

# 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

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CAO

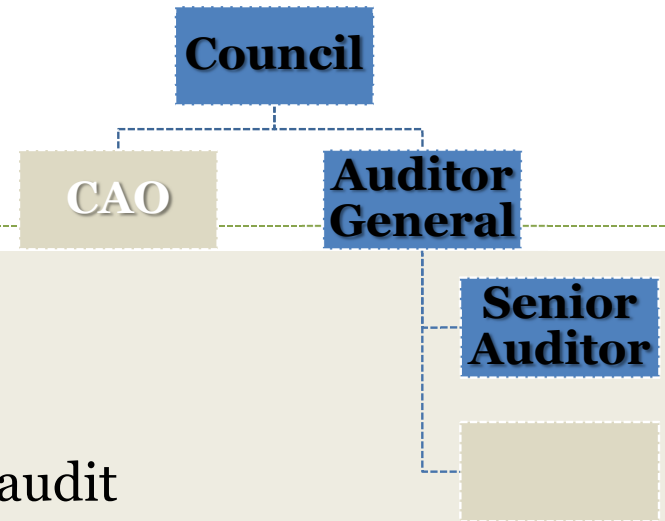
**Council**

**Auditor  
General**

**Senior  
Auditor**

- 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


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- 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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Search CGA-Canada


**Certified General Accountants Association of Canada**

- About CGA-Canada
- Programs
- Media Centre
- Research and Advocacy
- Standards**
  - International
  - Contact Us

Canadian \$ in millions	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	2008 Total notional amounts	2007 Total notional amounts
Interest Rate Contracts	\$ 14,504	\$ 319,302	\$ 243,974	\$ 111,334	\$ 55,404	\$ 1,400,565	\$ 950,652
Swaps	545,257	75,678	32,088	19,007	2,289	589,562	1,094,877
Forward rate agreements, futures and options	362,763	394,980	276,062	209,929	57,893	1,990,127	2,045,529
Total interest rate contracts							
Foreign Exchange Contracts							
Cross-currency interest	1,025	2,874	3,789	2,482	10,850	10,689	
Gross-currency interest							

Home » Standards » Professional and Practice Standards » CGA Independence Standard and Code of Ethical Principles and Rules of Conduct

## CGA Independence Standard and Code of Ethical Principles and Rules of Conduct

Key components of our commitment to professional standards are the CGA-Canada *Code of Ethical Principles and Rules of Conduct*, a comprehensive set of principles and rules designed to protect the public and ensure that CGAs maintain the highest ethical standards and the *CGA Independence Standard* which sets independence requirements for our members in public accounting who perform assurance engagements.

Provincial codes may vary and members and students are advised to contact their association office for their respective codes.

An exacting disciplinary process is also in place to meet the public's interest.

- [Code of Ethical Principles and Rules of Conduct \(Version 2.11\)](#) [PDF – 219K]
- [Independence Standard \(Version 2.0\)](#) [PDF – 601K]
- [Public Practice Entrance and Continuance Standard \(Version 2.0\)](#) [PDF – 206K]
- [Public Practice Review Standard \(Version 2.0\)](#) [PDF – 158K]

Accounting and Assurance
Professional and Practice Standards
CGA Independence Standard and Code of Ethical Principles and Rules of Conduct
Advisory Memorandum
CGA-Canada Public Practice Manual
Practical Support for Small and Medium-sized Accounting Practices (SMPs)

# Why We Do What We Do

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The screenshot shows the website of the CA Comptables agréés du Québec. The header includes the CA logo and navigation links: Home, Site Map, Calendar, Contact Us, Links, and Français. A search bar is present with fields for 'Last name' and 'N° CA/CEP/PFP', and an 'Enter' button. Below the header is a menu with categories: THE ORDRE, PROTECTION OF THE PUBLIC, PUBLICATIONS, PROFESSIONAL PRODUCTS AND SERVICES, PARTNERSHIPS, MEDIA CENTRE, and BECOMING A CA. The breadcrumb trail indicates the current location: Home / Protection of the public / Code of Ethics.

