

Audit Charter & By-Law

Presented on September 16, 2009

To: Policy Committee

By: Brian Bigger, Auditor General



Audit Framework



Seeking

1. Approval of the Audit Charter
2. Approval in establishing a base budget that will ensure sufficient resources to fulfill my mandate, and
3. A recommendation to adopt the Auditor General By-law at the September 23rd Council meeting



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

Today, I am seeking Council's support in

Approval of the Audit Charter

Establishing a base budget that will ensure sufficient resources to fulfill my mandate, and

A recommendation to adopt the Auditor General By-law through the September 23rd Council Agenda

Audit Charter & By-law

Preparation:

- Reviewed Municipal Charters/By-laws of Ottawa, Toronto, Oshawa, Markham & Burlington
- Met with a number of Auditor Generals and City Auditors, and
- Worked with the City Solicitor to develop the draft By-law



In preparing for this report, I

Reviewed the Municipal Charters and By-laws of Ottawa, Toronto, Oshawa, Markham & Burlington

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Audit By-law & Charter

The By-law establishes the Office of the Auditor General & formally communicates

- Appointment
- Positioning & independence
- Responsibility
- Authority
- Minimum reporting requirements
- Minimum annual budget
- Authority for office setup
- Immunity

The Charter document ensures conformity with IIA standards and provides further detail on

- Management duties & responsibilities
- What the Auditor General does not do



To put these documents into perspective,
the By-law establishes the Office of the Auditor General & formally communicates

1. Appointment
2. Positioning & independence
3. Responsibility
4. Authority
5. Minimum reporting requirements
6. Minimum annual budget
7. Authority for office setup
8. Immunity

The Charter ensures conformity with IIA standards and provides further detail on

1. Management duties & responsibilities
2. What the Auditor General does not do

Audit Charter

Elements in accordance with IIA standards:

- **Purpose** – Assist 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
- **Authority** – Section 223.19 Ontario Municipal Act – reports to Council, unrestricted access
- **Responsibility** – Develop and deliver a programme of audit work, carry out special assignments as directed by Council, such as forensic investigations
- **Scope** – Carry out financial, compliance and performance audits of all programs, and activities of CGS departments, commissions, agencies, boards, municipally controlled corporations, grant recipients and the offices of the Mayor and Members of Council
- **Independence** – Appointed by Council, independent of management
- **Quality Assurance** – Annual KPI's, peer review once every 5 years
- **Standards of Work** – compliance with IIA professional standards



Elements of the Audit Charter that specifically relate to Institute Of Internal Auditor standards are the:

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Further Points Of Clarification

Point Of Clarification	Council Resolution	Key Points From The Audit By-law & Charter
1. <i>Appoint, suspend, revoke the Auditor General</i>		2/3 majority vote of Council
2. <i>Scope of audit activities</i>		All programs, activities of CGS departments, commissions, agencies, boards, municipally controlled corporations, grant recipients and the offices of the Mayor and Members of Council
3. <i>Special requests by Council (Additions to Annual Audit Plan)</i>		2/3 majority vote of Council with appropriate funding
4. <i>Annual audit plan report</i>	1 per yr	One per year before Dec 31 (1 st report 2009) Audit plan updates by Auditor General as required
5. <i>Annual audit activity summary report</i> <i>Audit & response follow-up status</i>		One summary report per year before June 30 Status updates two per year (1 st report June 2010)
6. <i>Ongoing Audit Reports (will include management responses)</i>		Reports distributed to Council as completed. (Dependent on Council's support in pursuit of timely management responses)



Key points identified by the Auditor General for Council's consideration are:

1. Appointment or dismissal

- 2/3 majority vote of Council **Similar to Ottawa**

2. 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. **Boards** and municipally controlled 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. Tied to any provisions associated with the funding provided.

3. Special request audits

- 2/3 majority vote of Council with incremental funding due to small staff complement
- **Council requested additional audits will not take precedence over the primary responsibilities of the Auditor General and will be subject to the provision of appropriate funding**

4. Annual audit plan dates

- 1 per year before Dec 31 (1st rpt Nov 2009) *Audit plan updates as required*

5. Annual audit activity report

- 1 summary report per year before June 30 *Status updates 2 per year (1st rpt June 2010)*

Further Points Of Clarification

Point Of Clarification	Council Resolution	Key Points From The Audit By-law & Charter
7. Minimum Annual Operating Budget Amount (to establish the department, and ensure adequate funding for staff)	\$321,300 (in 2009) (0.063%)	Budget set at \$331,300 for 2010, (0.065% of the city's 2009 annual operating budget) and inflationary increases thereafter
8. Auditor General Independence (no direct responsibility or authority over any operating activities and does not relieve others of their responsibilities)		Does NOT 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 Shall not call into question or review the merits of the policies and objectives of Council.
9. Auditor General Authority		Unrestricted access to all activities, records, reports, systems, property, meetings and personnel necessary to conduct audits Set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives



