

Canadian Municipal Audit Departments



Survey
1998



Prepared by
City of Winnipeg Audit Department
Leaders in building public trust in civic government

Every effort has been made to ensure the accuracy of the submitted survey responses. For further information on the survey, please contact the participating municipal audit department.

Disc copies of the report in Word 97 or Adobe Acrobat are available upon request to the City of Winnipeg, Audit Department

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Mandate and services

Vision statement

“As a team of dedicated and skilled professionals, we are committed to deliver quality service through a timely and accurate process. To ensure an ongoing level of mutual trust and confidence is maintained with our stakeholders, we will perform our duties with the utmost objectivity, integrity and due care.”

Mandate

The Internal Audit Department is an independent management control function to assist management in the effective discharge of their responsibilities by providing them with analyses, appraisals, recommendations, opinions, and information concerning the activities reviewed.

The objectives of the Internal Audit Department are to provide reasonable assurance of

- The reliability and integrity of financial information and the means used to identify, measure, classify and report such information.
- The means of safeguarding assets, and as appropriate, verifying the existence of such assets.
- The established or proposed systems to determine the adequacy of internal management, accounting and operating controls, and compliance with those policies, plans, procedures, laws and regulations which could have significant impact on operations.
- The efficiency and economy with which resources are employed, identifying opportunities to improve operating performance and recommending solutions to problems where appropriate.
- The effectiveness of operations and programs to ensure that results are consistent with established objectives and that operations or programs are being carried out as planned.

Services

The services are

- Traditional audit – compliance reviews
- Year end financial statements audits
- Operational audits
- CSA/CRSA
- Workshop facilitation
- Visioning exercises

Control self-assessment

We started in 1996 and refined it in 1998 by adding risk. We further refined it in 1999 with voting technology and risk database software.

Performance measures

We measure the results of our services by providing an evaluation questionnaire at the end of each project.

Risk assessment process

We have nine factors of risk that we incorporate into a risk based audit strategy. One of the risk factors includes the results of our risk assessments as part of the CRA process.

Annual attest audit

The annual attest audit is performed externally. The attest audit fee is \$70,000. The budget funds reside with Treasury Services in their operating budget.

Other services (out-sourced or partnered)

We do not out-source any other services.

Audit reports

Our audit reports are distributed to

- City Manager
- Commissioners
- Director
- Manager of the department

Reports are not public documents unless requested under the *Freedom of Information Act*.

Total budget

The total budget is \$340,000.

Department accountability and structure

Reporting relationship

The Internal Audit Department reports to the City Manager.

Department structure

The Internal Audit Department has four staff. The City Auditor is a CA and a CFE. Other staff have accounting/auditing programs. The salary ranges for the department are approximately \$40,000 to \$90,000.

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Introduction

“Organizations—which, after all, are merely collections of people—exist for only one purpose: to help people reach ends together that they could not achieve individually.” – Waterman

The City of Winnipeg's Audit Department surveyed 15 municipal audit departments across Canada including three regional municipalities. The survey was proposed at the 1998 Ontario Municipal Auditors meeting as a follow-up to a previous survey that had been carried out in 1992. The members agreed that it would be a useful exercise to update the information from this earlier survey.

An information package that included a cover letter, the survey and a copy of the 1992 information was sent out to fifteen audit departments in November, 1998 (see Appendix 1 for a copy of the survey). The information for this report was collated and tabulated in two sections—the *Survey Results Summary* and the detailed *Survey Responses*.

An additional survey of six municipalities and three regional municipalities was carried out on the hiring practices for external auditors. The results for those departments who responded have been combined with the other survey results and responses.

The intent of the survey was to provide useful comparative information that would contribute to the development of benchmarks and best practices across Canadian municipal audit organizations.

Survey results summary

Out of fifteen surveys that were sent, a total of thirteen audit departments responded: ten cities and three regional municipalities. Several included reference material along with their survey responses and this information has been included in the appendices. The survey information was summarized in Table 1, which follows this section. For detailed information on each completed survey, refer to the *Survey Responses* section. The following is a brief overview of the survey responses captured in Table 1.

- Mandate and services:*** Most audit departments focused on internal and operational audits including value-for-money, assurance, compliance, fraud and special investigations. Three departments indicated that they carried out information systems/technology audits.
- Performance measures:*** The level of performance measurement varied from department to department. It ranged from departments that had no performance measures to departments that integrated their measures with those of the city. Most departments completed some sort of follow-up survey on client satisfaction and/or implementation results.
- Risk assessment:*** Ten departments carried out some type of structured or formal risk assessment process for developing their audit plans. One department used software to rank their audit projects.
- Attest audit:*** Every department carried out their attest audit using external consultants. The fees that were charged ranged from \$53,000 to \$970,000.
- Outsourcing:*** Outsourcing or partnering was not a common theme among departments. If any projects were carried out, it was usually for ones that required additional expertise. The majority of departments had only a small budget for hiring consultants.
- Audit reports:*** Most departments indicated that their audit reports went to audit committee and then to council. Only one department sent their reports to the audit committee only. Once reports reached council, they became public documents unless, as in one department, they were tabled *in camera*.

<i>Total budget and staff:</i>	Departments ranged in size and budget from one with a full-time person and a budget of \$125,000 to one with twenty-one staff and a proposed budget of \$2,036,000.
<i>Reporting:</i>	The majority of departments reported to an audit committee and council. Two departments reported to the City Manager and the Chief Administrative Officer, respectively, while one department reported to the Controller's Division of the Finance Department.
<i>Audit Committee:</i>	Four departments did not have an audit committee while one department had a special audit committee that has only met infrequently in the past six years. The remaining departments had audit committees made up of councillors with one committee including two citizens as its members.
<i>Control self-assessment:</i>	There was not a lot of in-depth experience with control self-assessment among the departments that were surveyed. A little more than half indicated that they had carried out some sort of pilot project. At this point, none of the departments were using the approach as part of their audit plan. One department was piloting a new risk assessment methodology that will use CSA to develop their audit plan.

External Auditor hiring practices

An additional survey of the audit departments for six cities and three regional municipalities was carried out to determine the hiring practices for external auditors. The information is also summarized in Table 1.

<i>Award process:</i>	Every department except one used a request for proposal process. The remaining department awarded the contract as a direct assignment from Council.
<i>Awarding authority:</i>	For all departments either the Audit Committee or Council awarded the contract.
<i>Contract term:</i>	The term for the contracts ranged from two years to five years with some renewed annually and others renewed at the end of the term.
<i>Restrictions:</i>	One department rotates the external consultant every five years.

Table 1: 1998/99 Survey Results of Municipal Audit Departments

SURVEY QUESTION	BURLINGTON	CALGARY	EDMONTON	HAMILTON-WENTWORTH	MISSISSAUGA	MONTREAL
1) Mandate	Internal control, operational	Internal control, operational	Internal control, operational	Internal control, operational	Internal control, operational	Internal control, attest audit
2) Services	Assurance, forensic/special, organization development, leadership	Independent reviews, consultation, information systems	Value-for money, compliance, financial, program evaluation, special projects, fraud	Compliance, financial	Assurance	Financial, compliance, value-for-money, electronic data processing (EDP)
3) Performance Measurement	Goals and performance targets	Output, efficiency, and effectiveness	Set of measures tied into budget	Number of recommendations implemented and results of implementation	No formal objective process for measuring results	Number of recommendations satisfied
4) Risk Assessment	No structured process	Inventory of audit areas reviewed annually for audit plan	Long term audit plan with annual update of manageable audit units (MAU)	Long term plan (5 years), annual plan	Informal assessment of audit universe before developing audit work programs	Adopting a risk assessment process
5) Attest Audit	External - \$70,000 in 1997	External - \$147,000 in 1997	External - Finance Department funding	External - \$97,000 in 1998 (Finance Department)	External - \$128,000 in 1998 (Internal Audit budget)	City Auditor and 2 external auditors - \$75,000 for each of the 2 firms
6) Outsourcing Services	Attest audit	1 or 2 value-for-money audits, \$60,000 for consultants	Small fund for consultants	Occasional use of consultants	Not mentioned	No out-sourcing
7) Audit Reports	Reports to Management and Audit Committee only	Executive summary to Council, final management report to Council on confidential basis. All value-for-money audits public when approved by Council	Reports go to Special Audit Committee or Council (public documents after Council receives them)	Auditee's Standing Committee and Council	City Manager, Audit Committee. Final reports are public documents. 30 day waiting period for requests under Freedom of Information.	Council and/or auditee
8) Total Budget	\$125,000	\$1,152,000 in 1998	\$1,044,000	\$164,510	\$542,000 net in 1998	\$3,490,300
9) Reporting	City Manager	Audit Committee, Commissioner of Finance and Administration	Special Audit Committee and Council	Audit Sub-Committee of the Finance and Administrative Services Committee of Council, General Manager of Finance	City Manager, Audit Committee	Council

