability & Transparency
- CGS Bylaw 2009-239
  - Audit Mandate
- Auditor General Job Description

Why We Do What We Do

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Why We Do What We Do

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Why We Do What We Do

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GAO
Accountability • Integrity • Reliability

By the Comptroller General of the United States
July 2007

Government Auditing Standards

July 2007 Revision

GAO-07-731G (PDF, 867KB)

Table of Contents

Letter
Chapter 1: Use and Application of GAGAS
Chapter 2: Ethical Principles in Government Auditing
Chapter 3: General Standards
Chapter 4: Field Work Standards for Financial Audits
Chapter 5: Reporting Standards for Financial Audits
Chapter 6: General, Field Work, and Reporting Standards for Attestation Engagements
Chapter 7: Field Work Standards for Performance Audits
Chapter 8: Reporting Standards for Performance Audits
Appendix I: Supplemental Guidance
Appendix II: Comptroller General's Advisory Council on Government Auditing Standards
Index

The July 2007 revision of Government Auditing Standards supersedes the 2003 revision and updates the January 2007 revision. The July 2007 revision represents the complete 2007 revision of Government Auditing Standards, and is the version that should be used by government auditors until further updates and revisions are made. An electronic version of this document can be accessed on GAO's Yellow Book Web page at http://www.gao.gov/govaud/ybk01.htm.

The July 2007 revision of Government Auditing Standards will be effective for financial audits and attestation engagements for periods beginning on or after January 1, 2008, and for performance audits beginning on or after January 1, 2008. Early implementation is permissible and encouraged. For financial audits, certain standards of the Auditing Standards Board (ASB) that affect Government Auditing Standards become effective prior to these dates.



Accountability | Integrity | Reliability

Why We Do What We Do

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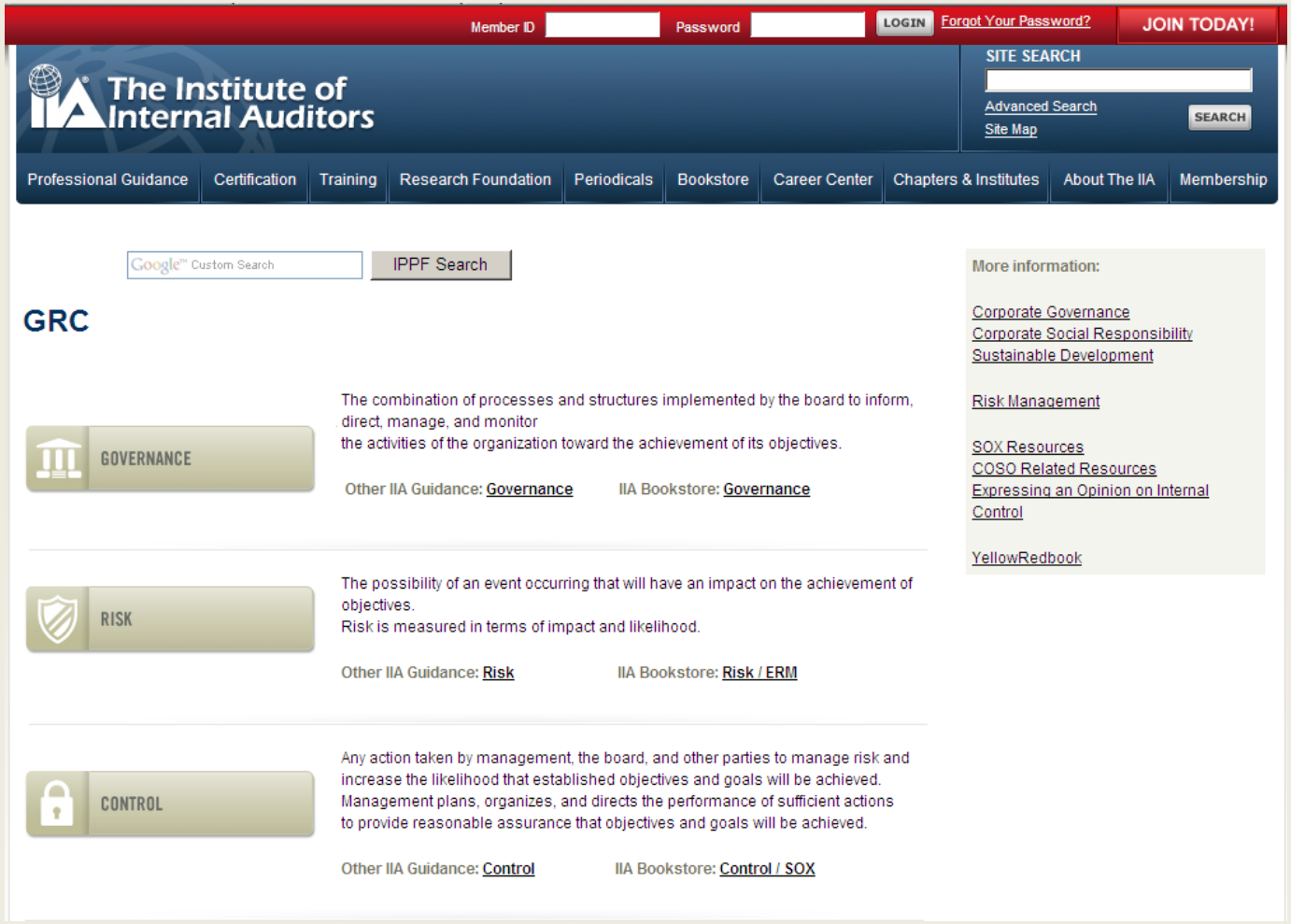
Why We Do What We Do

