

# ***City of Greater Sudbury*** **Auditor General** **2010-2015 Audit Plan**

Presented on December 8, 2009

To: Audit Committee

By: Brian Bigger, Auditor General

# Agenda

- Audit Framework
- Auditor General Role & Mandate
- Audit Planning Approach
- 2010 Audit Plan
- Audit Process
- Performance Measurement
- Next Steps

# Audit Framework

Elements required to fulfill Auditor General's role.



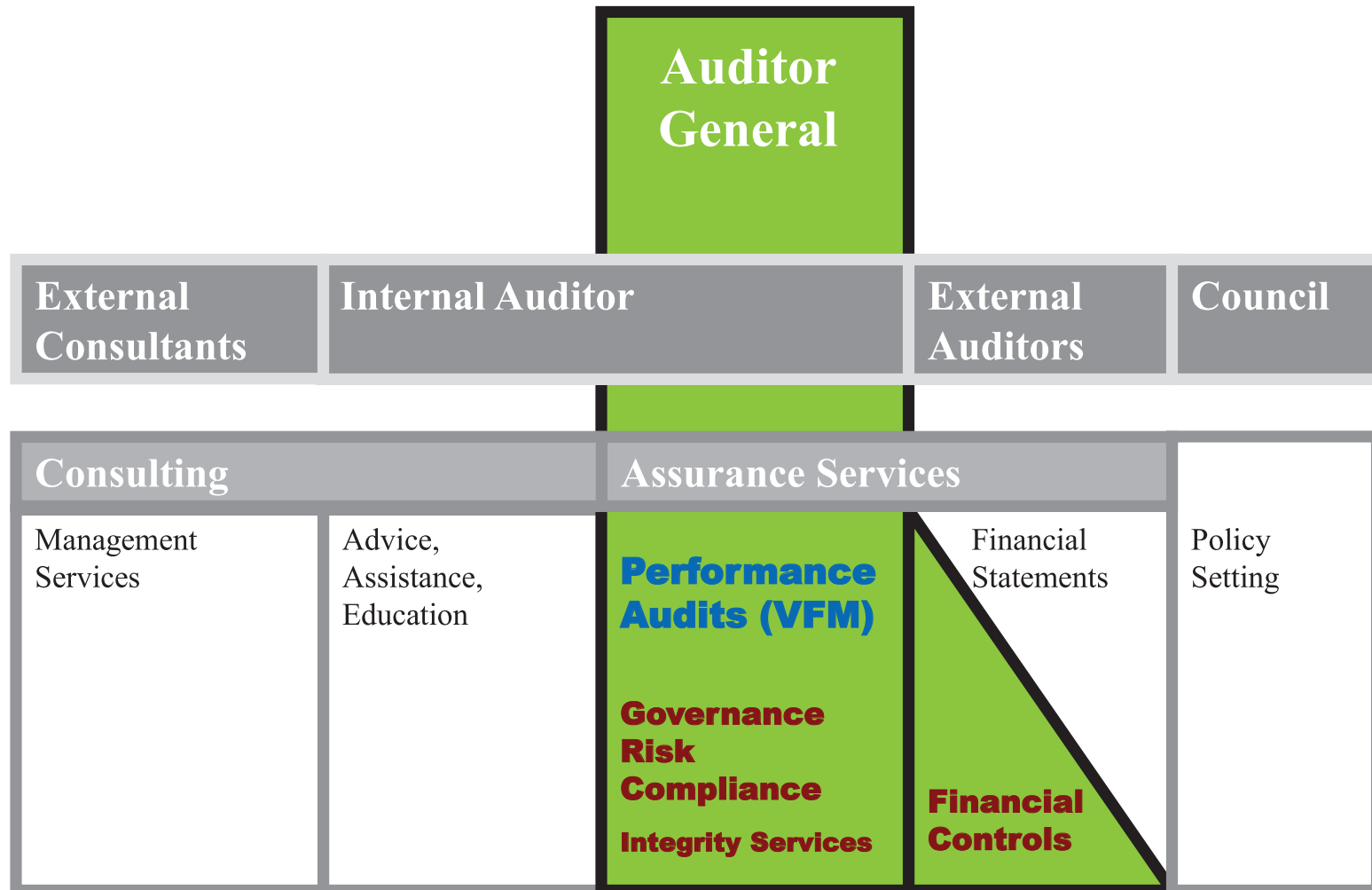
# Auditor General Role

Section 223.19 of the Ontario Municipal Act

“Auditor General who 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**”.