**Code of Ethics of CAs**

As provided for under section 87 of the *Professional Code*, the Ordre adopted a code of ethics governing the general and special duties of chartered accountants towards the public, their clients and their profession, particularly the duty to discharge their professional obligations with integrity.

The *Code of Ethics of Chartered Accountants* was first revised in 2003 and again in February and September 2004. The changes made in 2003 were mainly intended to harmonize the Code with the *Regulation respecting the practice of the chartered accountancy profession within a partnership or a joint-stock company*, to update certain provisions for consistency with terms used in the *CICA Handbook* and to integrate and update the provisions respecting advertising by chartered accountants, firm names and contingent fees.

The February 2004 amendments covered certain provisions respecting professional secrecy, among others.

In September 2004, the new independence rules respecting the performance of audit, review and other assurance engagements were integrated into the *Code of Ethics*. These new rules are similar to those adopted by the CA profession in the rest of Canada. The amendments also include new rules on conflicts of interest and confidentiality that have been harmonized, wherever possible, with the rules applied in the other Canadian provinces. Certain sections of the *Code of Ethics* were amended, in particular section 19, which now specifies that a chartered accountant responsible for **preparing or approving** financial statements, or for overseeing the accounting and financial reporting processes, shall also ensure that such statements and processes result in a fair presentation of the enterprise's financial position in accordance with generally accepted accounting principles.

Left sidebar content includes: Ordre registry, Legislation, Code of Ethics, Regulations and processes, Administrative procedures, Other regulations, Last update: 2010/12/10, Public, Print, Reduce (-), Enlarge (+), and a link to View PDFs with Adobe Acrobat Reader.

# Why We Do What We Do

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# Why We Do What We Do

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FRANÇAIS CONTACT US LOGIN TAKE ME TO... SEARCH:

**CA** Chartered Accountants of Canada

**CANADIAN Standards in Transition**

Canadian Standards in Transition > Canadian Auditing Standards

**IN THE LOOP**  
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- About CASs
- CAS Support Tool
- Training & Events
- Quality Control Standard
- Resources
- Standards Setting in Canada
- FAQs
- News
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## Canadian Auditing Standards

The Canadian Auditing and Assurance Standards Board (AASB) has adopted International Standards on Auditing (ISAs) as Canadian Auditing Standards (CASs) for the audits of financial statements. The CASs now constitute Canadian generally accepted auditing standards (GAAS) for financial statement audits.

**The CASs came into effect for audits of financial statements for periods ending on or after December 14, 2010.**

Find comprehensive information on Canadian Auditing Standards and on the supporting information and learning resources available from the CA profession here.

### Canadian Standards on Quality Control

The Auditing and Assurance Standards Board also adopted International Standards for Quality Control (ISQC 1), as Canadian Standards for Quality Control (CSQC 1), which applies to all firms performing assurance engagements.

**CSQC 1 came into effect for all firms that provide assurance services on December 15, 2009.**

Find comprehensive information on CSQC 1, and on the supporting information and learning resources available from the CA profession, [here](#).

**CAS Support Tool**

- [Introduction to New Auditing Standards in Canada - Free online course](#)
- [Reporting on Financial Statements under Canadian Auditing Standards](#)
- [Understanding Reports on Financial Statements](#)
- [Assurance Implications of the Changeover to IFRSs](#)
- [Audit Reporting Implications of New Auditing and Accounting Standards](#)
- [Canadian Professional Engagement Manual 2010 Edition](#)
- [WEBINAR - Audit of a Micro Entity - Make the new Canadian Auditing Standards Work for You and Your Clients](#)
- [Communicating Successfully with Your Stakeholders](#)



# Why We Do What We Do

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The screenshot shows the homepage of The Institute of Internal Auditors (IIA). At the top, there is a red navigation bar with a login section containing fields for "Member ID" and "Password", a "LOGIN" button, a link for "Forgot Your Password?", and a "JOIN TODAY!" button. Below this is a dark blue header with the IIA logo and name on the left, and a "SITE SEARCH" section on the right with a search input field, "Advanced Search" and "Site Map" links, and a "SEARCH" button. A horizontal menu below the header lists various resources: Guidance & Resources, Certification, Training, Research Foundation, Periodicals, Bookstore, Career Center, Chapters & Institutes, About The IIA, and Membership. The main content area features a "Google™ Custom Search" input field and an "IPPF Search" button. Below these is the text "Updated as of Jan 1, 2011". The bottom section is a large red banner with a world map background, featuring the IIA logo and the text "International Professional Practices Framework (IPPF)".