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Why We Do What We Do

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Why We Do What We Do

- The Municipal Act
  - Sets out the broad areas of authority in which municipalities can act in order to respond to taxpayers needs.
  - The Act also details what municipalities can do and how they must do it.
- The Planning Act
- The Aggregate Resources Act
- The Development Charges Act
- The Expropriations Act
- The Ontario Heritage Act

Municipal Act (2001)

The Auditor General's Role

223.19 (1) Without limiting sections 9, 10 and 11, those sections authorize the municipality to appoint an Auditor General who reports to council and

is responsible for assisting the council in holding itself and its administrators accountable

1. for the quality of stewardship over public funds
2. and for achievement of value for money in municipal operations.

How We Assist The Council

The Role of council -

- **224.** It is the role of council,
- (a) to represent the public and to consider the well-being and interests of the municipality;
- (b) to develop and evaluate the policies and programs of the municipality;
- (c) to determine which services the municipality provides;

How We Assist The Council

The Role of council (continued)

- (d) to ensure that administrative policies, practices and procedures and controllership policies, practices and procedures are in place to implement the decisions of council;

- (d.1) to ensure the accountability and transparency of the operations of the municipality, including the activities of the senior management of the municipality;

How We Assist The Council

- **The Role of council (continued)**
  - (e) to maintain the financial integrity of the municipality; and
  - (f) to carry out the duties of council under this or any other Act.

Municipal Act (2001)

The Municipality's Duty to furnish information

- **223.20 (1)** The municipality, its local boards and the municipally-controlled corporations and grant recipients referred to in subsection 223.19 (3) shall give the Auditor General such information regarding their powers, duties, activities, organization, financial transactions and methods of business as the Auditor General believes to be necessary to perform his or her duties under this Part. 2006, c. 32, Sched. A, s. 98.

Municipal Act (2001)

The Municipality's Duty to Provide Access to records

- (2) The Auditor General is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things or property belonging to or used by the municipality, the local board, the municipally-controlled corporation or the grant recipient, as the case may be, that the Auditor General believes to be necessary to perform his or her duties under this Part. 2006, c. 32, Sched. A, s. 98.

Municipal Act (2001)

No waiver of privilege

- (3) A disclosure to the Auditor General under subsection (1) or (2) does not constitute a waiver of solicitor-client privilege, litigation privilege or settlement privilege. 2006, c. 32, Sched. A, s. 98.

Municipal Act (2001)

The Auditor General's Powers of examination

- **223.21** (1) The Auditor General may examine any person on oath on any matter pertinent to an audit or examination under this Part. 2006, c. 32, Sched. A, s. 98.
- (2) For the purpose of an examination, the Auditor General has the powers that Part II of the *Public Inquiries Act* confers on a commission,
- and that Part applies to the examination as if it were an inquiry under that Act. 2006, c. 32, Sched. A, s. 98.

Job Description

- Auditor General - Main Function:
  - Mirrors the Municipal Act
  - Responsible for assisting the City Council in holding itself and it's administrators accountable for the
  - quality of stewardship over public funds and for the
  - achievement of value for money in municipal operations

Job Description

- Auditor General - 2.
  - Plan, conduct, evaluate and monitor results of financial, compliance, and performance audits of all programs, activities and functions of CGS, including departments, agencies, boards and commissions, and the offices of the Mayor and /or members of Council

Job Description

- Auditor General – 4.
  - Undertake forensic investigations in cases of suspected acts of fraud, misappropriation or other similar irregularities.
- Auditor General – 5.
  - Evaluate compliance against legal and administrative requirements
- Auditor General – 4.
  - Test the adequacy of internal financial and management controls

Audit Mandate

- Responsibilities
  - 8(7) Audits shall be conducted at such time and to the extent that the Auditor General considers appropriate

Audit Mandate

- Access To Information
  - 9(2) The office of the Auditor General shall have full and free access to the Mayor and members of Council
  - 9(3) Personnel in units being audited shall assist and cooperate with the Office of the Auditor General

Major Audit Services

Program Performance Audits

- Comprehensive reviews that consider both the achievement of value for money in operations, and the quality of safeguarding of public assets

- Determine whether a specific department, service or program operates efficiently, effectively and economically; and whether risks and opportunities are adequately managed.

Major Audit Services

Cross-functional Audits

- Focused reviews related to the quality of stewardship over public assets

- Determine whether functions, services, policies or procedures with broader (corporate) implications, reflect good practice through the adequacy of internal financial and management controls, and compliance with legal and administrative requirements

Major Audit Services

Cash Audits

- Focused reviews related to the quality of stewardship over public assets
- Determine whether cash resources are handled in a manner consistent with established City requirements and safeguards against loss.

