

Auditor General's 2014 Workplan

By: Brian Bigger, Auditor General

To: Audit Committee

June 17, 2014

International Professional Practices Framework ("The Red Book")

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.

- In doing so, the Auditor General's Office is guided by the definition of internal auditing provided by the Institute of Internal Auditors, and the International Professional Practices Framework.
- "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."

International Professional Practices Framework ("The Red Book")

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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.
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- 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.

International Professional Practices Framework ("The Red Book")

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.

International Professional Practices Framework ("The Red Book")

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.

AG Audit Activities Regarding 2110.A1 Employee Code Of Conduct

Identified during the Potholes Audit – 2010 (memo issued to City Administrators):

- Encouraged the development of a formal Code Of Conduct document. (Copy of the City of Ottawa's Code of Conduct prided as an example)
- Upon amalgamation, the City did establish an Employee Handbook. Section D of this document outlines employment rules and policies; however the document had not been updated since 2003.
- Our memo stated that, "A formal Code of Conduct is a necessary element of good governance which provides ethical guidelines for employees.
- It also increases transparency, integrity, objectivity, fosters public trust and citizen confidence in the administration of government and government officials and gives employees some guidance if they should find themselves in situations where there is no obvious "right" way to act.
- The Director of Human Resources initially agreed.

AG Audit Activities Regarding 2110.A1 Employee Code Of Conduct

Our memo to City Administrators also included the following:

Review, investigation and resolution of code violations should be delegated to a group within the organization with enough authority to enforce conclusions reached, and provide a safe outlet for any municipal employee to raise concerns without losing confidentiality.

Currently, there is no established process that allows for anonymous communication of suspected violations nor is there a formal process for investigating these allegations.

- We recommend that a formal reporting and investigation process be established to investigate alleged violations to the Code of Conduct.

The Code of Conduct should be disseminated to all levels of employees. It should be reviewed with all employees annually as well as reviewed with all new employees on commencement of employment. Situations change during the course of one's employment and conflicts of interest can arise.

- We recommend that every employee sign and disclose any conflict of interests annually. This information can be collected electronically.

Audit Consultants

In 2013, City Council directed the CFO and CAO to engage experts to review the external peer review for the office of the Auditor General conducted by the Institute Of Internal Auditors in March 2012. Two specific matters for consideration were to "Re-evaluate the audit approach, and "Enhance Audit Committee oversight".

In his report, Mr. Key observed that;

- "The Municipal Act addresses the responsibility of council to governance and risk management in Section 224.d.1: "... ensure the accountability and transparency of the operations of the municipality, including the activities of the senior management of the municipality.", and,
- "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.", and,
- "grounded in good governance, risk management, and audit oversight principles; stakeholders will be assured that city resources will be managed more efficiently and more effectively toward CGS's objectives of environmental sustainability, infrastructure renewal, positive economic environment, and a healthy community."
- In 2014, City Council has once again directed the CFO and CAO to engage experts to review the office of the Auditor General.

AG Shenandoah Report Related Activities In 2013

The AG 2013 audit work plan was provided to Council on Tuesday, April 16, 2013: "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."

In response to recommendations of the Shenandoah Report, I have:

- Networked with my peers, and reviewed the applicability of the COSO Integrated Framework Of Internal Control for government.
- I have found that the COSO framework is viewed as best practice by many local government audit peers.
- COSO has been adapted and adopted for government use through the "Green Book" standards developed by the GAO (Government Accountability Office) in the United States.

AG Shenandoah Report Related Activities In 2013

In a May 2013 presentation to the Audit Committee, Mr. James key included the following comments:

- Opinion of Stakeholders
 - Positive about value of effective IA process to add value and improve operations
 - Positive values of public service - "Integrity, transparency, competence, improve community, honesty, trust, credibility
 - Strong desire to improve IA process to be strategically focused and risk based
 - Process must be collegial
 - Reports must be timely and include management responses
- Mr. Key also noted that issues between Auditors and Administration needed to be resolved before bringing the Auditor General's reports forward to the Audit Committee, and the public. (The process must be collegial, and reports must be timely and must include management responses.)
- Administration's interpretation of the above has resulted in extended delays in provision of access to information, extended delays in provision of management responses and repeated deferrals of Audit Committee meetings. The Administration has adopted their own audit response protocol which closely resembles the Freedom Of Information request process applied to information requests submitted by the public

2014 Audit Work Plan

AUDITOR GENERAL'S OFFICE AUDIT WORK PLAN 2014		
Audit Focus	Projects identified where audit or review procedures are expected to present the greatest organizational value for the time committed	Proposed Order of Audits
Value For Money	Finance Services - Competitive Procurement	1
Quality Of Safeguarding Of Assets	Infrastructure Services, Finance Services, Administrative Services, HR Services - Confirming Minimum Training Requirements Of Contractors	2
Value For Money	Planning & Development - Environmental Services Waste Collection Contracts	3
Value For Money	Infrastructure Services, Finance Services - Payments For Construction Work & Materials	4
Value For Money	Planning & Development - Building Services, Committee Of Adjustments - Building Permits and Inspections	5
Value For Money	Community Development - Greater Sudbury Housing Corporation	6

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	<u>FUTURE AUDITS</u>	
Quality Of Safeguarding Of Assets	Administrative Services, Clerks - Freedom of Information Request Process	
Quality Of Safeguarding Of Assets	Administrative Services, Technology - Document Management and Record Retention	
Quality Of Safeguarding Of Assets	Administrative Services - Information Technology - GRC Review	
Quality Of Safeguarding Of Assets	Executive, Departmental, Divisional & Program Management – City of Greater Sudbury - GRC Review	
Quality Of Safeguarding Of Assets	Administrative Services - CGS Citizen Interface (311 System)	
Value For Money	Corporate Wide, Finance Services - Pricing and Discount Agreements (Procurement Phase 2)	

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Value For Money	HR Administration, Finance Services - Position Management	
Quality Of Safeguarding Of Assets	Executive - Healthy Community and Executive Office Expense Review	
Quality Of Safeguarding Of Assets	Executive - Corporate Grants, Donations and Contributions	
Value For Money	Infrastructure Services - Storm Water Drainage Systems	
Value For Money	Administrative Services - Information Technology	

2014 Audit Work Plan

- QUESTIONS?