# Why We Do What We Do

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Member ID

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LOGIN

Forgot Your Password?

JOIN TODAY!

 **The Institute of Internal Auditors**

SITE SEARCH

Advanced Search

Site Map


SEARCH

Professional Guidance | Certification | Training | Research Foundation | Periodicals | Bookstore | Career Center | Chapters & Institutes | About The IIA | Membership

Google™ Custom Search


IPPF Search

## GRC

 GOVERNANCE


The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.

Other IIA Guidance: [Governance](#)      IIA Bookstore: [Governance](#)

 RISK

The possibility of an event occurring that will have an impact on the achievement of objectives.  
Risk is measured in terms of impact and likelihood.

Other IIA Guidance: [Risk](#)      IIA Bookstore: [Risk / ERM](#)

 CONTROL

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.  
Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Other IIA Guidance: [Control](#)      IIA Bookstore: [Control / SOX](#)

More information:

[Corporate Governance](#)

[Corporate Social Responsibility](#)

[Sustainable Development](#)

[Risk Management](#)

[SOX Resources](#)

[COSO Related Resources](#)

[Expressing an Opinion on Internal Control](#)

[YellowRedbook](#)

# Why We Do What We Do

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- 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)

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## ◎ 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

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## ► **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

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## ► **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

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## ► **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)

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## ◎ 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)

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## ◎ 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)

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## ► 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)

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## ◎ 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

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## ▶ Auditor General - Main Function:

- Mirrors the Municipal Act
- Responsible for assisting the City 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 municipal operations

# Job Description

21

## ► 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

22

- 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

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

# Audit Mandate

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## ► 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

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## ► 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

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## ► **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

27

## ► 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

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## ► 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

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## ⦿ **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

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## ⦿ 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