# Auditor General Role

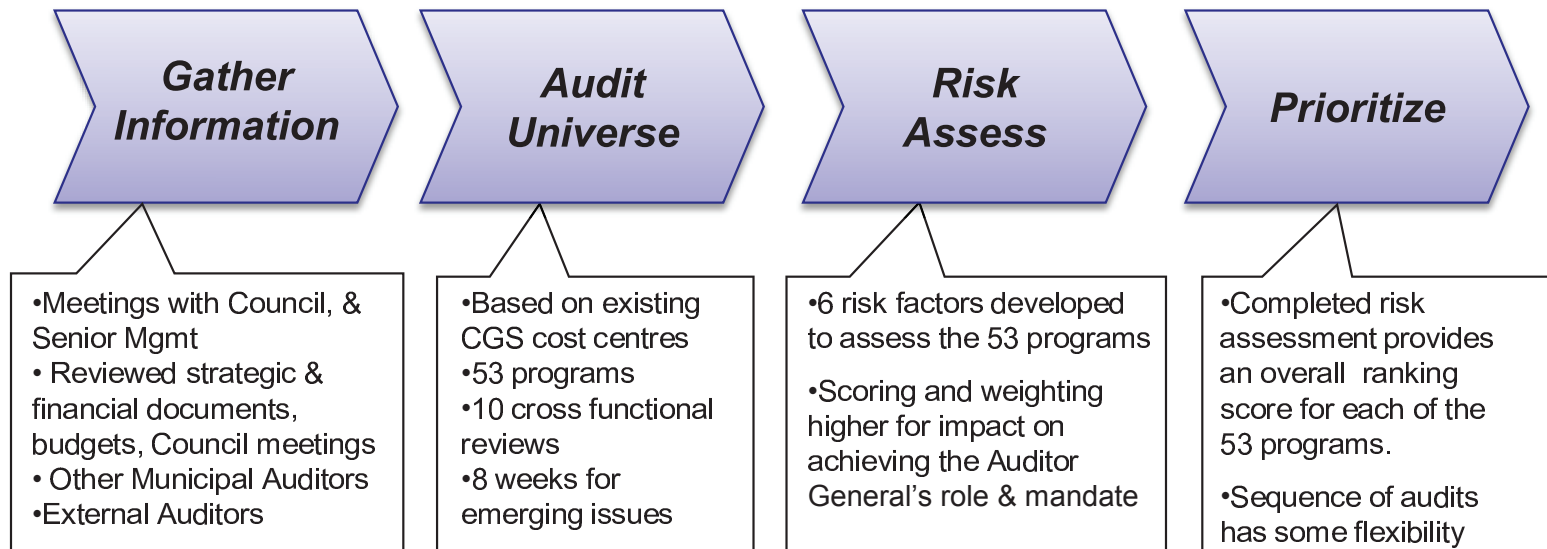
Focus of audits. (blue = Program audits, red = Cross Functional audits)



# Audit Planning Approach

Audit universe based on CGS cost centre structure

- **Audit Plan**
  - Is the selection of audit projects to deliver on the mandate
  - Is approved by Council through Audit Committee
- **How is the Audit Plan developed?**
  - Information is gathered to understand City operations and possible audit entities.
  - Audit entities are prioritized based on an audit risk assessment.
  - Risk factors were used to prioritize the auditable entities.