OTTAWA	RM OTTAWA-CARLTON	RM PEEL	REGINA*	SASKATOON	TORONTO	WINNIPEG
Internal control, operational	Internal control, operational	No official mandate	Internal control	Internal control	Internal control, operational	Internal control, operational
Assurance, IT auditing, consulting	Comprehensive, consulting - key management practices	Performance, IT, contract, compliance, self-assessment, special requests	Value-for-money, financial, fraud, compliance, special projects	Value-for-money, financial systems, special investigations	Financial, compliance, attest, fraud	Assurance, education and consulting, special services
Performance against audit plan, post audit evaluation, assessment of product and performance by Audit Committee	Publish activity counts and performance measures	None mentioned	Compare to other municipalities, follow-up surveys	Follow-up satisfaction survey	Number and percentage of recommendations implemented, informal feedback from clients	Integrating audit performance measures with City's measures
3 year work plan	Annual plan	Long-term plan reviewed annually	No formal process	Audits scheduled over an 11 year audit cycle	Use ADM+ software to rank list of projects	CRSA approach
External - \$96,690 (Finance Department)	External - \$135,000 in 1998	External - \$110,000	External - \$59,500	External - \$53,300	External - \$970,000 (out of Audit budget for 1998, Finance budget in future)	External - \$167,000
Annual consulting budget of \$50,000	Consultants used on selective basis	None	Consultants used on selective basis	No out-sourcing	As required	As required
Audit Committee, Council – once report received by Audit Committee they are public documents	Chief Administrative Officer, Standing Committees and Council - reports are public documents	Chief Administrative Officer, Audit Sub-Committee - reports are public documents	Audit Committee, Council - once reports received by Council they are public documents	Audit Committee, Council - value-for-money reports are public while financial system reports are <i>in camera</i>	Audit Committee, Council - reports are public unless tabled <i>in camera</i>	Audit Committee, Council
\$660,700 in 1998	\$555,000 in 1998	Amount not given	\$430,000 including external audit	\$554,200	\$2,036,000 for 1999 (1998 transition year)	\$833,531 in 1999
Audit Committee	Chief Administrative Officer	Controller's Division of Finance Department	Audit Committee, Council	Council	Audit Committee, Council	Audit Committee, Council

* City of Regina dissolved the Audit Department in February, 1999, replacing it with two Program Review Analyst positions reporting directly to the City Manager.

Table 1 continued

	BURLINGTON	CALGARY	EDMONTON	HAMILTON- WENTWORTH	MISSISSAUGA	MONTREAL
10) Audit Committee	None designated in 1998	7 Council members, 2 citizens, Mayor ex officio, Chief Commissioner or Commissioner of Finance and Admin, External auditors	No audit committee. Special Audit Committee (Council members) meets at the call of the Chair (few times in last 6 years)	Chairs of each Standing Committee, vice-chair of Finance and Administrative Services Committee, and 8 Regional Chairs	Mayor (ex officio), 3 Council members rotating annually.	No audit committee - Administration and Quality of Service Committee (5 Councillors) reviews annual report and budget
11) Staff	1 full time professional with shared support staff	13 staff	11 staff	2 staff	6 staff	30 staff
Control Self-Assessment	No experience	2 pilot projects	2 CSA sessions for IT branch	No experience	Pilot study	No experience
External Contract Award Process		RFP sets out contract requirements and administration coordinates process.		RFP sets out contract requirements. Invitations are sent to a standard bidders list with adverts in papers.		Contract awarded as a direct assignment from Council. City hires two External Auditors - one French and one English
Award Authority		Audit Committee awards contract. The lowest bid does not necessarily win the contract.		Staff review submissions and make recommendations to the Audit Selection Committee. Committee makes its recommendation to Council who awards contract.		Council awards contract
External Contract Term		5 year term renewed annually		5 year contract reviewed annually which can be renewed after 5 years. Incumbent has been retained for 8 years.		2 year term for both contracts on a rotating basis. Term ends for one contract while the other term continues
Restrictions		City rotates firms every 5 years However, Deloitte & Touche won the most recent contract for another term.		Successful firm has to have municipal auditing experience.		Has to be one English and one French firm. Based on who knows who on Council.
OTTAWA	OTTAWA-CARLTON	PEEL	REGINA*	SASKATOON	TORONTO	WINNIPEG

Standing Committee of Council – Mayor and 3 Councillors (meet at the call of the Chair)	No Audit Committee	Audit Sub-Committee - regional chair and 3 area municipality representatives	Audit Committee (max 5 councillors/ min 3 councillors)	Audit Committee - 5 Council members (plus Mayor ex officio)	Audit Committee - 7 Council members	Audit Committee - 7 Council members (mayor, deputy mayor, governmental affairs, plus 4 standing committee chairs)
7 staff	6 staff	5 staff	5 staff	8 staff	21 staff	10 staff
No experience	No experience	1 project	No experience	1 pilot project	Limited experience - 1 exercise	Pilots with more sessions planned in the future. CRSA approach to risk assessment for audit plan.
Municipal Act requires a competitive tender process. However, City can renew contract if they are satisfied with current auditor.	Beginning in 1993, City put out an RFP for the contract. Previously, contract was awarded by direct assignment	RFP sets out contract requirements. A bidder's meeting is held where all bidders get same RFP information.	RFP sets out contract requirements. Larger firms are invited to bid. Also advertise in papers.	New process where City Controller and General Manager put out tender. Best bid wins contract.		RFP at direction of Audit Committee
Council awards contract	Finance Department manages RFP process and the contract. Staff (Treasure and Deputy Treasurer) from Finance evaluate bids and make recommendation to Council who awards contract based on staff recommendation.	Review Committee evaluates bids and makes recommendation to Council. Council awards contract.	Council awards contract. Evaluation committee made up of Finance, Administration and Audit makes recommendation to Council.	Council awards contract		Council awards contract upon recommendation of Audit Committee
3 year term. If satisfied with performance after 3 years can renew contract.	5 year term. However, Council does have the authority to re-appoint firm without going to RFP process. Municipality renewed contract last year for another 3 years.	5 year term reviewed annually. Contract can be terminated if there are performance problems. After 4 years, present contract extended 2 years, and recently extended another 1 year.	5 year term. The number of years for hiring is set by internal policy.	5 year term		5 year term
Has to be a licensed municipal auditor	Open - no restrictions	Has to be a large enough firm to handle contract but anyone can bid.		New process was first implemented 2 years ago. If City has a negative experience with External Auditor, it may recommend not to rehire current firm.		Open – no restrictions

Survey responses

The following section includes the detailed responses of the audit departments who responded to the survey.

The City of Burlington

Internal Auditor: Rudy Huisman

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Mandate and services

Mandate

Reporting to the City Manager, the Internal Auditor is expected to

- Evaluate internal financial and management controls.
- Examine any organizational unit, function or process within the Corporation to determine whether it is operating economically and efficiently and whether it is achieving the objectives for which it was established.

Services

The services are

- Assurance to management about internal financial and management controls.
- Forensic audits and special investigations.
- Organizational development – process reviews, organizational restructuring.
- Project leadership – productivity enhancement, best practices, Year 2000.

Control self-assessment

Although the concept of control self-assessment has been recognized in Burlington for some time as very attractive, implementation has been informal with regards to control self-assessment including

- Providing relevant information to department heads about internal control.
- Providing appropriate criteria to enable department heads to evaluate internal control.
- Conducting periodic seminars for staff members in organizational units with asset management functions.

Burlington has considered but not adopted the current control self-assessment model as a potential corporate-wide organizational improvement initiative.

Performance measures

Internal Audit is a very small unit and performance measurement is achieved through an annual review of performance targets established to support corporate directions and priorities, unit objectives and individual areas of responsibility. Goals are either achieved or not achieved. Goals are usually expressed in terms of the completion of defined projects. From time to time other specific outcomes are defined such as the implementation of recommendations for change.