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- **Annual Budget**

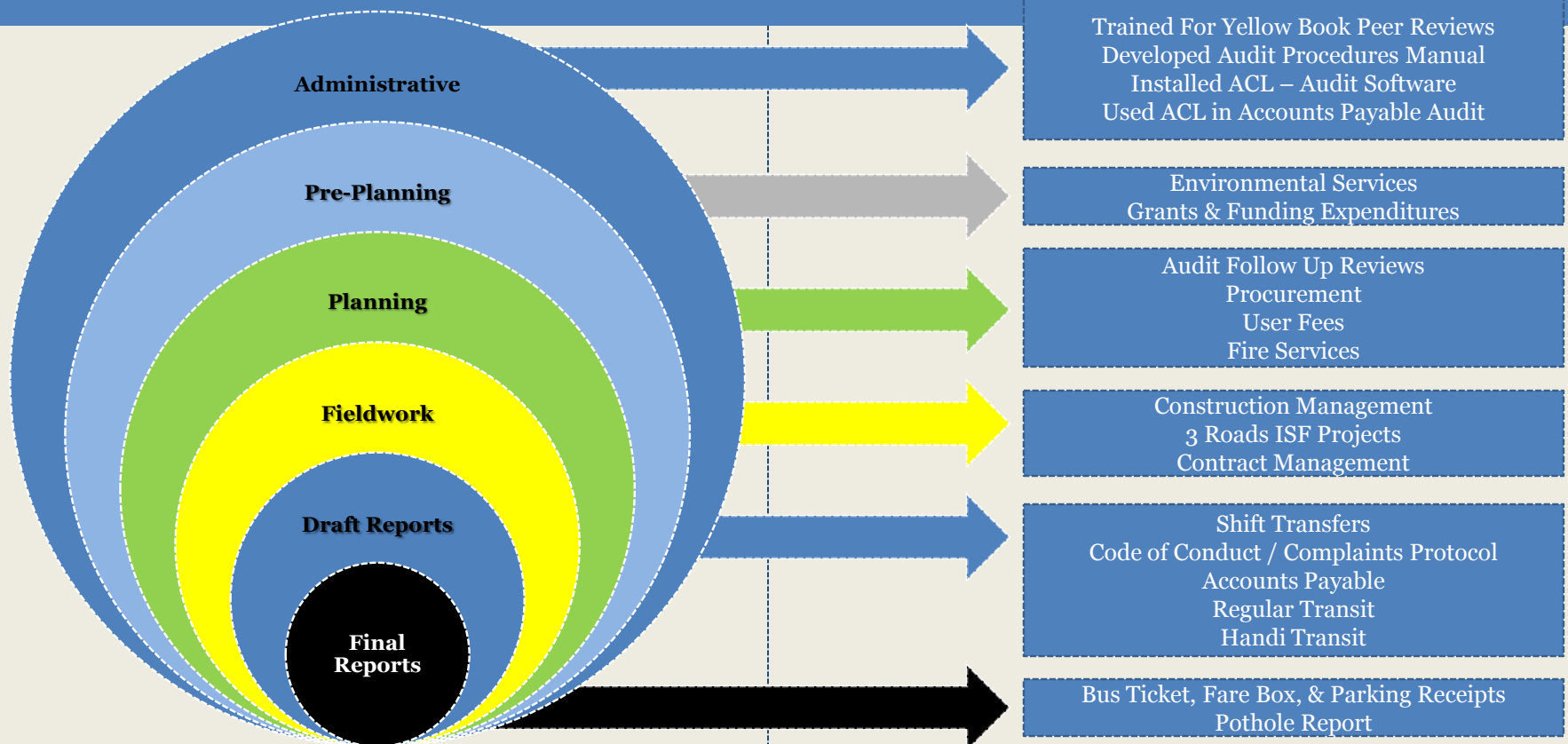
- 13(1) The annual budget of the Office of the Auditor General shall be equal to or greater than 0.065% of the annual operating budget of the City.