**Audit Plan**

**Audit Universe**

# Audit Planning Approach

Audit universe based on CGS cost centre structure

Audit Unit #	Audit Universe	Cost Centres	Services / Programs / Functions	Combined Operating & Capital VFM Rating	Gross Materiality Rating (Net Impact on Operating Levy)	Inherent Risk To Revenues (Fees & Revenues Collected, Grants \$ Issued)	Current Council Interest Rating (# Mentions)	Complexity Rating (Est Full FTE Equivalents / # Transactions)	Combined Citizen & Media Sensitivity Rating	Total Score Out Of 3
	<b>Program VFM Audits</b>									
1	<b>EXECUTIVE AND ADMIN</b>			1	1	1	1	1	2	1.10
	Office Of The Mayor	205								
	Council Expenses	210								
	Auditor General	300	n/a							
	Office of the C.A.O.	250								
2	<b>ADM. OTHER</b>			1	2	1	1	1	1	1.25
	Comm and French Lang Service	260	French Language Communications, Media Relations, Visual Identity, Website, Events							
	Admin Serv Exec Directr's Off	1005	Corporate Projects OMBI / MPMP / CIP Business Plan Strategic Plan Accessibility Plan Quality Accreditation							
	Debt -Contribution to Capital	1010	IT, copiers, print services, telephone, voice mail, VOIP							
3	<b>LEGAL SERVICES</b>			1	1	1	1	1	1	1.00
	Legal Services	1505	Legislative Legal Services, Prosecution of Provincial Offences Act Matters Reviews of: Resolutions, Bylaws, agreements, contracts & opinions							
4	<b>CLERKS SERVICES</b>			1	1	1	3	1	1	1.30
	Clerks Services	1510	Permanent Official Records management, Freedom Of Information Requests, Birth/Death/Burial records, licenses & permits							
	Election Services	1515	Election every 4 yrs							
5	<b>PROVINCIAL OFFENCES</b>			1	1	1	1	1	1	1.00
	Provincial Offences	1550	Day to day operations of court, collections of fines, fees, cost & surcharges, revenue net of amts collected and costs are retained							
6	<b>INFORMATION TECHN.</b>			2	2	1	2	2	1	1.75
	Chief Information Officer	1110	IT Strategic Plan							
	Business Applications	1115	200 business applications							
	Network and Support	1120	1900 workstations @ 110 network sites, 1,800 telephones, 190 cell phones & 220 blackberries							
7	<b>HUMAN RES PLANNING, PERFORMANCE, COMPENSATION</b>			2	2	1	2	2	2	1.85
	H R Administration	1305	resources planning / succession planning, employee performance & development, Labour relations, Payroll							
	Health & Safety	1310	Health & Safety, benefits & Rehabilitation, Employee wellness,							

# Audit Planning Approach

Risk factors developed to align with Auditor General's role.

<b><i>Risk Factor</i></b>	<b><i>Description</i></b>
<b>VFM / Savings Potential</b> <i>Score of 1,2 or 3 x 25% weighting</i>	Potential for cost savings or efficiencies in operations. <b>Key Drivers</b> — 2009 Budget Salaries & Benefits, Contracted Services & 2008 Replacement Cost of Assets. Considers the impact of salaries & benefits, contracted services and the replacement value of tangible capital assets for each program
<b>Materiality</b> <i>Score of 1,2 or 3 x 25% weighting</i>	Based on the program's net impact on the operating levy . <b>Key Drivers</b> — 2009 Budget Total Expenditures, Total Revenues . Overall impact on the Net Tax Levy with revenues from internal and external sources net of operating expenditures
<b>Control Maturity</b> <i>Score of 1,2 or 3 x 15% weighting</i>	Based on the inherent risk/opportunity to revenues <b>Key Drivers</b> — 2009 Budget User Fees, Other revenues, Grants provided to other organizations . Collect a \$ or don't lose a \$ = 100% return.
<b>Impact on Priorities</b> <i>Score of 1,2 or 3 x 15% weighting</i>	Based on current Council interest through interviews <b>Key Driver</b> - Number of mentions by Council of current opportunities for the Auditor General's office to add value to the organization
<b>Complexity</b> <i>Score of 1,2 or 3 x 10% weighting</i>	Based on equivalent # labour resources <b>Key Drivers</b> - Estimate of the amount of labor resources (equivalent FTE's) required to deliver the program or service to the public
<b>Sensitivity</b> <i>Score of 1,2 or 3 x 10 % weighting</i>	Based on 2009 Budget Citizen Survey <b>Key Drivers</b> — Derived from the importance and satisfaction ratings provided by the public in the recent 2009 Budget Survey, and number of Media mentions over the last 2 years





**Audit Plan**

**Prioritize**

# Audit Planning Approach

A ranking criteria score provides general timing of audits.

- The audit projects were selected based on the assessed risk ranking, combining all risk factors and prioritizing the higher level risk ranked areas.
- A weighting was applied to each of the risk factors to align with the audit mandate.
- The Audit Plan targets areas where the Auditor General could add value to the City, and takes into account current management actions underway. (Eg. Winter Control)

**Audit Plan**

**Prioritize**

# Audit Planning Approach

Total ranking score provides general timing of audits.

