

Presentations



Request for Recommendation

Audit Charter

Presented To:	Policy Committee
Presented:	Wednesday, Sep 16, 2009
Report Date	Tuesday, Aug 04, 2009
Type:	Presentations

Recommendation

That the Charter of the Office of the Auditor General as outlined in the report dated August 4, 2009 be approved; and

That the 2010 annual budget for the Auditor General's Office be set at 0.065% of the 2009 annual operating budget;

That the Auditor General By-law be placed on the September 23, 2009 Council agenda for adoption.

Signed By

Report Prepared By

Brian Bigger
Auditor General
Digitally Signed Sep 10, 09

Recommended by the Department

Brian Bigger
Auditor General
Digitally Signed Sep 10, 09

Finance Implications

In order to ensure that the Office has the minimum amount of funds required to fulfill its role, it has been customary for other Municipal Auditor General By-laws to set minimum funding amounts. Council previously approved a 2009 operating budget of \$321,300 for the Office of the Auditor General (OAG). This amount currently represents .063% of Consolidated CGS Operating Expenditures, and is lower than all other known budget amounts where reporting is direct to Council. In consideration of the unique funding challenges faced by CGS and the possible impact that significant shifts in funding may have on CGS operating budgets, the Auditor General recommends OAG funding be set at .065% of 2009 CGS operating expenditures budget, (\$331,000) for 2010 budget and increased by inflation thereafter.

Purpose:

The purpose of this report is to provide the Policy Committee with details of:

- the Charter of the Office of the Auditor General
- the draft Auditor General By-law

Background:

The mission of the Office of the Auditor General is to provide an independent, objective assurance activity designed to add value and protect and enhance the economic, social and environmental well-being of present and future generations of Sudburians. It will assist the City of Greater Sudbury in accomplishing its objectives by bringing a systematic, disciplined approach to monitor, evaluate and report on the quality of stewardship achieved through effective risk management, control, reporting and governance processes, and the achievement of value for money through effective and efficient operations, the safeguarding of assets, and compliance with laws, regulations, contracts and policies .

Office Of The Auditor General Charter

The Office of the Auditor General is a core function that assists 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 operations.

A critical component in establishing a sustainable audit function is the communication of purpose, authority and responsibility in a written charter. A charter facilitates:

- formal communication of roles and responsibilities between Finance Committee, administrators and the Auditor General.
- periodic assessment of the adequacy of the activities of the Office of the Auditor General
- evaluation of the function by the Finance Committee.

This practice is endorsed by the Institute of Internal Auditors in Standard 1000 of it's Professional Practices Framework.

Key elements of the Charter of the Office of the Auditor General include:

Element	Description
Scope of work	Coverage of internal audit activities
Independence	Rendering impartial and unbiased judgments essential to the proper conduct of audits Achieved through the function's position and reporting accountability within the organization
Accountability	Parameters for reporting audit results and status of work Coordination of role with other control and monitoring functions
Responsibility	Details of activities and deliverables for a sustainable audit function
Authority	Details of permitted and prohibited activities

Attached is the full version of the Charter of the Office of the Auditor General

Key points of clarification in reference to the charter and draft by-law

The Auditor General is seeking the Policy Committee's recommendation to approve the scope and authority of the Auditor General's Office contained in the attached Audit Charter, and Auditor General By-Law. The By-Law to enact the Audit Charter will be presented to Council on September 23, 2009. Key points identified by the Auditor General for Council's consideration are:

- Appointment or dismissal (2/3 majority vote of Council)
- Scope of audit activities (includes all programs, activities of CGS departments, commissions, agencies, boards, municipally controlled corporations, grant recipients and the offices of the Mayor and Members of Council.)
- Special request audits (2/3 majority vote of Council with incremental funding)
- Annual audit plan dates (once per year before Dec 31st)
- Annual audit activity report (once per year before June 30th, commencing June 2010 recommended)
- Annual budget as a % of CGS Consolidated operating expenditures (annual budget to be set at an amount equal to or greater than 0.065% of the 2009 annual operating budget)

Attached is the full version of the draft by-law to appoint the Auditor General and establish the the position and duties of the Auditor General.