# What We Did In 2010

33

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



# Audit Resources

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**Council**

CAO

**Auditor  
General**

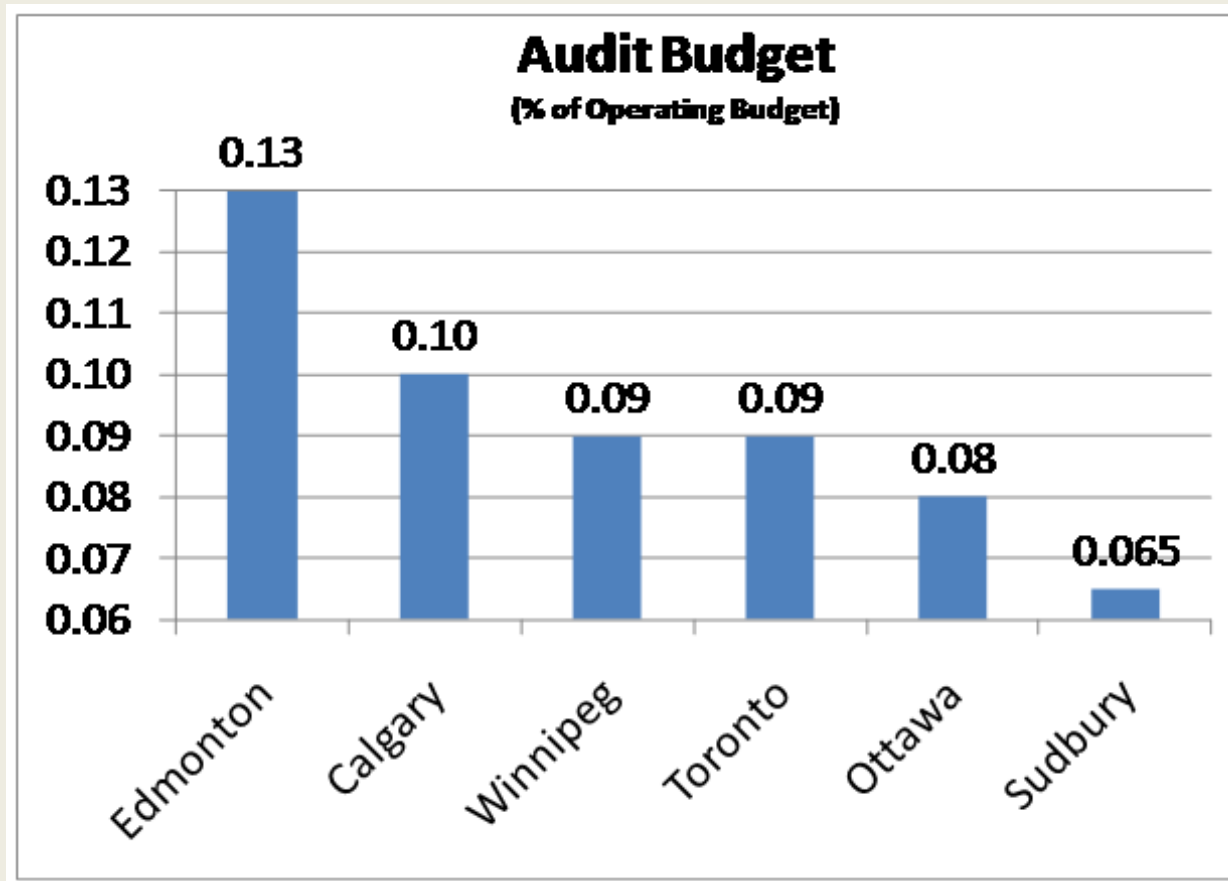
**Senior  
Auditor**

**Auditor**

- 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

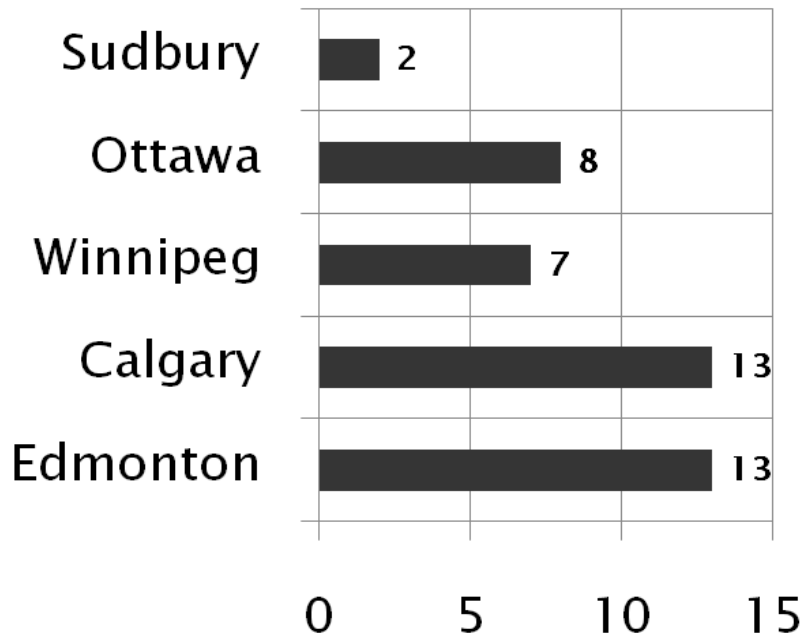
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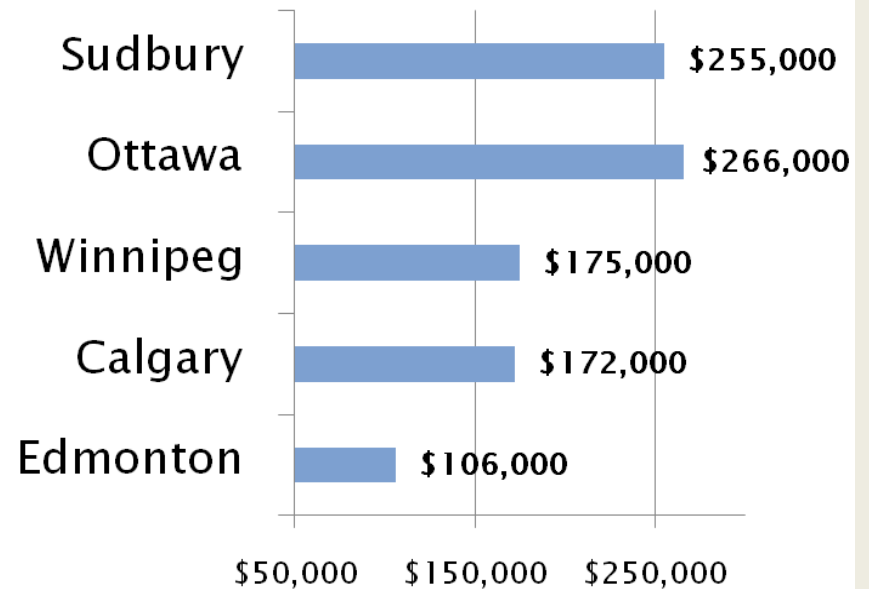
# Audit Resources