Because of Burlington's size, no exit interviews or surveys are conducted to evaluate client satisfaction with Internal Audit services.

Risk assessment process

No structured process.

Annual attest audit

The attest audit is performed by an independent firm of public accountants. The attest audit fee for 1997 was \$70,000. The budget for the attest audit is categorized as general municipal expenditures.

Other services (out-sourced or partnered)

The City of Burlington uses a number of alternative service delivery models throughout the Corporation. Other than the attest audit, there are no routine functions in the areas of audit or finance that are out-sourced. Some individual organizational development projects are out-sourced. Each project is executed within terms of reference that are typically developed based on responses to an initial request for proposals.

Audit reports

Internal Audit reports may be distributed to management only or to the Audit Committee of Council depending on the purpose of each report, the significance and nature of its subject matter and the source of direction which led to the work being completed.

Reports to Council usually become public documents except when personnel matters are involved. Reports to management usually do not become public documents.

Total budget

The total budget is \$125,000.

Department accountability and structure

Reporting relationship

Internal Audit reports to the City Manager unless the nature and significance of the report's subject matter suggests that the matter should be dealt with by Council or the Internal Auditor is directed by Council to report to the Audit Committee. A Council directive would typically involve the need for specific assurances required by Council.

Audit Committee

Burlington City Council down-sized in 1997 from sixteen alderman to six aldermen. The former Council included a Budget and Strategic Planning Committee that was also designated as the Audit Committee to deal with reports from the Internal Auditor as directed and with matters relating to the work of the External Auditor. The smaller Council has not yet designated an Audit Committee for 1998.

Department structure

The Internal Audit function has one full time professional with shared support staff. There is a budget for student support and outside consulting on a defined project basis. Internal Audit relies also on short-term secondments from other departments such as Human Resources, Finance and client departments.

The City of Calgary

Director R. D. MacLean

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Mandate and services

Mandate

The Management Audit Department assists management in the effective discharge of their responsibilities by providing them with analysis, appraisals, recommendations and pertinent comments concerning the activities reviewed. The Management Audit Department has unrestricted access to all records, property and functions necessary to the conduct of a comprehensive program of operational and financial audits.

The mission of the Management Audit Department is to assist Council, Audit Committee, the Board of Commissioners, and the Administration in performing their governance role by providing independent and objective evaluations of programs, processes and systems.

The Department strives to maintain an effective internal audit function within the professional standards defined by the Institute of Internal Auditors. The Department assists management and the Audit Committee of Council in the effective discharge of their responsibilities by auditing operations to

- Assess compliance with Corporate policies and procedures.
- Assess the efficiency and effectiveness of programs, processes and systems.
- Identify opportunities for improving the management processes of the various operations.

Services

The Management Audit Department provides independent and objective reviews and evaluations of City operations, programs and systems. Specific and focused reviews are also performed in organizations that have an operating agreement with the City.

Reviews are generally structured and focused toward the efficiency and effectiveness of managerial and operational policies, processes and procedures. Reviews usually include recommendations to assist management in improving operations and in performing their roles and responsibilities. Audits may also result in enhancements to corporate initiatives such as training/awareness programs, and performance management. See Appendix 2 for Calgary's value-for-money audit procedures.

A consultative role has recently developed in response to requests from various internal committees and work groups. This role is expanding rapidly as functional areas benefit from Management Audit's assistance to various development teams and work groups.

The Department has two IT auditors who provide control related advice for application systems under development and undertake reviews of IT related areas.

Control self-assessment

The Department has undertaken considerable research on control self-assessment and participated in two pilot CSA workshops. The research continues.

Performance measures

The Department has been working on improving its performance measures. The published measures are

Output:	Percentage of projects completed to approved audit plan.
Efficiency:	Days to issue preliminary audit report.
Effectiveness:	Percentage of recommendations accepted.

Information from NALGA and a recent 'high impact auditing' workshop will be used to refine the measures.

Risk assessment process

The Department maintains an inventory of audit areas. The audit areas are reviewed annually in conjunction with areas identified by Management Audit staff and input from members of the Board of Commissioners and Council. The regular plan of audits is then developed and presented to Audit Committee for approval.

External auditor contract

Administration coordinates a request for proposal. The Director of Audit, Director of Finance and Commissioner of Finance respond to questions from bidders. When proposals are submitted, only a few bidders may be eliminated from having an opportunity to make a presentation to the Audit Committee. Audit Committee, which is made up of mostly politicians and some outside people, awards the contract. The winning firm may not necessarily have had the lowest bid. The contract is for five years but is renewed annually. Previously, the incumbent firm would not be awarded consecutive five-year term. However, Deloitte and Touche won for another term.

Annual attest audit

The attest audit is performed externally. The City generally rotates external auditors every five years. The 1997 attest audit fee was \$147,000. The attest audit fee is budgeted in the Audit Committee budget.

Other services (out-sourced or partnered)

Audit Committee engages consultants with specialized expertise for one or two value-for-money audits/special studies each year. Also, Management Audit budgets \$60,000 to engage outside expertise to assist on certain audits.

Audit reports

Final Management Audit reports are issued as follows:

- The Commissioner responsible for the Department involved
- The Commissioner of Finance & Administration
- The Department Head concerned
- The Director of Finance
- The Manager of Finance/Controller for the Department involved
- The External Auditor
- The Audit Committee

The Executive Summary of the report is sent to Council for information. All final Management Audit reports and letters are available to all Members of Council on a confidential basis through the Audit Committee Research Officer. All value-for-money audits when approved by Audit Committee are forwarded to Council and become public documents.

As a minimum, the executive summary is forwarded by Audit Committee to Council and becomes public. Audit Committee or the Director of Management Audit Department could request the entire report be forwarded to Council and become a public document.

Total budget

The Management Audit Department budget for 1998 is \$1,152,000.

Department accountability and structure

Reporting relationship

The Management Audit Department reports to the Audit Committee, as well as to the Commissioner of Finance & Administration. This dual reporting relationship was selected because the Auditor General arrangement did not allow for the auditor to serve as a consultant. Council and the Administration agreed that the City of Calgary required a consultant resource to be available. The dual reporting relationship allows this to happen.

The Commissioner of Finance and Administration performs the performance appraisal of the Director of the Audit Department. The Audit Committee has not, in the past, performed a performance appraisal.

Audit Committee

The Audit Committee is considered to be one of the powerful committees of Council. It meets monthly and membership consists of seven members of Council, and two citizen representatives. The Mayor is an *ex officio* member. The members are named by Council at

the annual October organizational meeting and the Committee elects its own Chairman and Deputy Chairman.

Chairman of the Audit Committee is also a member of the Nominating, Agenda and Personnel Committee. The Chief Commissioner or the Commissioner of Finance and Administration must attend all Audit Committee meetings. The External Auditor must also attend all Audit Committee meetings.

Department Structure

There are 13 positions in the Audit Department.

1	Director	\$72,724 to \$97,069
1	Secretary	
1	Manager	\$63,118 to \$80,557
1	Audit Supervisor	\$59,938 to \$76,499
1	EDP Audit Supervisor	\$59,938 to \$76,499
5	Staff Auditors	\$51,128 to \$65,253
1	EDP Systems Auditor	\$54,961 to \$70,143
2	Auditor III	\$47,764 to \$58,073

The City of Edmonton

Internal Auditor: Andre Bolduc

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Mandate and services

Mandate

The mission of the Office of the Auditor General (OAG) is to "provide City Council and the City Manager with independent oversight on the economy, efficiency and effectiveness of civic programs and the adequacy of related controls in order to help strengthen accountability and improve program performance."

The Auditor General Bylaw describes such things as the purpose, responsibilities, reporting process and terms of employment. See Appendix 3 for further details on the Auditor General Bylaw.

Appendix 4 explains the Policy on the Conduct of Examination into Allegations or Suspicions of Fraudulent Acts

Services

The following are the services that OAG offers (see Appendix 3 for further details):

- Value-for-Money-audits
- Compliance audits
- Financial opinion audits
- Program evaluations
- Special projects
- Fraud investigations

Control self assessment

The OAG has used the CSA methodology in systems development projects and major projects in the planning phase, where proactive control related feedback had been requested by a department. For system development projects, control awareness sessions were conducted for key users and systems personnel, which provided information on major risks and control to consider during the system development process. The Office has also facilitated two control self-assessment sessions for the Information Technology Branch to assess the environment the corporate financial systems were operating in as well as the IT control environment in general.