Audit Mandate

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Governance Activities

- Focused reviews related to the quality of stewardship over public assets
- Determine whether corporate management practices meet general ethical and performance standards, and comply with legal and regulatory requirements.

Audit Mandate

Investigative Services

- Focused reviews related to the quality of stewardship over public assets
- Prove or refute alleged fraudulent or inappropriate behavior on the part of a City employee, Council member, or other party.
  - Evidence must meet sufficient legal requirements before a matter is turned over to the Greater Sudbury Police Service.

Major Audit Services

Emerging Issues / Audit Requests

- Based on the AG's job description:
  - "Manage projects and respond quickly to emerging opportunities and risks"
- All audits, investigations or studies that are not listed in the approved audit plan.
- These may be identified during a scheduled audit, by City Council or the Administration, or suggested by a member of the public.

Audit Mandate

Emerging Issues / Audit Requests

- Referenced in the Auditor General's Mandate:
  - Responsibilities
    - 8(4) To examine specific problems and carry out special assignments identified by the Auditor General,

    or

    - requested and approved by 2/3 majority resolution of Council.

  - Annual Budget
    - 13(2) Requests by Council or a board of directors pursuant to subsection 8(4) shall be subject to the provision of appropriate funding

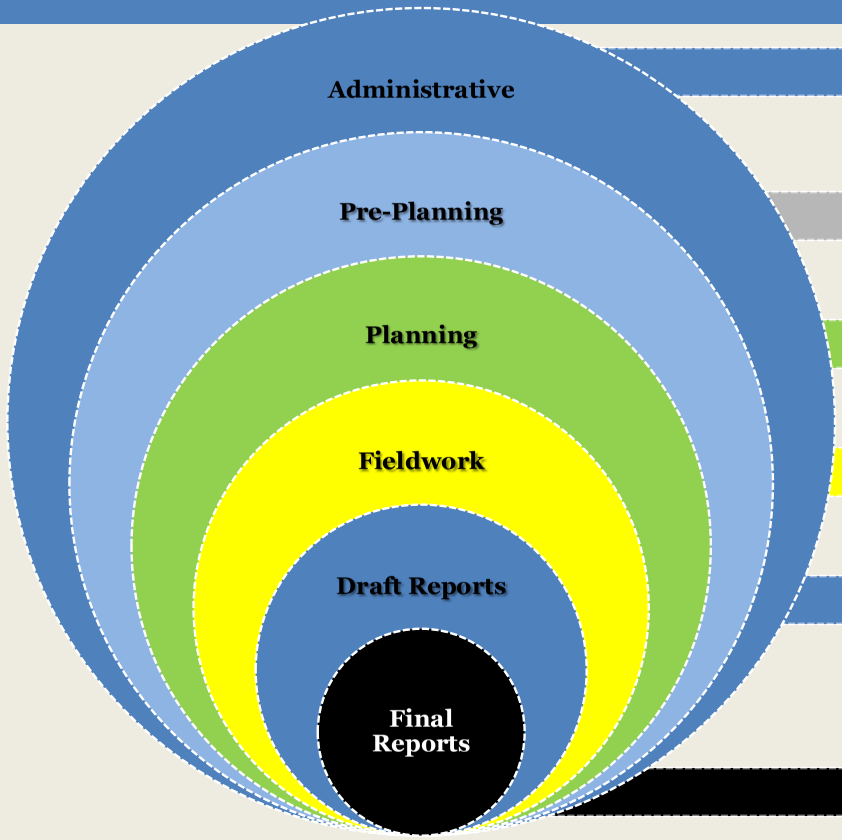
Audit Mandate

Annual Budget

- 13(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.

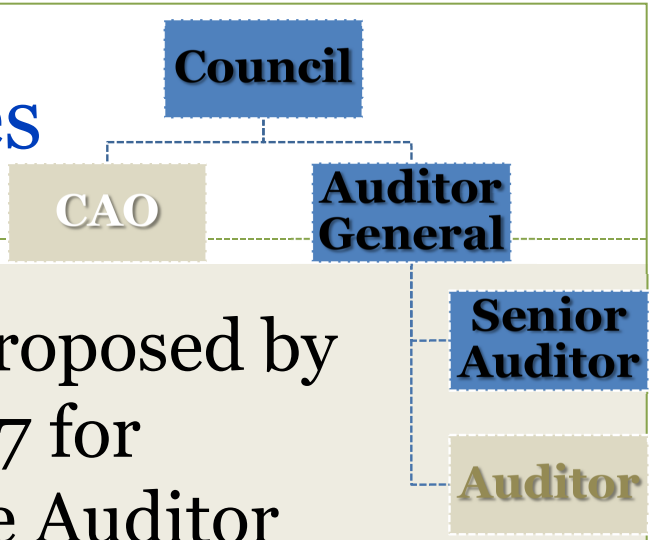
What We Did In 2010

Council approval to begin auditing was granted, and the "Pothole Audit was initiated on February 01, 2010