36

## # Audit FTE's





















## Operating Budget \$ Coverage Per Audit FTE



# Audit - 2010 Plan Status

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

# Audit Value For Money

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- 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

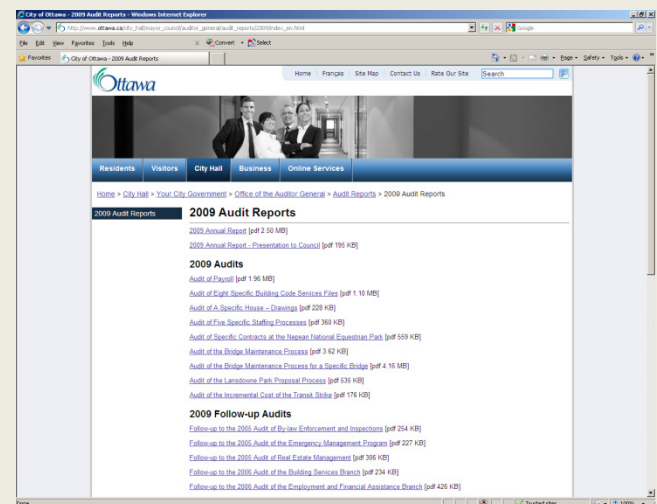
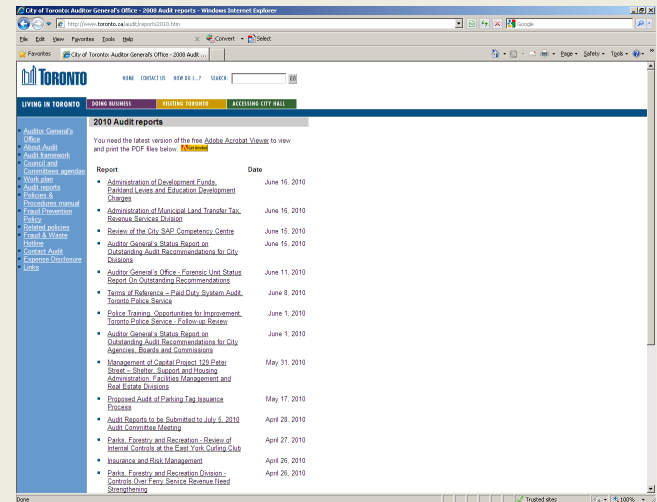
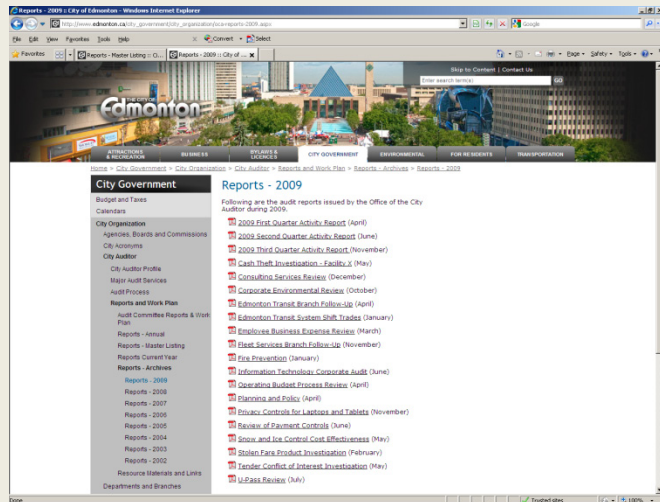
# Who Audits The Auditors?