Performance measures

A corporate wide project was undertaken in 1998 with the help of an outside facilitator to have every department develop performance measures and to tie those to the budgetary process. The full set of performance measures approved by the City Manager for the OAG is attached (see Appendix 5).

However, for the 1999 budget process, the following six quantitative measures were used and will be used again for the 2000 Budget:

- Percentage of recommendations accepted.
- Percentage of budgeted hours versus actual hours spent on projects.
- Percentage of projects undertaken compared to approved plan.
- Percentage of Council directed projects initiated within 30 days.
- Percentage of Council members surveyed that audit work was an aid to help Council examine the activities of the administration average person-days per project.

Risk assessment process

Every year the long term plan is up-dated and each Manageable Audit Units (MAU) is reassessed in light of any changes that have occurred during the year, The MAUs are then ranked in order of priority based on a number of criteria.

See Appendix 6 - Development of Long Term Audit Plan.

Annual attest audit

The City's annual financial statements are audited by an external firm. The funds for the budget are with the Finance Department

Other services (out-sourced or partnered)

Except for a small fund in the OAG budget for contracting external firms to conduct some audits or provide certain expertise not available from within the OAG, the only other areas where the finance department contracts some attest audits are those agencies or boards receiving subsidies. These audits are contracted out for the whole year through the RFP process.

Audit reports

See Parts VI and VII of OAG Bylaw - Appendix 3.

See Part IX of OAG Bylaw - Appendix 3.

Total budget

Salaries and Benefits \$864,000 CFT: 12 p.yrs

Other: \$180,000

Total \$1,044,000

Department accountability and structure

Reporting relationship

Special Audit Committee and Council (see OAG Bylaw - Appendix 3)

Audit Committee

There is no Audit Committee. The OAG Bylaw refers to a Special Audit Committee. This committee is made up of all members of Council and meets only at the call of the Chair. The Committee has only met on a few occasions during the past six years.

Department structure

Auditor General	-	Under contract
Director - policy, planning, methods, QC	- 1	(\$60,514 - \$75,643)
Project Leader	- 2	(\$56,658 - \$70,823)
Senior Auditor Analyst	- 7	(\$53,198 - \$66,497)
Support Staff	- 1	

The Regional Municipality of Hamilton-Wentworth

Internal Auditor: Ann Pekaruk

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Mandate and services

Mandate

With Council's approval, the Region established and continues to support an internal auditing function. Internal Audit performs independent reviews and evaluations of all significant activities throughout the Region. This is done to ensure that these activities comply with policies and procedures and that they are performed efficiently and effectively.

Internal Audit provides information to management to help management with the control of their operations. Internal Audit identifies and reports on control weaknesses, procedural and policy violations and operating inefficiencies and makes appropriate recommendations for strengthening the systems.

Services

Various functions of the Internal Audit include

- Reviewing operations within the Region at appropriate intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing and controlling in accordance with management instructions, policies and procedures and in a manner that is consistent with both Regional objectives and high standards of administrative practice.
- Determining the adequacy and effectiveness of the systems of internal accounting, financial and operating controls.
- Reviewing the reliability, utility and integrity of financial information and the means used to identify, measure, classify and report such information.
- Reviewing the established systems to ensure compliance with those policies, plans, procedures, laws and regulations that would have a significant impact on operations, providing a report, and suggesting policy where required.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.

- Appraising the economy and efficiency with which resources are employed, identifying opportunities to improve operating performance and recommending solutions to problems where appropriate.
- Submitting annual audit plans to the Audit Subcommittee for review and approval.
- Reporting to those members of management who should be informed or who should take corrective action, the results of audit examinations, the audit opinions formed and the recommendations made.
- Evaluating any plans or actions taken to correct reported conditions and providing timely follow-up to ensure satisfactory disposition of audit findings in the manner and time frame committed to by management in the original audit report. If the corrective action is considered unsatisfactory, hold further discussions to achieve acceptable disposition.

Control self-assessment

At this time, there has been no experience with control self-assessment.

Performance measures

Objectives

- To complete the Internal Audit work plan which outlines the areas of audit/review to be undertaken in the given year.
- To provide areas under review with recommendations that, if implemented, would enhance control, accountability and responsiveness of the Region as a whole.
- To act as a resource for all departments in the establishment of sound policy and effective and efficient procedures.
- To provide management with objective analyses and pertinent comments concerning areas audited/reviewed.
- To promote, monitor or actively participate in corporate initiatives and projects, as deemed appropriate by the CAO and Council.

Performance measurement would then be the number of recommendations implemented, and the results of the implementations assessed.

Risk assessment process

Long Term Plan

In order to ensure that all major departments, functions and services of the Region benefited from an internal audit review, a long-term (five year) plan is developed. This plan provides some guidance and equity in allocating available audit time on an annual basis. However, it is important to allow time each year for management requests outside of those pre-planned.

This five-year plan is updated annually with the completed year's audits moving to the history column and adding another year of proposed audits to the end of the five-year projection. It is recommended that, every six to eight years, the variables used for the determination of the

current long term plan be reviewed to ensure they have not changed significantly enough to warrant the formulation of a completely new plan.

The Internal Auditor does the following:

- Analyzes overall Regional organizations and operations.
- Identifies the activities most significant to the Region.
- Lists the areas subject to the greatest risk.

These steps are supplemented by discussions with senior management whose needs and suggestions are taken into account.

From all this information, the available annual audit hours are divided into three categories:

- Budget-based
- Region-wide/Risk-based
- Management requested.

A description of what each category encompasses follows.

Budget-based audits

A major concern of any government is how funds are spent and what are in place. A portion of the audit time each year should be devoted to areas that control a large portion of the Region's budget.

By scheduling these types of audits on a cyclical basis, there is some assurance that the spending and custody controls over most of the Region's expenditures are reviewed over a given period of time.

Region-wide/risk-based audits

There are various services, functions and activities provided or performed throughout the Region that are either unrelated to expenditures, but involve risk to the Region through some form of exposure or, are a Region-wide function involving all or most departments. Examples of risk-based functions include investments, cash control, reserves and trust funds. Region-wide activities are payroll, employee benefits, purchasing, accounts payable and time/absence reporting.

These functions were listed and then allocated to various years of the five-year plan.

Management requested audits

In order to ensure that Internal Audit provides management with information to assist in the control of operations for which it is responsible, each year management is given the opportunity to request specific audits or reviews. Therefore, the long term plan should include a block of time set aside for such requests, as well as special projects and investigations that arise during the year.

The annual plan

Each year the Internal Auditor prepares a work plan, setting out the proposed schedule of audits and other undertakings proposed for the coming year. In order to generate this plan, the following sources are used:

- Requests from general managers.
- The corresponding year of the five-year plan.
- Any audits that has been planned for the past year, but were delayed or not completed.
- Any conditions or concerns that have been discovered or communicated throughout the past year.

The annual plan is presented to the City Manager, General Manager (Finance) and the Audit Sub-Committee for their approvals.

Follow-up program

Internal Audit is responsible for seeing that all reported weaknesses or deficiencies are corrected. Coupled with this responsibility is the authority to evaluate the corrective action taken. The Internal Audit section is not responsible and has no authority to take corrective action—that is management's responsibility. However, Internal Audit is responsible for determining whether the action taken will address the weaknesses or deficiencies.

It is anticipated that, on the average, audit reports will be followed-up within the next year to 18 months following their issuance.

External auditor contract

A request for proposal sets out requirements and is advertised in the paper and sent to a standard list of bidders. There are no restrictions on who can bid except that the firm must have municipal auditing experience. Audit staff review the bids and make recommendations to the Audit Selection Committee which is made up of politicians, the Commissioner of Finance and the Internal Auditor. This committee then makes its recommendation to Council who awards the contract.

The contract is for five years and the performance is reviewed annually. The contract can be renewed after five years. Presently, the incumbent has been there for eight years.

Annual attest audit

The annual attest audit is performed externally. The audit fee for 1998 was \$97,000. Finance funds the audit.

Other services (out-sourced or partnered)

Occasionally Internal Audit uses consultants for comprehensive audits where expertise or further forensic work is needed. These services are usually tendered or based on previous experience in the region.

Audit reports

Reports are distributed to the auditee's Standing Committee and Council, which are then made public. Items of a personnel or legal issue dealt with *in camera* may not be made public. Results of audits/reviews for management requests go to the General Manager of the section or division reviewed.

Total budget

The 1998 Internal Audit budget was \$164,510.