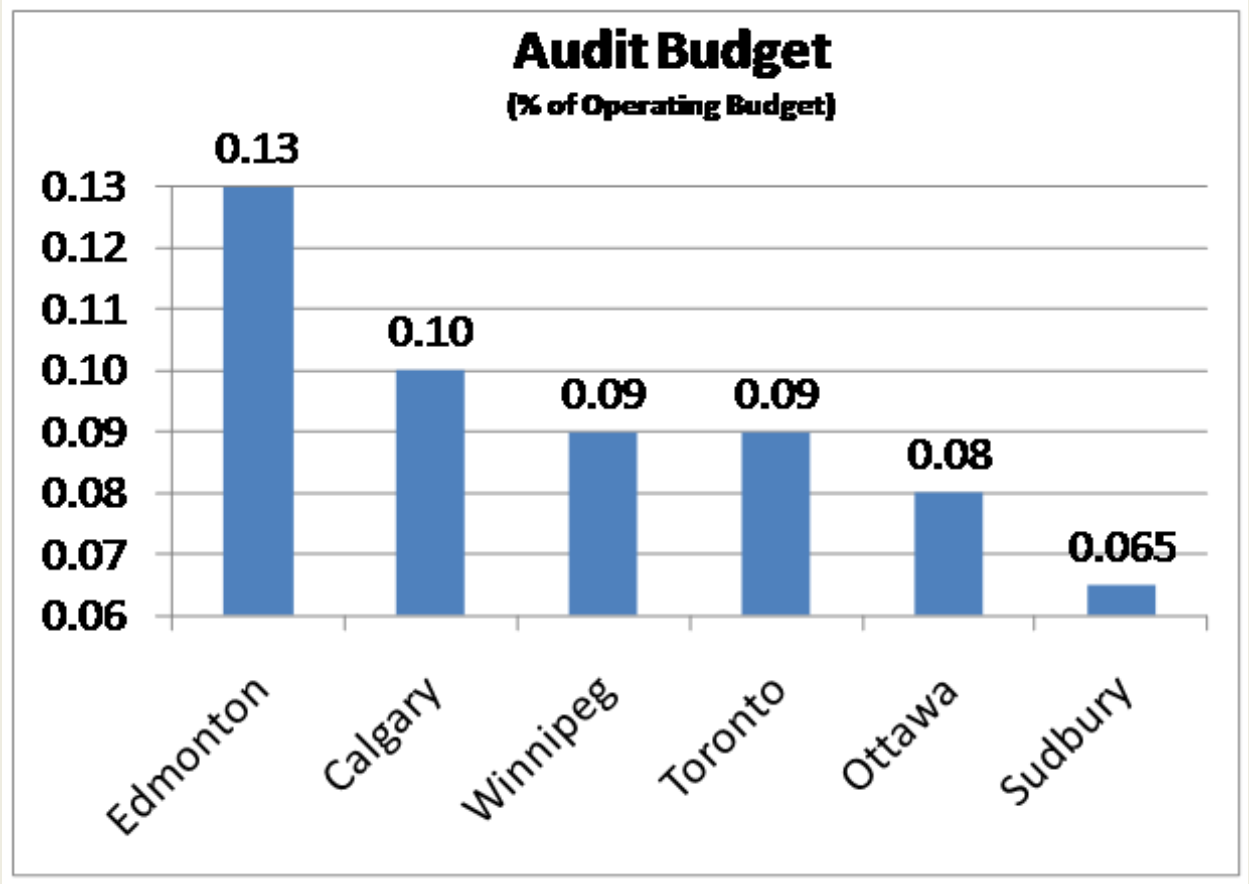
- Trained For Yellow Book Peer Reviews
  Developed Audit Procedures Manual
  Installed ACL – Audit Software
  Used ACL in Accounts Payable Audit
- Environmental Services
  Grants & Funding Expenditures
- Audit Follow Up Reviews
  Procurement
  User Fees
  Fire Services
- Construction Management
  3 Roads ISF Projects
  Contract Management
- Shift Transfers
  Code of Conduct / Complaints Protocol
  Accounts Payable
  Regular Transit
  Handi Transit
- Bus Ticket, Fare Box, & Parking Receipts
  Pothole Report