OFFICE OF THE AUDITOR GENERAL – CHARTER

Sept. 16, 2009

The Office Of The Auditor General is a core function that assists Council. A critical component in establishing a sustainable audit function is the communication of purpose, authority and responsibility in a written charter. The charter facilitates:

- formal communication of roles and responsibilities between Finance Committee, Administrators and the Auditor General.
- periodic assessment of the adequacy of the activities of the Office Of The Auditor General
- evaluation of the function by the Finance Committee, and Council

1. PURPOSE

The Auditor General assists 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 operations.

The Auditor General's Office is an independent, objective assurance activity designed to add value and protect and enhance the economic, social and environmental well-being of present and future generations of Sudburians. The audit process assists the city in accomplishing its objectives by bringing a systematic, disciplined approach to monitor, evaluate and report on the quality of stewardship achieved through effective risk management, control, reporting and governance processes, and the achievement of value for money through effective and efficient operations, the safeguarding of assets, and compliance with laws, regulations, contracts and policies.

2. SCOPE OF WORK

The Auditor General is responsible for evaluating all programs and activities of all City departments, commissions, agencies, boards, municipally-controlled corporations, grant recipients and the offices of the Mayor and members of Council. Boards and municipally-controlled corporations included in scope are defined as those where the City holds more than 50 % of the shares or appoints more than 50 % of the members of the Board. Consistent with the Auditor General's role in assisting council over their entire scope, the Police Services Board, Library Board and Board of Health are included with the authorized scope of audit activities.

At the request of Council, the Auditor General may conduct compliance, performance, or financial audits of autonomous organizations that have an agreement with the City that contains provisions for audit by the City.

OFFICE OF THE AUDITOR GENERAL – CHARTER

Sept. 16, 2009

3. INDEPENDENCE

The Auditor General reports to Council through Finance Committee and is independent of the City administration. The Auditor General must be independent from management at all times in order to be effective in executing his/her work freely and objectively.

The Auditor General shall:

- a. report directly to the Finance Committee of Council, and
- b. have no direct responsibility or authority over any operating activities and shall not relieve others of their responsibilities

The appointment of a person to the position of Auditor General may be made, suspended, or revoked only by a 2/3 majority vote of Council;

The Auditor General's audit plan is approved by Council and no deletions or amendments to the plan shall be made except by the Auditor General, other than Council may add to the audit plan by a 2/3 majority vote of Council with the approval of additional budget funding.

4. ACCOUNTABILITY

As the Auditor General is accountable for developing and delivering a program of audit work aimed at assisting 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 operations.

Duties include:

- a. To conduct, or cause to be conducted, audits on behalf of Council in the areas of financial control audits (excluding attestation on financial statements, which is the purview of the appointed External Auditors), compliance audits, and performance audits focused on effectiveness and efficiency of processes, programs and departments and designed to add value and protect and enhance the economic, social and environmental well-being of present and future generations;
- b. To report his/her findings, conclusions, recommendations to the audited parties, local management, and Finance Committee;
- c. To follow up annually on significant audit findings and recommendations to determine whether timely and appropriate corrective actions have been taken by management

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- d. To examine problems and carry out special assignments identified and recommended by the Auditor General, and further approved by a 2/3 majority resolution of Finance Committee;
- e. To submit annually to Finance Committee an updated audit plan including recommended changes to the multi-year plan;
- f. To report on the status and results of audit activities Finance Committee annually.
- g. To coordinate his/her role with other control and monitoring functions.

5. RESPONSIBILITY

Section 223.20 of the Ontario Municipal Act states that the “municipality, its local boards and the municipally-controlled corporations and grant recipients 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/her duties”.

Auditor General’s Responsibilities

The Auditor General is responsible to:

- a. Report his/her findings, conclusions, recommendations to the audited parties, management, and Finance Committee of Council, and
- b. Coordinate audit activities with other monitoring and control functions, and
- c. Follow up annually on significant audit findings and recommendations to determine whether timely and appropriate corrective actions have been taken by management.

Management’s Responsibilities

Management have the responsibility to:

- a. Maintain adequate risk management processes and systems of controls
- b. Inform the Auditor General of significant developments, events, and changes in strategies and operating plans for the City of Greater Sudbury to ensure the Auditor General has sufficient information to deliver on his/her mandate in an effective and efficient manner.
- c. Ensure that the auditors can obtain the necessary assistance of personnel in units where audits are performed.