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Management Responsibility

Management have the responsibility to:

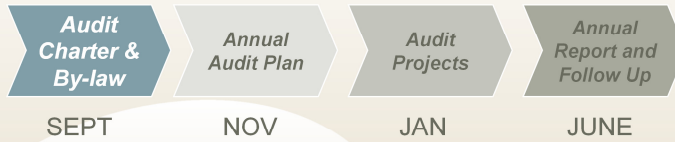
- Maintain adequate risk management processes and systems of controls
- Inform the Auditor General of significant developments, events and changes in strategies and operating plans
- Ensure that the auditors can obtain the necessary assistance of personnel in units where audits are performed
- Provide the Auditor General and his staff unrestricted access to all activities, records, reports, systems, property, meetings and personnel
- Provide a prompt response in writing to audit recommendations explaining what actions are planned or have been taken



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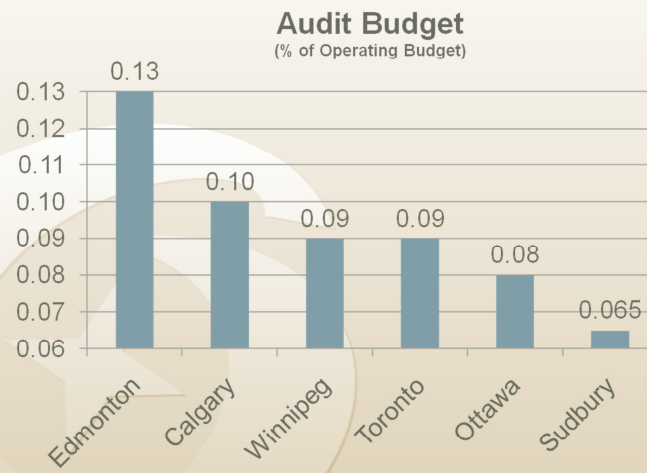
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Next Steps



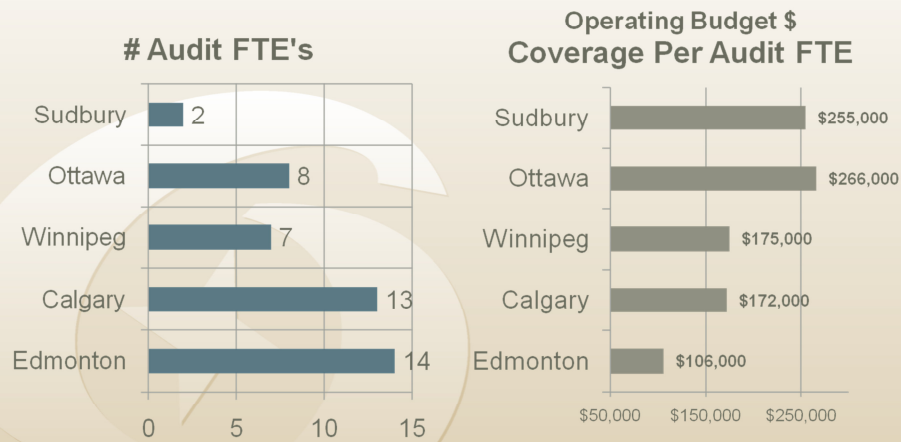
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Comparisons with Other Cities