Audit Resources

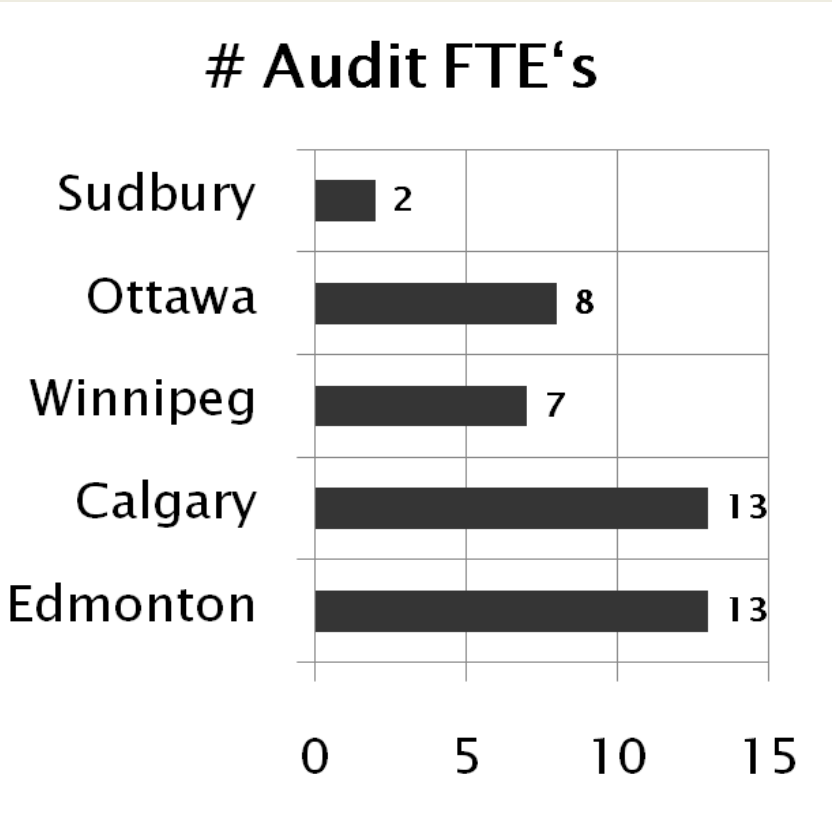


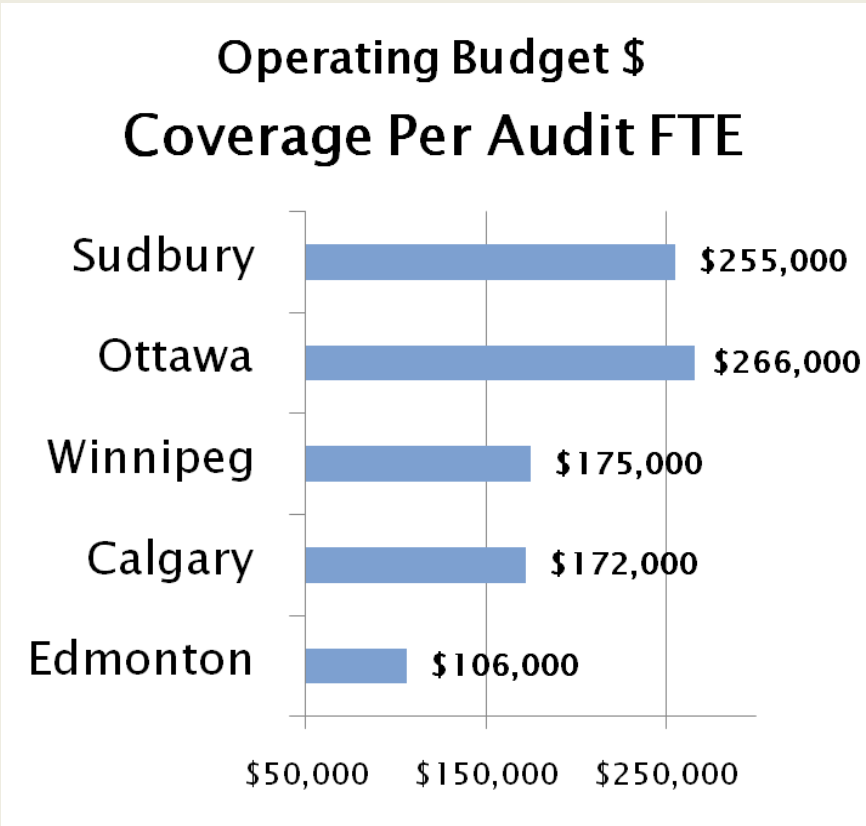
- Council approved the budget as proposed by Administration in November 2007 for $315,000, anticipating to hire the Auditor General and 1 or 2 additional audit staff

Audit Resources



Audit Resources





Audit - 2010 Plan Status

Program Audits	***Scope***		***Audit Stage***
Transit Services	Regular Transit		Draft Report
	Handi Transit		Draft Report
Fire Services	Fire Services		Planning
Environmental Services	Environmental Services		Pre-Planning
Cross-Functional Audits			
Contract Management	Transit Ticket Sales Contract		Fieldwork
Timesheet & Payroll	Transit Shift Transfers		Draft Report
Construction Management	Roads Warranty & Acceptance		Fieldwork
Payables & Receivables	Accounts Payable		*Draft Report*
Revenues & Recoveries	User Fees & Recoveries		Planning
Procurement	Selection Criteria & Disclosures		Planning
Risk Management & Assurance Providers	Codes of Conduct, Complaints Protocol		*Draft Report*
Grants & Funding Expenditures	CIP, NIP, Discounts, Fees Waived		Pre-Planning
Safeguarding of Assets	Roads – Grindings		Fieldwork
Cash Handling			
Transit & Parking Cash Offices	Bus Ticket, Fare Box, & Parking Receipts		Final Report
Emerging Issues			
Roads Miscellaneous Winter Maintenance	2008-2009 Winter Pothole Season		Final Report
Contract Management & Invoice Payment	3 ISF Projects – VFM & Control		Fieldwork
Audit Followup			
Roads Miscellaneous Winter Maintenance	Implementation Status of Management		Planning
Transit & Parking Cash Offices	Action Plans		Planning