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- d. Provide the Auditor General and his/her staff unrestricted access to all activities, records, reports, systems, property, meetings and personnel necessary to conduct audits.
- e. Promptly respond in writing, within a time specified, to audit recommendations explaining what actions are planned, or have been taken to deal with topics identified in audit reports.

6. AUTHORITY

Section 223.19 of the Ontario Municipal Act authorizes municipalities to appoint an Auditor General.

Without limiting Part V.1, Accountability and Transparency, Sections 223.19 though 223.24 of the Ontario Municipal Act, the mandate for the Auditor General's Office is approved by Council through Finance Committee.

The Auditor General has the authority to:

- a. Have unrestricted access to all activities, records, reports, systems, property, meetings and personnel necessary to conduct audits
- b. Have full and free access to the Mayor and Council
- c. Set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives
- d. Obtain the necessary assistance of personnel in units where audits are performed. Staff of those organizations within the Auditor General's scope have a duty to co-operate with the Auditor General and to not obstruct audit activities.

The Auditor General does NOT:

- a. Perform any operational duties for the City or its affiliates
- b. Initiate or approve accounting transactions external to the Office Of The Auditor General
- c. Direct the activities of any City employee not employed by the office of the Auditor General, except to the extent that they have been assigned to an audit team, or to otherwise assist the Auditor.
- e. Devise, develop or install systems or procedures, prepare records, make management decisions, or undertake any activity which would relieve other staff of any responsibility assigned to them and which could be reasonably construed to compromise the independence of the Office Of The Auditor General.

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7. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Auditor General shall develop and maintain a quality assurance and improvement program in accordance with professional standards. The program will include internal measurements using key performance indicators reported annually and an external assessment at least every 5 years.

8. STANDARDS OF AUDIT PRACTICE

The Auditor General and staff working under his/her direction will comply with the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors (IIA).

Brian L. Bigger

Auditor General

Doug Craig

Priorities Committee Chair

As considered by Priorities Committee

On _____

Date

BY-LAW 2009-###

**A BY-LAW OF THE CITY OF GREATER SUDBURY
TO APPOINT BRIAN BIGGER AUDITOR GENERAL AND
TO ESTABLISH THE POSITION AND DUTIES OF THE AUDITOR GENERAL
OF THE CITY OF GREATER SUDBURY**

WHEREAS the Council of the City of Greater Sudbury wishes to establish the position of Auditor General and to define certain duties and responsibilities of the Auditor General;

AND WHEREAS the Council of the City of Greater Sudbury wishes to continue to demonstrate a high level of public accountability and continue to provide assurances to the public regarding the quality of stewardship over public funds and for the achievement of value for money in municipal operations;

AND WHEREAS under the *Municipal Act, 2001*, S.O. 2001, c.25, the Auditor General is responsible for assisting Council in “holding itself and its administrator accountable for the quality of stewardship over public funds and for achievement of value-for-money in municipal operations”;

**NOW THEREFORE THE COUNCIL OF THE CITY OF GREATER SUDBURY
HEREBY ENACTS AS FOLLOWS:**

DEFINITION

1. In this by-law, “Auditor General” means the Municipal Auditor General of the City of Greater Sudbury.

ESTABLISHMENT OF THE POSITION OF AUDITOR GENERAL

2. The position of Auditor General is hereby established with the duties and functions as set out in this By-law or any other By-law or provincial statute that makes reference to the Auditor General.

APPOINTMENT OF AUDITOR GENERAL

3. City Council hereby appoints Brian L. Bigger to the position of Auditor General for a three and one half year period commencing June 8th, 2009, with the option of renewal for an additional three year period.
4. The appointment of a person to the position of Auditor General may be made, suspended or revoked only by a two-thirds majority vote of Council.
5. The Auditor General must be designated in Ontario as a chartered accountant, a certified general accountant or certified management accountant.

ACCOUNTABILITY

6. The office of the Auditor General shall be independent of the City administration.
7. The Auditor General shall report to the Finance Committee and Council.

RESPONSIBILITIES

8. (1) The Auditor General shall have full carriage and control of and be fully responsible for the conduct of the Auditor General's office.

(2) The Auditor General is empowered to conduct, or cause to be conducted, audit projects identified by the Auditor General in the areas of compliance, financial (excluding attest), program or value-for-money, information technology, environment, and sustainability; and other audits as appropriate; for all programs, activities and functions of all City departments, agencies, boards and commissions and corporations and the offices of the Mayor and members of Council.