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- 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?

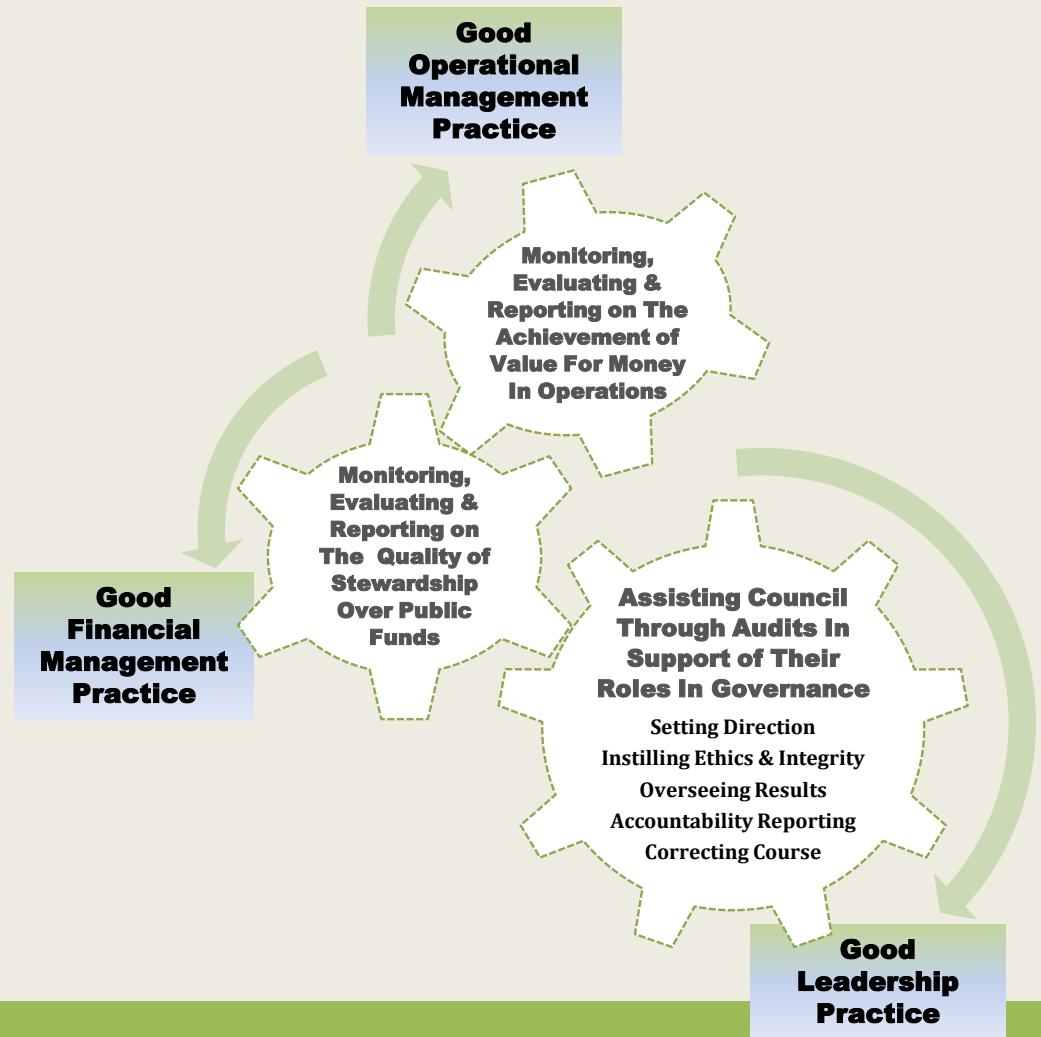
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# What Are We Trying To Accomplish?