Audit Value For Money

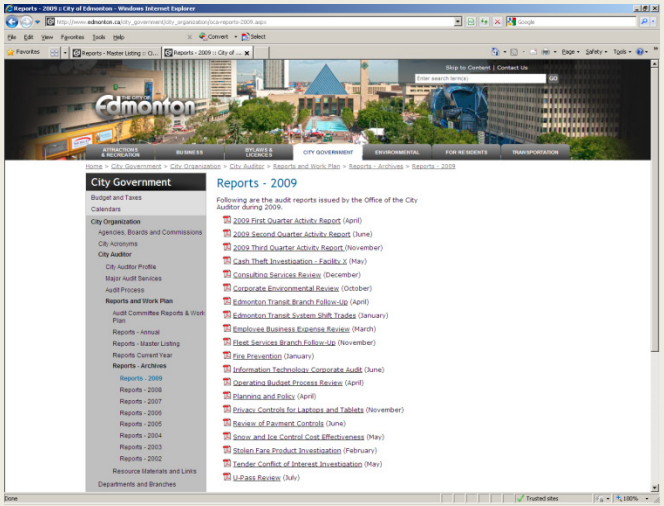
- Potholes Audit Impact
  - Potential - $ Hundreds of Thousands of annual savings through reduced use of contractors for pothole maintenance
  - Potential - Minimum 30 minute unpaid break per 8 hr (480 minute) period for all “hired equipment” = 6.25% reduction in corporate hired equipment costs
- Cash Handling Audit Impact
  - Provided enhanced assurance to Council of the quality of controls over cash in Transit and Parking Cash Offices
- Follow up audits
  - To determine the implementation status- Pending

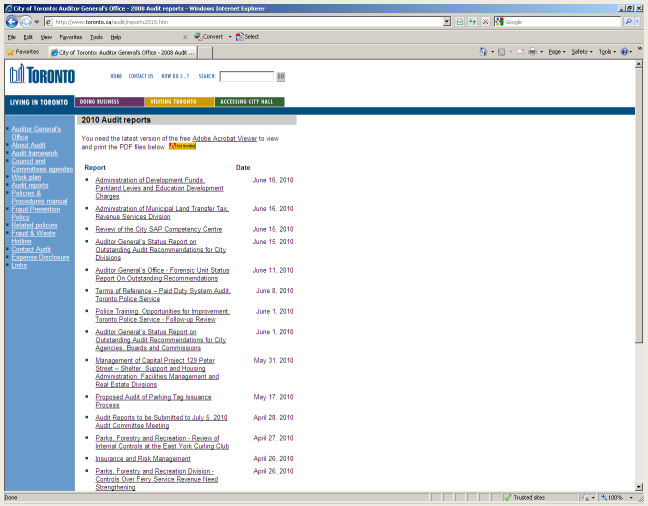
Who Audits The Auditors?

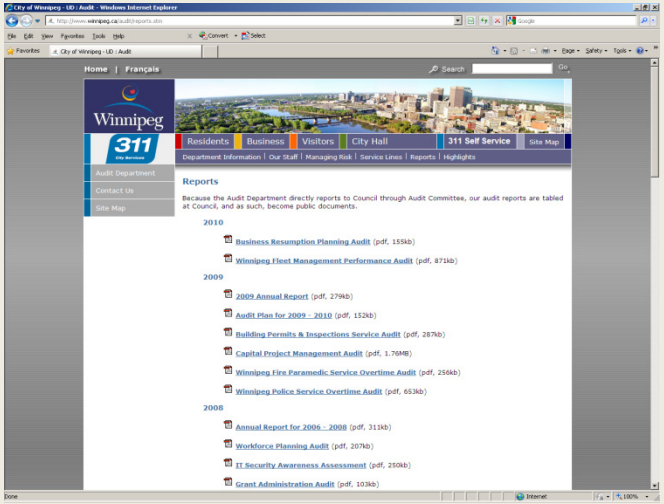
- ALGA
  - Association of Local Government Auditors
  - Yellow Book provides Generally Accepted Government Auditing Standards
- Peer Review Program
  - In 2010, Senior Auditor has successfully completed peer review training for “Yellow Book” standards
  - In 2011, Senior Auditor will assist in a peer review of another Municipal Internal Audit shop
  - ALGA will provide Auditors to conduct a peer review of our audit shop – fall of 2011 or spring of 2012

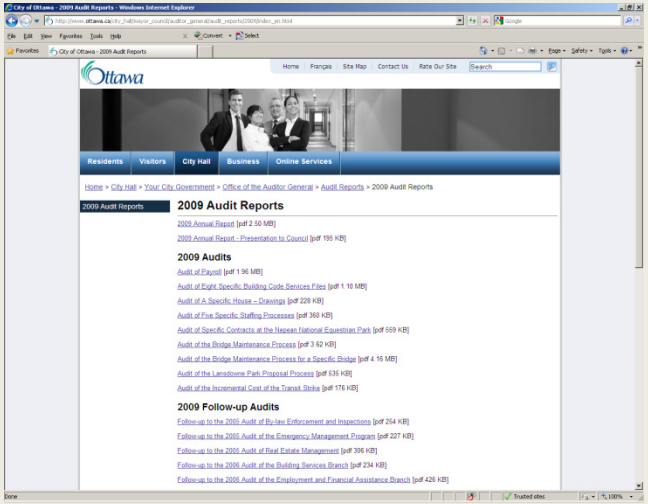
What Types Of Audits Are Done?