(3) To undertake investigations including suspected fraudulent activities, misappropriation or other similar irregularities.

- (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.
- (5) At the request of Council or a board of directors, the Auditor General may conduct financial (excluding attest), compliance and performance audits of autonomous organizations that have an agreement with the City that contains provisions for an audit by the City.
- (6) At the request of Council or a board of directors, the Auditor General may also conduct financial (excluding attest), compliance and performance audits of boards, commissions or corporations where the City holds more than 50% of the shares or appoints more than 50% of the members of the board.
- (7) Audits shall be conducted at such time and to the extent that the Auditor General considers appropriate.
- (8) The Auditor General shall not call into question or review the merits of the policies and objectives of Council.

ACCESS TO INFORMATION

- 9.** (1) The Office of The Auditor General will provide an independent, objective assurance activity designed to add value and protect and enhance the economic, social and environmental well-being of present and future generations of Sudburians. It will assist the city in accomplishing its objectives by bringing a systematic, disciplined approach to monitor, evaluate and report on the quality of stewardship achieved through effective risk management, control, reporting and governance processes, and the achievement of value for money through effective and efficient operations, the safeguarding of assets, and compliance with laws, regulations, contracts and policies. In support of this role, the Office

of the Auditor General shall have unrestricted access to all personnel, records, reports, property, functions, activities, policies, procedures, processes and systems necessary to the fulfillment of the Auditor General's responsibilities.

(2) The office of the Auditor General shall have full and free access to the Mayor and members of Council.

(3) Personnel in units being audited shall assist and cooperate with the Office of the Auditor General.

ANNUAL AUDIT PLAN

10. (1) The Auditor General shall submit an annual audit plan for the next following year to Council for information by December 31st of each year.

(2) The Auditor General may, at his or her discretion, prepare a longer term audit plan for submission to Council

(3) No deletions or amendments to the annual audit plan shall be made except by the Auditor General.

(4) Despite subsection (3) the Auditor General may, if requested by Council or a Board of Directors audit and report on additional matters.

REPORTING

11. (1) On or before June 30th of each year, the Auditor General shall submit an annual report that summarizes the audits completed in the previous calendar year to Council for information.

(2) The requirement in subsection (1) for the Auditor General to submit an annual report to Council shall commence on or before June 30, 2010.

(3) The Auditor General may, at his discretion, report on a more frequent basis to Council.

OFFICE OF THE AUDITOR GENERAL

- 12.** (1) The Auditor General is authorized to establish the Office of the Auditor General including a managerial hierarchy and administrative policies and procedures
- (2) The Auditor General is authorized to appoint, promote, demote, suspend and dismiss, subject to any personnel policies adopted by Council, all employees of the Office of the Auditor General.
- (3) The Auditor General is authorized to review the performance of personnel within the Office of the Auditor General subject to any personnel policies applicable to employees of the City.
- (4) The Auditor General is authorized to retain the services of any individual or corporation for purposes related to the operation of the Office of the Auditor General and execute all agreements and contracts required for the provision of such services subject to the provisions of the City's Purchasing By-law.

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 2009 annual operating budget of the City.
- (2) Requests by Council or a board of directors pursuant to subsection 8(5) shall be subject to the provision of appropriate funding.

IMMUNITY

- 14.** (1) No proceeding for damages or otherwise shall be commenced against the Auditor General or an employee or agent of the Auditor General for any act done in good faith in the performance or intended performance of a duty or authority under this by-law or for any alleged neglect or default in the performance in good

faith of the duty or authority.

(2) Notwithstanding any general laws neither the Auditor General nor his or her staff may be compelled, without benefit of a subpoena, to give testimony relating to information obtained in the performance of their duties.

15. The Mayor is hereby authorized to enter into an employment agreement with the Auditor General.
16. This By-law shall come into force and take effect as if passed June 8th, 2009.

READ A FIRST AND SECOND TIME IN OPEN COUNCIL this 23rd day of September, 2009.

Mayor

Clerk

READ A THIRD TIME AND FINALLY ENACTED AND PASSED IN OPEN COUNCIL this 23rd day of September, 2009.

Mayor

Clerk