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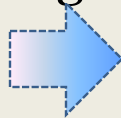
# An Audit Plan

Aligned With Citizens Perception of VFM and Good Business Practice

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## 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

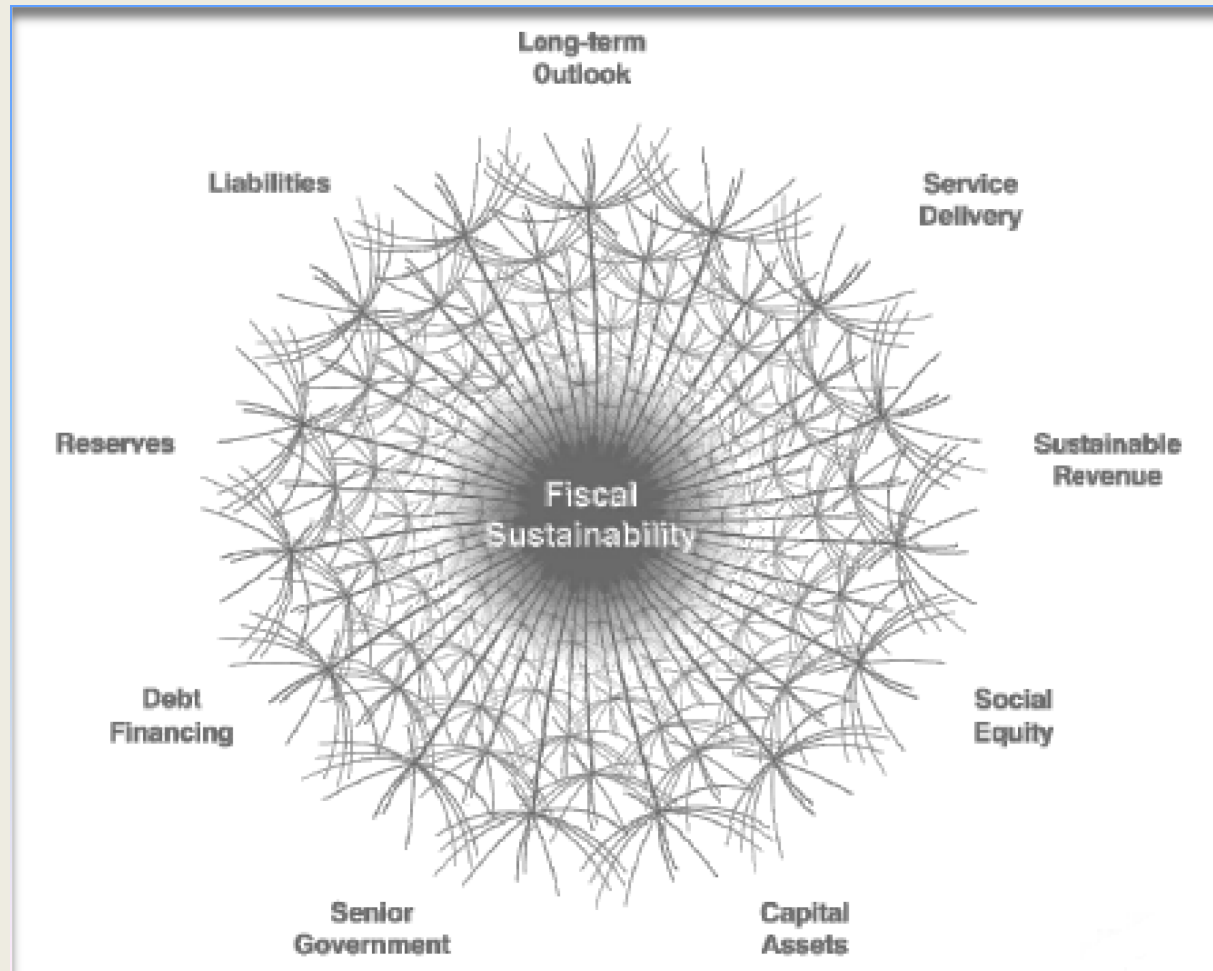


## An Audit Report Is A Gift ...

# An Audit Plan

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

43



# An Audit Plan

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

44

**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”

45



# 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

# QUESTIONS?