Department accountability and structure

Reporting relationship

The Internal Auditor reports functionally to an Audit Subcommittee of the Finance and Administrative Services Committee of Council.

Audit Committee

This subcommittee consists of the chair of each Standing Committee, the Vice-Chair of the Finance and Administrative Services Committee who is the Chair of this subcommittee and the Regional Chair (eight members). In addition, the Internal Auditor reports administratively to the General Manager of Finance.

Department structure

- | | | | |
|---|--------------------|---------------------|--|
| 1 | Internal Auditor | \$58,670 - \$69,100 | University degree, professional accounting designation, extensive audit and management experience. |
| 1 | Assistant Internal | \$45,480 - \$53,200 | Accounting designation or auditor, university business degree, designation or significant progress towards designation (CMA, CIA), minimum three years auditing experience |

The City of Mississauga

Director, Internal Audit: Don Ogilvie

Phone: (905) 896-5037

Fax: (905) 615-4236

Mandate and services

Mandate

Internal Audit is an independent management control function that is established to examine and evaluate the City's use of resources. The objective is to provide reasonable assurance that

- Activities of the corporation comply with applicable federal and provincial statutes and regulations, and with City goals, objectives, policies, plans, procedures, regulations, by-laws and other directives of Council.
- Corporate assets and funds are properly accounted for and safeguarded against loss from avoidable causes.
- Corporate resources are used with due regard for economy, efficiency and effectiveness.
- Financial and other management information is reliable, timely and complete.

Internal Audit also provides management with appraisals, analyses and recommendations and advice on the controls, procedures and systems examined.

Services

Internal Audit is authorized to review all transactions relating to the corporation's business without restriction and to have free access to all operations, functions, records, property and personnel. In addition, whereas the Mississauga Library Board has requested that the operations of the Board be subjected to the same scope of review by the City's Internal Audit, the Internal Audit is likewise authorized to conduct audits of the Board's operations provided that any reports of such audits are presented to the City Librarian and the Library Board.

Within this framework, the scope and coverage of the audit will be determined by the Director, Internal Audit having regard to circumstances and the resources available.

Control self-assessment

Internal Audit has conducted a pilot study to gauge the feasibility of implementing control self-assessment. The main conclusions were

- Staff are generally not sufficiently qualified to conduct routine CSAs without significant Internal Audit assistance. There was a relatively weak grasp of what constituted effective control even among managerial level staff.

- Internal Audit time is probably better spent on auditing in terms of the level of assurance produced by the effort expended.
- CSA is not an effective substitute for internal auditing because of the lack of a recognized methodology and because the review process is not independent of operations and is therefore not truly objective.
- CSA may be useful where objectivity is not crucial and where the environment is already highly structured, for example, extensive documentation of management expectations, performance criteria, and controls.

Internal Audit feels that there may be role for CSA where existing staff have the necessary sophistication and where the provision of external assurance is not a priority.

Performance measures

There is no formal objective process for measuring internal audit results. The level of management acceptance of internal audit recommendations is used as a general guide; otherwise feedback received from auditees, City Manager and the Audit Committee is relied on.

Risk assessment process

Internal Audit carries out risk assessments of the audit universe as a precursor to formulating audit work programs. The process is somewhat informal in that the evaluation of the risks involves a fair amount of intuition and informed guesswork. The work program based on this analysis is often subsequently interrupted by other priorities/tasks imposed by the City Manager.

Annual attest audit

The audit required by the Municipal Act is performed externally (statutory requirement). The fee for the audit will be approximately \$128,000 for the 1998 audit year. The present five-year contract expires at the conclusion of the 1998 audit. The fee basis for 1999 and onward is not known at the present time. Funds to pay for the external audit are budgeted as part of the Internal Audit operating budget.

Audit reports

Normal distribution is to Internal Audit staff, auditee staff, City Manager and Senior Management Team, and Audit Committee. Other staff may be supplied on a need-to-know basis. Public inquiries are channelled through the Freedom of Information process (City Policy). This means anyone can apply to get a copy after a 30-day waiting period. In practice, however, there is no public demand. In essence, final internal audit reports are public documents, notwithstanding Council's efforts to limit distribution as much as possible.

Total budget

The annual budget for internal and external audit services (1998) was \$542,000 (net).

Department accountability and structure

Reporting relationship

City Manager (administratively) and the Audit Committee.

Audit Committee

The Audit Committee consists of the Mayor (*ex officio*), plus three members of Council rotating annually. For more information see Appendix 7.

Department structure

(1) Director	\$69,000 - \$87,000	Financial or professional designation, university degree
(4) Senior Auditors	\$56,600 - \$70,800	Financial/audit designation and/or university degree and/or computer qualifications (CISA)
(1) Secretary	\$28,400 - \$35,500	

The senior auditors and the secretary all report directly to the Director.

The City of Montréal

City Auditor: Guy Lefebvre

Phone: (514) 872-2208

Fax: (514) 872-6950

Mandate and services

Mandate

Special provisions of the City's Charter require the auditor to render account to the Council. At the administrative level, the Bureau du Vérificateur is considered a department and the Vérificateur (auditor) ranks with the directors of other City departments.

As stated in the charter (See Appendix 8), the work of the Bureau du Vérificateur affects on all municipal activities. More specifically it must

- Audit the accounts and business of the City of Montréal, of the paramunicipal corporations and the municipal organizations.
- Enquire and report each time requested to do so by the Comité Exécutif or the Council on any matter within the jurisdiction.
- Exercise certain rights of inspection on other organizations.

Services

Financial, compliance, value-for-money and EDP audits.

Control self-assessment

The Audit Department has no experience with control self-assessment.

Performance measures

Results are measured by the number of recommendations satisfied.

Risk assessment process

The Audit Department is actually adapting a risk assessment process found in the October 1998 Review of the Internal Auditor.

External auditor contract

In 1942, the provincial government included in Montreal's Charter the necessity for two external auditing firms because the City was in a difficult financial position. Through a direct assignment from Council, the City hires two external auditors—one French and one English. However, because of this system, Council experiences lobbying from audit firms interested in obtaining the contract. The contract is for two years on a rotating basis. The term ends for one firm while the term for the other firm continues. However, Montreal does the majority of the attest function anyway.

Annual attest audit

The financial audit is performed by the City Auditor and two external auditors. The Financial statements include two audit reports, one signed by the City Auditor and the other jointly signed by the two external auditors. The financial statements are prepared by the Financial Services section of the City of Montreal.

The Council appoints the external auditors and fixes the fees. For 1998, the fee is \$75,000 for each of the two firms. The external audit fees are budgeted for by the Director General.

Other services (out sourced or partnered)

None

Audit reports

The annual Audit Report must be sent to Council prior to August 31 for the previous year ending December 31. The report indicates all the significant events and irregularities which the auditor noticed.

Each audit report is sent to the auditee which provides the service or the paramunicipal organization. When the audit was requested by Council, the Executive Committee or the Mayor, the audit report is sent to the requestor.

The annual audit report is public.

Total budget

The total budget is \$3,490,300

Department accountability and structure

Reporting relationship

The Audit Department reports to City Council.

Audit Committee

There is no Audit Committee, but there is an Administration and Quality of Service Committee which is composed of members of Council. This committee reviews the budget of the Audit Department and the annual audit report. The Administration and Quality of Service Committee consists of five councillors.

Department structure

City Auditor	1	\$110,000
Supervisors:	3	(\$67,797 to \$78,333)
Auditing officers (Gr.II):	15	(\$41,663 to \$70,336)
Auditing officers (Gr. I):	12	(\$37,277 to \$62,713)

The City of Ottawa

City Auditor: Peter O'Callaghan

Phone: (613) 244-5300 ext. 3050

Fax: (613) 244-5395

Mandate and services

Mandate

The Office of the City Auditor shall carry out systematic reviews and appraisals of City operations to provide assurance to City Council that

- City operations are being managed with due regard for economy, efficiency and effectiveness.
- There are adequate controls over City assets, revenues and expenditures.
- Policies, plans, procedures, laws and regulations are being adhered to.
- Financial and other information used for decision-making and accountability reporting is reliable and adequate.

The Office of the City Auditor shall, through systematic review and appraisal of City operations, provide senior management with objective assessments and constructive recommendations in order to improve City operations.

The Office shall provide ongoing information and advice to City Council, through the Audit Committee, on developments in the areas of audit, internal control and accountability.