AUDIT UNIVERSE		Risk Scoring Categories						TOTAL RANKING SCORE (Out Of 3)	Rank
		VFM SAVINGS POTENTIAL 25% x Score	MATERIALITY 25% x Score	CONTROL MATURITY 15% x Score	IMPACT ON PRIORITIES 15% x Score	COMPLEXITY 10% x Score	SENSITIVITY 10% x Score		
List Of Auditable Units Based On CGS CostCentre Structure									
1	Transit	3	3	3	2	3	2	2.75	1
2	Environmental Services	3	3	3	2	3	1	2.65	2
3	Fire Services	3	3	2	2	3	2	2.60	3
4	Winter Roads Mtce Program	3	3	2	2	2	3	2.60	4
5	Water & Waste Water Linear	3	3	2	2	2	2	2.50	5
6	Housing Services	2	3	3	2	3	2	2.50	6
7	Summer Roads Mtce Program	3	3	1	2	2	3	2.45	7
8	Asset Management Real Estate	3	2	3	3	2	1	2.45	8
9	Asset Management Fleet	3	3	2	2	2	1	2.40	9
10	Parks Services	3	2	2	2	3	2	2.35	10
11	Ont Works Program	2	3	3	1	3	2	2.35	11
12	Engineering Services	2	3	1	3	2	2	2.25	12
13	Water Plants	3	2	1	3	2	2	2.25	13
14	Wastewater Plants	3	2	1	3	2	2	2.25	14
15	Emerg.Serv.Div.	3	2	2	2	3	1	2.25	15
16	Lt Care Senior Serv	3	1	3	1	3	3	2.20	16
17	Water / Wastewater Revenues	1	3	3	3	1	2	2.20	17
18	Community Arena Ctr	3	1	3	2	2	2	2.15	18
19	Community Other Ctr	3	1	3	2	2	2	2.15	19
20	Planning Development	2	2	2	2	2	3	2.10	20
21	Public Libraries	2	2	2	2	3	2	2.10	21
22	Financial Planning & Policy	2	3	1	2	1	2	2.00	22
23	Roads Maintenance Program Other	2	2	1	3	1	3	2.00	23
24	Economic Development	2	2	3	1	2	2	2.00	24
25	Police Services Board	3	3	1	1	1	1	2.00	25



**Audit Plan**

**Prioritize**

# Audit Planning Approach

Detailed timing of audit projects and reviews

- The detailed timing of audit projects within the year is flexible, and will consider impacts of program staff availability as well as Audit staff availability, and will be refined in the new year.
- The first program audit in 2010 will be the Roads – Summer Maintenance program
- The program audit will begin with a high level scan and then a deep dive into selected areas
- Council may request amendments to the Plan with a 2/3 majority vote.
- The Audit Plan will be reviewed annually for continued relevance and adjustments made accordingly.

**Audit Plan**

**Prioritize**

# 2010 Audit Plan

Selection of  
Program  
Performance  
Audits

**Focus  
-VFM**

(Quality, Timeliness, Efficiency,  
Economy, Program Results etc.)



AUDIT UNIVERSE	ANNUAL AUDIT FOCUS (AUDIT WEEKS)					
	2010	2011	2012	2013	2014	2015
<b>PROGRAM PERFORMANCE AUDITS</b> Determine whether a department service or program operates effectively efficiently and economically, and whether risks are managed appropriately.						
Transit	10					
Environmental Services	10					
Fire Services	10					
Winter Roads Mtce Program		8				
Water & Waste Water Linear		10				
Housing Services			6			
Summer Roads Mtce Program	8					
Asset Management Real Estate		10				
Asset Management Fleet		10				
Parks Services			10			
Out Works Program				4		
Engineering Services			8			
Water Plants			8			
Wastewater Plants			8			
Emerg Serv Div.				6		
Lt Care Senior Serv		10				
Water / Wastewater Revenues			8			
Community Arena Ctr			8			
Community Other Ctr				8		
Planning Development				8		
Public Libraries				8		
Financial Planning & Policy				8		
Roads Maintenance Program Other				8		
Leisure Rec Services				10		
Greater Sudbury Housing Corp			4			
<b>TOTAL PROGRAM PERFORMANCE AUDIT</b>	38	48	60	60	60	60