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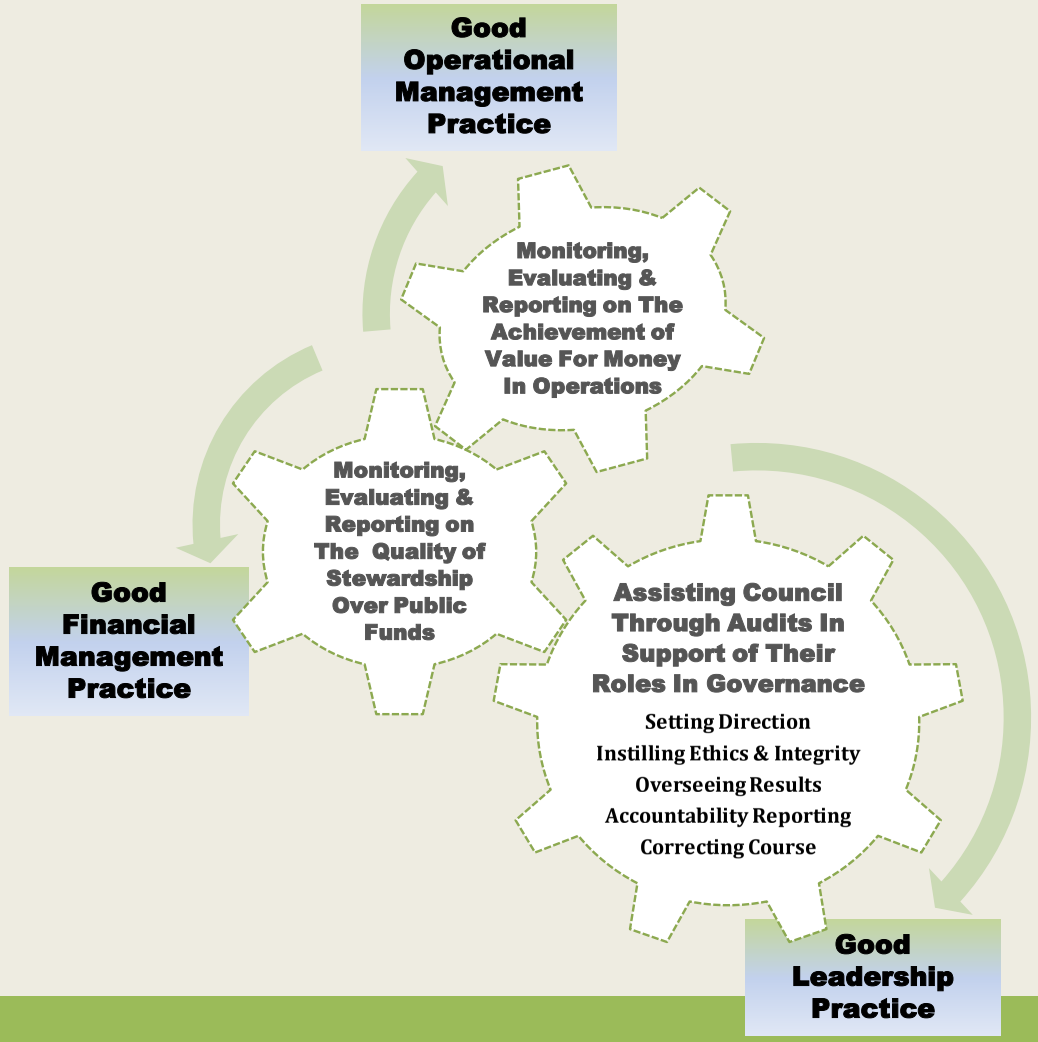






What Are We Trying To Accomplish?



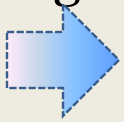


An Audit Plan

Aligned With Citizens Perception of VFM and Good Business Practice

A Complaint Is A Gift

- No-one likes to receive complaints. Yet this is the method by which citizens tell us how to run our City
- If the City is deeply interested in continuing to enhance our citizen focused culture, heightening citizen care in service delivery, or providing true value for money, then this dissatisfaction should be of central interest.
- One of the most direct and meaningful ways citizens can express their dissatisfaction to the City is through what we have come to call a complaint. (Too bad we didn't start by calling it “customer feedback”).
- "Rather than falling prey to the seductive allure of complaint reduction strategies, we need to look at complaint management or handling.” – We are judged every day by how we respond to feedback