The Office of the City Auditor shall provide advice, guidance and support to the administration in maintaining a cost effective internal control regime.

Scope

The scope of examinations carried out by the Office shall encompass all aspects of the City's operations including the financial, administrative, operational and organizational aspects. The Office's mandate shall not extend to City Boards or Commissions.

In the contexts of the audits undertaken, the Office will assess and express opinions on whether

- The operations of the City are being planned, conducted and controlled with due regard for economy, efficiency and effectiveness.
- The assets and funds of the City are being adequately safeguarded and controlled.
- The information available and used for decision making and accountability purposes is accurate, reliable and adequate.
- There is compliance with legislative requirements, Council policies and directives, and Corporate and Departmental policies and procedures.

The Office will conduct follow-up reviews of significant recommendations within two years of completion of each audit, for the purpose of reporting on the extent to which these audit findings were acted upon.

Services

Services offered are

- Internal auditing, including IT auditing.
- Internal consulting and advisory services to City Council and management.

Control self-assessment

No experience with control self-assessment.

Performance measures

- Performance against audit plan.
- Client assignment of value of audit product and process as measured through systematic post-audit evaluation.
- Assessment of product and performance by Audit Committee.

Risk assessment process

The Office of the City Auditor prepares a three-year work plan to be presented to Audit Committee and Council. Part of this preparation is a review of the audit universe and a risk analysis of each audit entity. Each entity is reviewed against a set of fairly standard risk factors. This review is carried out by senior audit staff and, while systematic, is in the end subjective.

The final list of audit projects is also influenced by Council / Audit Committee / Senior Management concerns.

External auditor contract

The Municipal Act requires competitive tendering. The only restriction is that the bidder must be a licensed municipal auditor. However, the City of Ottawa could renew its contract with its external auditor if the City is satisfied.

Council awards the three-year contract. However, if they are satisfied with the external auditor's performance after three years, the contract could be renewed.

Annual attest audit

The Annual Attest Audit is performed externally. Ernst & Young, Chartered Accountants, were re-appointed as external auditors of the Corporation and its outside boards for a three-year term commencing with the fiscal year ending December 31, 1998.

The audit fee for the City of Ottawa, and related Board and Municipal Enterprises is \$96,690. The funds for the cost of the annual audit fee are retained in the Finance Department's budget.

Other services (out-sourced or partnered)

The Office of the City Auditor has a yearly consulting budget of approximately \$50,000. The City Auditor may use this budget to contract out specific audits, or pieces of work or to receive independent legal opinion.

Terms of Reference for work to be contracted is provided to Supply Branch, who in turn issue a call for proposal. The City Auditor (as all Department Heads) has delegated authority to award a contract up to \$50,000. If the contract is greater than \$50,000, City Council's approval is required.

Audit reports

Audit Reports are distributed to the Auditee, all Department Heads and Chief Administrative Officer, Mayor and Members of Council.

Audit Reports are presented to the Audit Committee and Council. Once the reports are received by the Audit Committee, they are public documents.

Total budget

The 1998 approved budget for the Office of the City Auditor was \$660,700.

Department accountability and structure

Reporting relationship

On February 5, 1997, the Audit Committee opted to dissolve the Audit Department and create an Office of the City Auditor. The Office is outside of the City's administration and reports to City Council through the Audit Committee. The Audit Committee is responsible for recommending the Office's budget to City Council and for the annual performance appraisal of the City Auditor.

Audit Committee

In December 1997, Audit Committee became a separate Standing Committee of Council. As opposed to other Committees, Audit Committee meets at the call of the Chair.

The Committee is composed of four members—at present the Mayor and three Councillors. The Mayor does not chair the Committee.

Department structure

<i>Position</i>	<i>Degrees Held</i>	<i>Qualifications</i>	<i>Salary Range</i>
City Auditor	MA	CGA, CIPFA, CFE	\$92,200 - \$104,700
Director	B. Comm	CA	\$75,000 - \$83,800
Manager	MA	CIA - CISA	\$60,500 - \$73,600
Senior IT Auditor		vacant	\$57,100 - \$68,200
Senior Auditor	MA	CMA	\$51,600 - \$62,800
Senior Auditor	B.Sc, B.Comm	CMA - CFE	\$51,600 - \$62,800
Auditor	M.Comm	CGA	\$47,400 - \$57,600

The Regional Municipality of Ottawa-Carleton

City Auditor: Susan Josselyn

Phone: (613) 560-6063 ext. 1644

Fax: (613) 560-6017

Mandate and services

Mandate

The Department's mission statement is as follows:

“To make significant contributions to the effective, efficient and economical delivery of RMOC services and programs. Internal Audit services help both Management and Council ensure that the residents of our community are provided with quality services that represent good value-for-money.”

Services

Since its inception as a comprehensive audit function, the department has evolved into a broad-based internal consulting group which provides a wide range of services to RMOC management. With the overall objective of helping to ensure that Regional services are provided as effectively and efficiently as possible, individual projects deal with a number of key management practices including strategic focus, operational and business planning, service delivery, human resource planning, financial management and cost-effectiveness and organizational design.

Control self-assessment

To date, control self-assessment processes have not been utilized.

Performance measures

As part of its budget submission, the department publishes activity counts and performance measures annually as follows:

- Number of reports issued.
- Number of projects underway.
- Internal Audit costs as percentage of total corporate operating budget.
- Percentage of current year's project plan completed.
- Percentage of recommendations accepted by management.
- Client satisfaction rating (scored out of 10); based on client survey conducted at the conclusion of projects.

Risk assessment process

Based on annual meetings with Councillors and senior management across the corporation, Audit proposes an annual project plan for approval by Council.

External auditor contract

A request for proposal was issued in 1993. Before then it was direct assignment. However, the contract was awarded to their previous External Auditor. Finance Department manages the RFP and contract. The Treasurer and Deputy Treasurer evaluate the bids and make recommendations to Council. Council awards based on their recommendation. The contract is for five years. However, Council does have the authority to re-appoint without going to RFP. The contract was renewed last year for another three years.

Annual attest audit

The annual attest audit is performed by an external accounting firm. The annual fee is presented as a separate budget item as part of the Finance Department's submission to Council. The 1998 fees were \$135,000.

Other services (out-sourced or partnered)

If funds are available, external consultants are used on a selective basis if specific technical expertise is required during a particular audit project. The Audit Department manages these external resources as part of that project. No standing arrangements are in place.

Audit reports

Project reports are provided to the Chief Administrative Officer, the Department Head and the management group involved in any project. Summary reports are provided to Standing Committees and Council for information. Audit reports are public documents available upon request.

Total budget

The total budget for 1998 was \$555,000.

Department accountability and structure

Reporting relationship

The Audit Department reports to the Chief Administrative Officer.

Audit Committee

There is no Audit Committee. Audit reports flow through standing committees of Regional Council.

Department structure

There are currently six staff members, including five audit staff and one project clerk. The professional staff is comprised as follows:

- | | |
|---|---------------------|
| 2 Audit Managers (university degree, 8 - 10 years experience) | \$62,000 - \$72,000 |
| 3 Auditors (University degree, 5 - 8 years experience) | \$44,000 - \$51,000 |

The Region of Peel

Regional Auditor: Larry Hawes

Phone: (905) 791-7800 Ext. 4257

Mandate and services

Mandate

No official mandate.

Mission statement: Internal Audit will provide assurance to Regional Council and the people of Peel that their Regional government programs are working effectively and will assist Regional management to make Peel the best managed municipality in Canada.

Internal audit goals:

- Add value to Regional government by identifying opportunities for improving and streamlining regional operations.
- Identify, assess, measure and report on key risks faced by the Region.
- Develop and maintain an audit team with versatile skill sets in order to respond effectively to Council and senior management needs.

Services

Internal Audit conducts six different types of audits to cater to the needs of each business area.

- ***Performance*** focuses on management practice and control by divisional management.
- ***EDP*** focuses on controls in computer systems and applications.
- ***Contract*** focuses on compliance with a specific contract such as road construction.
- ***Compliance*** focuses on adherence to rules, regulations, legislation, policies, and procedures.
- ***Self Assessment*** focuses on measuring the Region against established and respected criteria of effective operations.
- ***Request*** refers to Audit Subcommittee or senior management requests for audit service.

Control self-assessment

One project with control self-assessment was carried out on the client management system for the Housing Department.

Risk assessment process

A comprehensive long term plan annually is prepared annually.