**Audit Plan**

**Prioritize**

# 2010 Audit Plan



Selection of Cross Functional Audits & Reviews

## Focus

- VFM
- Financial
- Governance
- Risk
- Compliance
- Controls
- Integrity

	2010	2011	2012	2013	2014	2015	6 YR TOTAL # WKS
<b>CROSS-FUNCTIONAL AUDITS</b>							
Areas identified as high risk where audit involvement would provide the greatest value. Also provides a presence where Program Audits are not planned for some time.							
Contract Management	6	3	2	2	2	2	17
Timesheets & Payroll	6	3	2	2	2	2	17
Construction Management	5	3	2	2	2	2	16
Payables & Receivables	4	2	2	2	2	2	14
Revenues & Recoveries	4	3	1	1	1	1	11
Procurement	4	3	1	1	1	1	11
Risk Management & Assurance Providers (Legal, Insurance, IT and the B. Safety)	3	2	1	1	1	1	9
Grant & Funding Expenditures	3	1	1	0	1	1	7
Safeguarding of Assets	1	4	0	1	0	0	6
<b>EMERGING ISSUE AUDITS</b>							
Unforeseen priority projects undertaken at the discretion of the Auditor General.							
Tangible Capital Assets	3	0	0	0	0	0	3
Energy Management	3	0	0	0	0	0	3
Capital Variance & Status Reporting	2	0	0	0	0	0	2
Other Emerging Issue Audits	0	8	8	8	8	8	40
<b>CASH HANDLING AUDITS</b>							
Review cash handling activities to safeguard against risk and loss.							
Cash Handling	2	2	2	2	2	2	12
<b>AUDIT FOLLOWUP REVIEWS</b>							
Monitor the effectiveness of management's actions to address reported risks or operational improvement opportunities.							
Audit followup	2	4	4	4	4	4	22
<b>EXTERNAL AUDIT SUPPORT</b>							
Coordinated audit efforts with external auditors.							
External Audit Support	1	1	1	1	1	1	6
<b>TOTAL OTHER AUDIT WEEKS</b>	49	39	27	27	27	27	
<b>ADMINISTRATION</b>							
Training	2	2	2	2	2	2	
Administration, Stat Holidays, Council / Committee Reporting	7	7	7	7	7	7	
Vacation	8	8	8	8	8	8	
<b>TOTAL PLANNED ADMINISTRATIVE WE</b>	17	17	17	17	17	17	
<b>TOTAL PLANNED AUDIT WEEKS</b>	104	104	104	104	104	104	

# Audit Process

What happens during an audit project?

## Audit Phase

### Planning

#### **Output: Terms of Reference**

##### **Audit objectives, scope, criteria, timelines**

- This document is discussed with stakeholders.
- Escalation if management delay impedes the audit and agreed timelines
- Audit criteria and testing program is designed at this time.

### Review

This phase of the audit assesses design and operation of processes, controls and compliance. Activities include: Testing of transactions, walk throughs, analytical review of information, observation, data analysis, benchmarking.

#### **Output: Confidential Draft Audit Findings**

##### **Condition, cause, criteria, impact, recommendation**

- Deficiencies identified are communicated to management and factually verified.

# Audit Process

What happens during an audit project?

## Audit Phase

### Reporting

#### **Output: Confidential Draft Audit Report**

- Closing meeting with management to review confidential draft audit report
- Management provides responses with action plans including timeline and accountability.