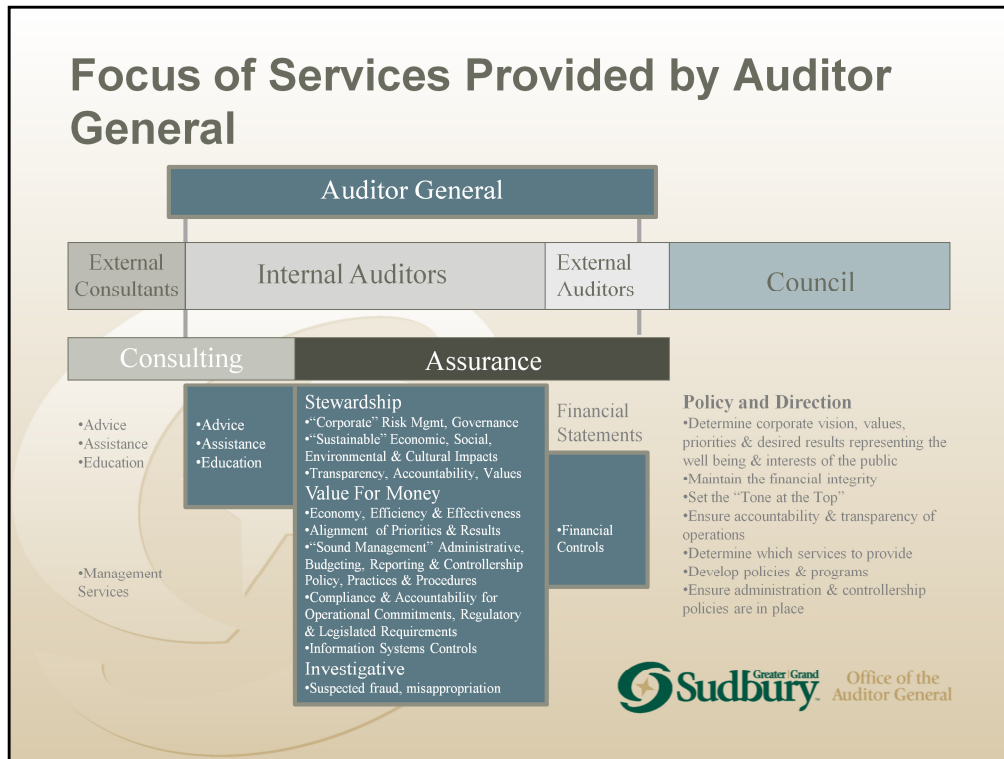


1. A third Audit FTE would bring the budget to .08% of the CGS 2009 operating budget (still in line with Ottawa)

Staff Comparisons with Other Cities

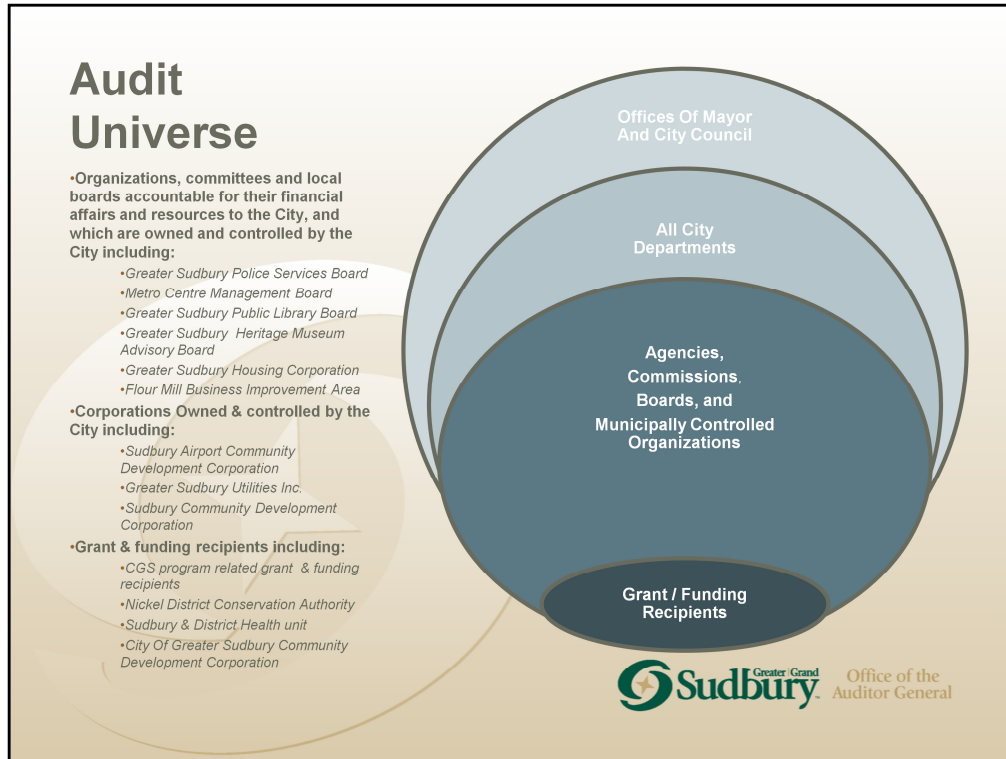


1. A third auditor would bring our coverage to approximately 170 million per audit FTE (more in line with Calgary 7 Winnipeg)
2. Also note that CGS has approximately the same # of programs to review as Ottawa with $\frac{1}{4}$ the staff



The focus of Services:

1. With respect for the policies and direction set by Council, the Auditor General seeks to provide assurances and opportunities for improvement for the city. Council is accountable for the policies and direction they set.
2. Without restricting the scope of the services that may be provided by the Auditor General, Council has expectations of an Audit function that is sensitive to risks or opportunities relating to the achievement value for money in operations.
3. Performance audits and reviews will be a significant part of the Annual Audit Plan.



1. The Sudbury Board of Health would be a grant / funding recipient.
2. It will likely be possible to rely on the work of external auditors in their testing to ensure that the sharing %, uses conform with the CGS terms & conditions.