External auditor contract

The Region of Peel issues a request for proposals (RFP). Anyone can bid with the only restriction being that the firm is large enough to handle the contract. The Region holds a bidder's meeting where all bidders hear the same information about the RFP. A committee of members from finance, internal audit, systems and the CAO's office review the bids and make recommendations to Council. Council awards the contract.

The contract is for five years and is a fixed price plus inflation. The performance of the external auditor is reviewed annually. If performance problems exist, the contract could be terminated. The current external auditor, after four years into their contract, had it extended for two years after which it was extended for another year.

At one time the Municipal Act that governed Ontario municipalities had no provision for hiring an external auditor. It was changed about five years ago giving municipalities the right to review every five years and go to competitive bidding. During the last contract award, Council members experienced heavy lobbying causing a problem in delaying awarding. However, the recommendation of the review committee was approved in end.

Annual attest audit

The Annual Attest Audit is done externally by KPMG. The fee is approximately \$110,000.

Other services (out-sourced or partnered)

None

Audit reports

Audit Reports first go to the CAO and management of the area audited, then forwarded to the Audit Subcommittee. The reports are made public under the Ontario Municipal Freedom of Information and Protection of Privacy Act.

Department accountability and structure

Reporting relationship

The Regional Auditor reports to the Controller's Division of the Finance Department.

Audit Committee

There are four members on the Audit Subcommittee. The Audit Subcommittee reports to the Management Committee, which reports to Council. The members are the Regional Chairman (equivalent to the Mayor), and one member from each of the three area municipalities.

Department structure

There are five staff for the Region of Peel:

1	Regional Auditor	(salary under review)
1	Audit Manager	(\$54,000 to \$76,000)
2	Senior Internal Auditors	(\$44,000 to \$62,000)
1	Internal Auditor	(\$38,000 to \$53,000)

The City of Regina

Auditor General: Pat Gartner (Acting)

Phone: (306) 777-7606

Fax: (306) 525-1801

Survey Update

In February 1999, the Audit Department of the City of Regina was dissolved. The department had not maintained its focus in recent years—it was not fulfilling its purpose. It had spent much of its time auditing arms-length boards. When the Auditor General left, the City Manager took the opportunity to look at how it could do things differently. He dissolved the department and created two new Program Review Analyst positions. These positions directly report to the City Manager and are in line with an employment officer or an assistant to the department heads. The salary range is \$37,598 to \$53,709 (under review). The Program Review Analyst reviews projects or programs that are of special interest to Administration such as overtime expense and budget preparation process.

Dissolving the Audit Department only took an act of Council since the Urban Municipalities Act, which governs Regina, did not require that the City have a City Auditor.

The previous Audit Department is described below since the information about structure, process etc. is still useful for comparison purposes.

Mandate and services

Mandate

To strengthen the city's accountability to stakeholders by determining the extent to which civic operations, including those of related Boards and Commissions, are managed with due regard for economy, efficiency and effectiveness.

Services

- Value-for-money audits (majority of work)
- Audit follow-ups
- Financial audits
- Fraud investigations
- Special projects/investigations
- Compliance audits

Control self-assessment

The Audit Department has no expertise with control self-assessment. The Department is currently involved in a project to implement performance measurement/indicators for program areas which may lead to some form of control self-assessment in the future.

Performance measures

Programs are compared to other municipalities. As well, feedback received from auditees, the Senior Administration and members of City Council is monitored. Another project for 1999 is the development of two different surveys, as exit survey for auditees, and a second survey that will formally document the feedback from members of Council and the Senior Administration.

Risk assessment process

No formal risk assessment process. This is another project highlighted for 1999.

External auditor contract

A request for proposals sets out requirements. Larger firms are invited to bid in addition to the RFP being advertised. The bid is open to anyone. An evaluation group made up of Finance and Administration plus Audit makes a recommendation to Council. Council awards the five-year contract. It is believed that five years is long enough so that the winning firm could recoup their initial start up costs. Municipalities Act sets out that they must hire an external auditor. However, internal policy dictates the number of years for the contract.

Annual attest audit

The attest audit is done externally. For the City of Regina, including the General Trust fund the amount is \$42,000. The total amount is \$59,500, including all related activities such as benefit plans, and sinking fund. The Finance Department budgets the fee for the attest audit.

Other services (out-sourced or partnered)

External consultants are hired for some value-for-money audits, in very specialized areas where the cost to develop the expertise outweighs the benefit. There is no specific ongoing arrangements. Clause 7 of the City Auditor General's bylaw (See Appendix 9) outlines the Auditor General's rights and abilities to engage consultants.

“For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Bylaw, the City Auditor General may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary provided that

- (a) the monies for such services are contained in the estimates and the budget approved by Council; and*
- (b) the relevant policies as adopted by Council are strictly observed.”*

Audit reports

The City Auditor General tables City of Regina audit reports with the Audit Committee. The Audit Committee then presents them to City Council. Work done by the Auditor General's Office for related Boards and Commissions, is done at the request of the auditee. The distribution for each of these reports is determined at the start of the project, and can vary. The most common distribution is to the Board or Commission responsible for the auditee.

Once City Council has approved an audit report for a "City of Regina" project, that document is a public document. For reports completed for related Boards and Commissions, it is up to that Board or Commission to decide whether the report is to be public.

Total budget

The budget is \$430,000 including the amount budgeted for the external audit.

Department accountability and structure

Reporting relationship

The Auditor General reports to City Council through the Audit Committee.

Audit Committee

The total approved membership of the Audit Committee can be a maximum of five members of Council or a minimum of the three members of Council. For 1999, the membership is three members of Council.

Department structure

The approved staff compliment for the Auditor General's Office is five:

1	City Auditor General	\$58,997 - \$84,281	(1999)
4	Senior Auditors	\$42,860 - \$53,614	(1999)
		\$43,718 - \$54,681	(2000)

The Auditor General's Office employs four people:

- 2 with business degrees (B.Admin, B.Comm) and CMA designations
- 1 with an MBA
- 1 with a M.Sc., with a major of Social Science research

The City of Saskatoon

Auditor General: Bob Prosser

Phone: (306) 975-3274

Fax: (306) 975-3322

Mandate and services

Mandate

The overall purpose of the Auditor General's Office is to ensure an informed governing body and encourage excellence in management practices by providing an objective and constructive assessment of the extent to which

- The City's financial, human and physical resources are protected and are managed with due regard to economy, efficiency and effectiveness.
- Accountability relationships are reasonably served.

This purpose is consistent with the corporate mission and core values outlined in the City's Strategic Plan, which states, in part, that the Corporation will

- Be a responsive, adaptive, proactive and accountable municipal organization.
- Facilitate effective and efficient delivery of public services.
- Commit ourselves to quality services and fiscal responsibility.

Services

The Office of the Auditor General conducts value-for-money audits, financial systems audits and special investigations.

Through comprehensive, that is value-for-money audits the Department evaluates and reports to senior management and City Council on the extent to which

- Operations of the City are being managed with due regard to economy, efficiency and effectiveness.
- Internal controls are adequate to safeguard City property.
- Money has been expended for purposes intended.
- Value-for-money has been obtained for expenditures incurred.
- Accountability has been reasonably served.
- There is compliance with relevant laws, regulations and City policies.

Through financial systems audits the Department evaluates and reports to management and the Audit Committee on the extent to which adequate internal controls are in place to safeguard the City's financial resources and to ensure a complete and accurate accounting of all transactions.

Through special investigations the Department addresses specific issues and concerns raised by City Council, the Audit Committee, the City Commissioner and/or the Auditor General. Special investigations, for the most part, are undertaken in response to perceived or alleged wrongdoing, for example, fraud or embezzlement.

Control self-assessment

With regards to control self-assessment, there has been one pilot project on snow removal. There are plans to conduct future CSAs where appropriate.

Performance measures

Aside from positive verbal feedback received from Members of City Council, Senior Management and the City Commissioner prior to and upon completion and tabling of audit reports with the Audit Committee and City Council, the Department has no other source of information on customer acceptance. Beginning in 1998, the Department surveys members of City Council, the City Commissioner and Senior Managers whose programs and financial systems have recently been subjected to audit, for their level of satisfaction with certain aspects of the value-for-money audit function and the financial systems audit function.

Risk assessment process

All civic programs are scheduled for audit over an 11-year cycle. Management and Council input is sought annually, with respect to priorities and lines of inquiry.