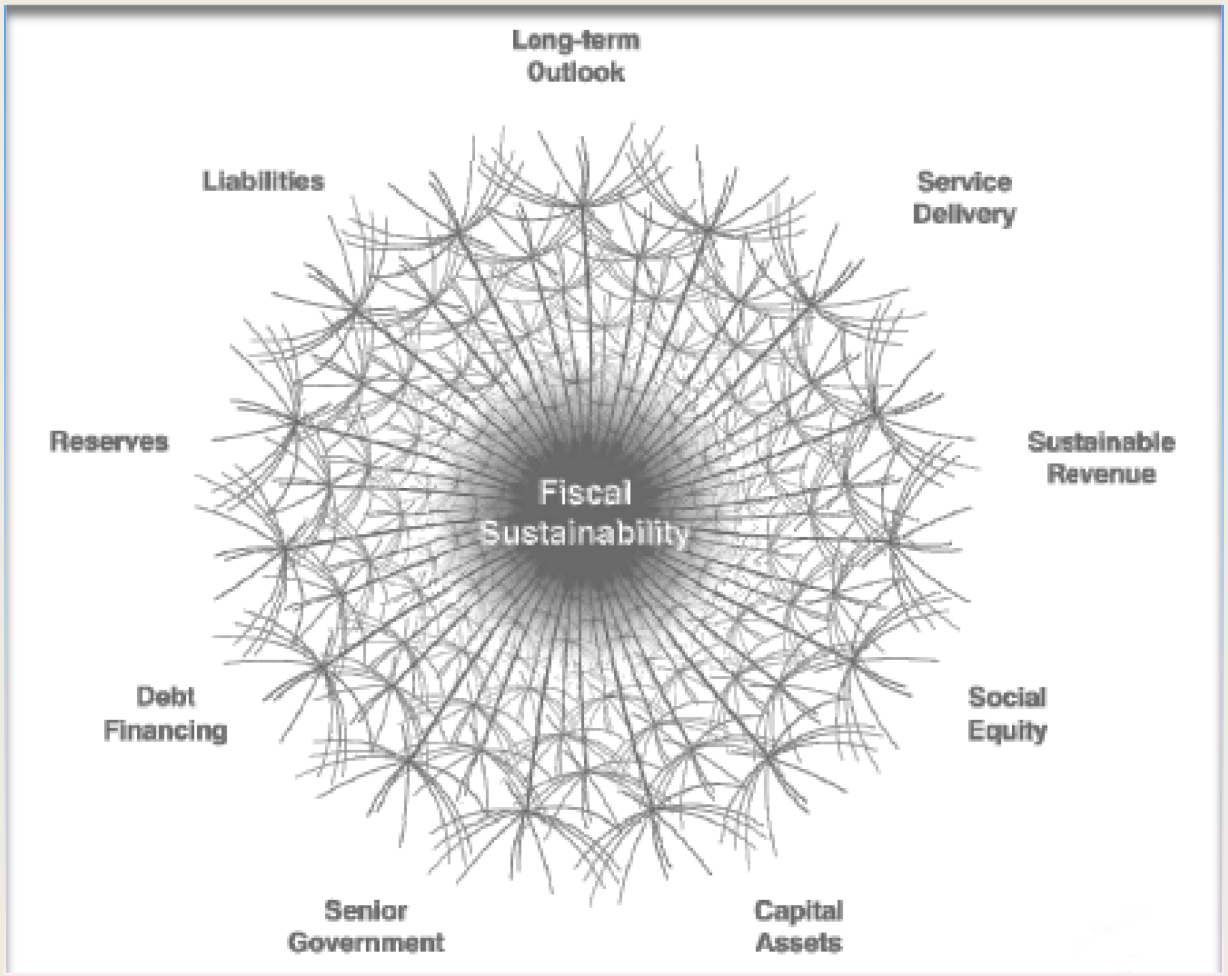


An Audit Report Is A Gift …

Adapted From: A Complaint Is A Gift
Janelle Barlow and Claus Moller , Berret-Koehler 1996 , ISBN 1-881052-81-8

An Audit Plan

Aligned (but not duplicating) Administration's Plan For Fiscal Sustainability



An Audit Plan

Aligned (but not duplicating) Administration's Plan For Fiscal Sustainability

According to the CFO, a municipality would be considered fiscally sustainable if the following conditions were met:

- Generates reliable and predictable revenues sufficient to meet current and future expenses.
- Builds and replaces capital assets to support City's infrastructure requirements.
- Provides expected level of municipal services efficiently and effectively.
- Achieves stability in property taxes increases and intergenerational equity.
- Ensures sound financial management and health.

Administrative Action Plans

"Letting Managers Manage"

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Next Steps

Upcoming Administrative Reports

Housekeeping

- Preferred Audit Committee Meeting dates?

2011 Annual Audit Plan Development

- Emerging Issue Audit Requests From Audit Council & Administration?
- Transit – Receivable
- Citizen Interfaces/Citizen Feedback
- Anonymous Complaints Protocol & Hotline
- Audit Web Page Re-Design

Audit Committee Reports:

- 2010 AG Audit Plan Status & Accomplishments
- Follow up Reports Re: Audits Completed in 2010
- 2011 Annual Audit Plan

Upcoming Audit Reports

Governance Memo:

- Audit Committee – Orientation "Tone at the top"
- Audit Memo - CGS Codes of Conduct

Transit Program Audits:

- Transit Shift Transfers
- Regular Transit Program
- Handi Transit Program

Cross functional Audits :

- Accounts Payable Recoveries Audit
- Construction - Cost Implications of Major Design Changes
- Construction - Asphalt Grindings – Opportunities
- Construction - Warranty & Inspection Guidelines
- Controllable Revenue Sources - User Fees / Discounts
- VFM of 3 ISF Roads Projects

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QUESTIONS?