#### **Output: Final Audit Report**

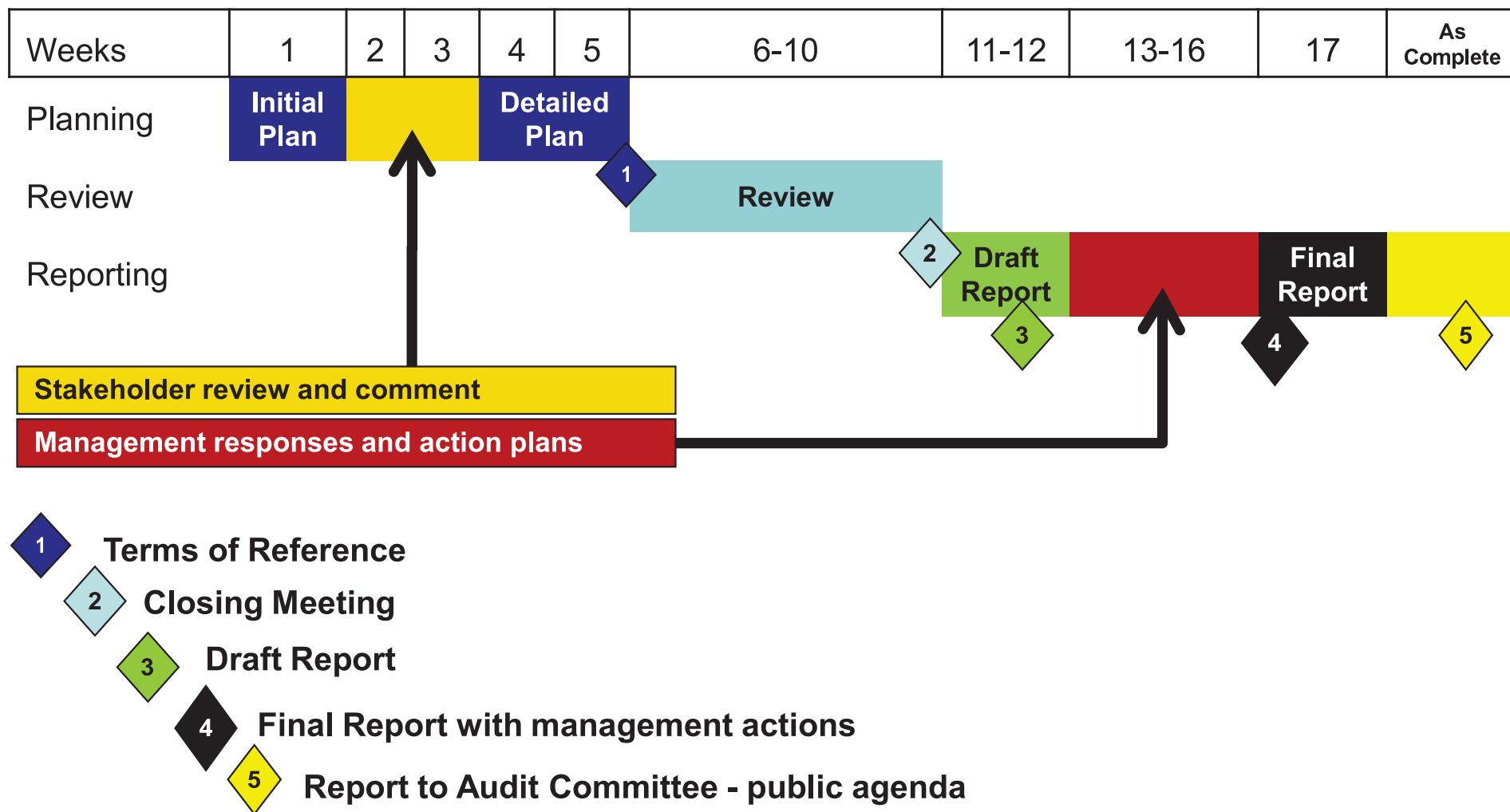
- Agreed with management, includes management response and action plans
- Final Report issued to management
- Final Report issued to Audit Committee through agenda and presented as completed, whereupon the report becomes public
- Management decision not to act or a disagreement with audit findings will be included in the report.

### Follow Up

All agreed actions will be followed up annually. It is expected that management sets reasonable and achievable action completion dates. Late or no actions are escalated by the Auditor General.

# Audit Process

Typical Audit Project Timeline (when all goes well)





# Performance Measurement

## Proposed measures

<b>Key Performance Measures for Auditor General office</b>	<b>Actual</b>	<b>Target</b>
Councillor satisfaction surveys ( <i>% satisfied: good and above</i> )		90%
Senior staff satisfaction surveys ( <i>% satisfied: good and above</i> )		80%
Cost of Audit ( <i>% of CGS Operating Budget</i> )		0.065%
Audit improves efficiency & effectiveness and controls ( <i>% of actions implemented within agreed timelines</i> )		65%
Delivery of Audit Plan ( <i>% of Plan completed</i> )		80%
Timeliness of reporting ( <i>% of Reports issued within 2 weeks of agreed times in the Terms of Reference</i> )		75%
Output of audit adds value ( <i>% of recommendations accepted</i> )		85%
Continuing professional education credits earned by Auditor General & Senior Auditor		60 hours

*Source - North American Local Government Audit Association Benchmarking & Best Practice Survey, 2002*

# Next Steps

- Audit Committee Discussion
- Approval of the 2010 Audit Plan
- Acceptance of the 2011 to 2015 Audit Plan
- Begin detailed audit planning Dec & Jan
- Hiring of Senior Auditor Dec & Jan