External auditor contract

The City Controller and General Manager issue a tender. Council awards the five-year contract to the firm with the best bid. Prior to two years ago, Council directly assigned the contract on the recommendation of City Controller and General Manager. This new process is expected to continue.

Annual attest audit

The Annual Attest Audit is performed externally. The audit fee is \$53,300. The budget funds reside under miscellaneous corporate account.

Other services (out-sourced or partnered)

None

Audit reports

Audit reports are distributed to management, Audit Committee and City Council. Value-for-money audit reports are public. However, financial system audit reports remain *in camera*.

Total budget

The total budget is \$554,200.

Department accountability and structure

Reporting relationship

In 1995, following recommendations from Ernst and Young in their report, *An Organizational Review of the City of Saskatoon*, City Council resolved that the title of the City Auditor should be changed to Auditor General and that the Auditor General should report to and be directly accountable to City Council. This reporting relationship enhances the Department's independence from all areas subject to audit, thereby ensuring objective and impartial reporting on audit findings.

Audit Committee

The Audit Committee consists of five members of City Council plus the Mayor as *ex officio*.

Department structure

The Auditor General's Office includes:

1	Auditor General	\$66,256 - \$78,396	(currently under review)
7	Senior Auditors	\$47,773 - \$56,257	(currently under review)

All positions require university degrees plus a professional accounting designation or MBA/MPA.

The City of Toronto

City Auditor: Jeffrey Griffiths

Phone: (416) 392-8030

Fax: (416) 392-3754

Mandate and services

Mandate

Essentially the mandate is to conduct financial and operational audits, to examine problem areas brought to the attention of the City Auditor by Council and senior management, and to carry out special assignments as requested. The City Auditor shall have the authority to

- Conduct or cause to be conducted operational audits, defined as evaluating the management of public funds and resources from a standpoint of economy, efficiency and effectiveness, and making recommendations on operating improvements.
- Examine and evaluate the adequacy of the City's systems of internal control, both financial and operational.
- Evaluate the procedures used by management to measure and report on program effectiveness. A review of the results of such programs or activities will include an evaluation relating to the results or benefits achieved, and whether the programs or activities are meeting established objectives.
- Examine problem areas brought to the attention of the City Auditor by Council and senior management and to act as an ongoing resource to senior management.
- Carry out special assignments ranging from consulting work to investigating suspected fraud or wrongdoing.
- Determine whether or not applicable sections of by-laws, regulations and management directives, have been complied with, as well as applicable federal and provincial legislation.
- Coordinate the financial internal audit activities with the external auditors of the City to ensure the efficient and economical use of audit resources.
- Conduct attest financial audits as appropriate.

Services

In addition to the items mentioned specifically in the mandate, staff act as a resource to various Corporate Committees and provide input on controls at the design phase of major corporate systems development projects.

Control self-assessment

Control self-assessment experience is limited. Two staff have conducted at least one CSA exercise in the past.

Performance measurement

Service results are measured primarily in two ways. First, the number and percentage of recommendations which are actually implemented are monitored. Second, informal feedback from various sources including politicians and client management staff is obtained.

Risk assessment process

The risk assessment process includes usage of a software product called ADM+. This product requires the identification and weighting of risk factors and assessing the factors for each project in the audit universe. The result is a risk ranked listing of audit projects. All of the above was done in consultation with broad input from Audit Department staff and also involved input from client management staff.

Annual attest audit

The annual attest audit is performed externally by Ernst & Young. The annual audit fee is \$970,000. The budget funds were in the Audit Department's budget for 1998 but will be moved to the Finance Department's budget for future years.

Other services (out-sourced or partnered)

Other services are out-sourced or partnered as appropriate, that is, where particular expertise may not exist in the department. For example, the department performed a review of the handling of sexual assault and domestic violence cases by the Police. The department has contracted consultants to provide assistance in this area.

Specific contracts are drawn up for the use of the consultants described above.

Audit reports

The department has two streams. Where reviews are initiated by Council, Committees, or the City Auditor, the reports are tabled with the City's Audit Committee and forwarded to Council. Where a department has requested a review, the City Auditor and the Chair of the Audit Committee decide on the necessity of making the report public through tabling with the Audit Committee.

Reports tabled with the Audit Committee or any other Committee of Council are public documents unless, of course, the report has been tabled, *in camera*.

Total budget

1998 was a transition year for the department and therefore not representative. The department's 1999 budget will be more representative. The 1999 gross budget for the Audit department is expected to be \$2,036,000.

Department accountability and structure

Reporting relationship

The department reports directly to City Council through the Audit Committee.

Audit Committee

The Audit Committee is comprised of seven members of City Council

Department structure

There are 21 positions in the Audit Department

<i>Position</i>	<i>No.</i>	<i>Salary Range</i>	<i>Qualifications</i>
City Auditor	1	\$103,000 - \$130,000	CA, CGA, CMA
Director of Audits	1	\$ 76,650 - \$102,000	CA, CGA, CMA
Senior Audit Manager	3	\$ 61,200 - \$82,800	CA, CGA, CMA
Audit Project Manager	7	\$ 53,125 - \$71,875	CA, CGA, CMA
Auditors	7	\$ 45,475 - \$61,525	CA, CGA, CMA
Admin. Assistant	1	\$ 37,106 - \$41,763	
Admin. Support (temp.)	1	\$ 32,320 - \$35,937	

* All salary ranges in the City of Toronto are subject to a salary review.

* One Audit Project Manager and one Auditor are required to have expertise in the area of Information Technology (IT) audits.

The City of Winnipeg

City Auditor: Shannon Hunt

Phone: (204) 986-2425

Fax: (204) 986-4134

Mandate and services

Mandate

The Audit Department's mandate is derived from the City of Winnipeg Act (See Appendix 10) which establishes the position and responsibilities of the City Auditor. Section 59 states that the City Auditor will examine the accounts of the City and boards and commissions to provide Council with opinions on

- Whether money is expended with due regard for economy and efficiency.
- Whether satisfactory procedures have been established to measure and report to Council on the achievement of economy and efficiency.

In 1989, Council broadened the mandate to include reviewing

- The performance of operations to ensure money was expended with due regard to economy and efficiency.
- Whether satisfactory procedures were established to measure and report to Council on program effectiveness

Vision and Mission

The Department's vision is to be "*leaders in building public trust in civic government.*" Its mission is "*to support City Council's governance and oversight responsibilities by providing objective information, advice and assurance with respect to civic administration accountability and performance.*"

The Audit Department is primarily in the information business and can influence the level of trust that citizens have in local government by focusing its efforts on the quality of information available. Its mandate is to provide assurance that Council and, ultimately, citizens receive the right information in the right format at the right time. Local government will be seen to be open, accountable and responsive when citizens understand the decisions that affect the quality of their lives and their pocket books. This understanding promotes trust.

Services

To achieve its vision and mission, the Department's challenge is to determine the most effective tools, methods and strategies to promote organizational learning. The Audit Department has identified three approaches or primary business lines that, used together, provide opportunities to introduce, reinforce and measure the outcomes it wants to achieve. These are

- **Education and Consulting Services** – The Department promotes innovation and best practices through services offered under this business line. Educational efforts are focused on increasing awareness and understanding around such concepts as governance, accountability and modern controllership. The Department comments on major initiatives that will strengthen the corporate environment and reinforce these concepts. Research on best practices is communicated through a quarterly audit newsletter *Audit Perspectives* and audit reports.
- **Assurance Services** – Activities performed within this business line focus on independent assessments of internal controls, accuracy of management reporting and value-for-money performance. Specific services include independent audits, due diligence reviews and control and risk self-assessments.
- **Special Services** -- This *virtual* business line is where the Department introduces and pilots new services and enters into partnerships or co-sourcing arrangements when specialized expertise is required. Forensic audits and information technology reviews are examples of services offered under this business line.

Control self-assessment

The Department has purchased Voting Technology (VT) to use in facilitated control self-assessment (CSA) workshops. VT consists of a receiver, wireless keypads and software that compiles voter information in a bar chart or pie chart format. The technology provides the facilitator with instant results to statements or questions voted on by the participants and helps to focus the discussion around key issues of risk and control. VT is a useful tool for identifying and prioritizing important issues when used in conjunction with a control framework such as CoCo (Criteria of Control). A typical workshop includes 15 to 20 employees from a department or area. The idea of the workshop is for everyone to discuss issues openly and honestly.

Experience with CSA includes

- Obtaining approval from Audit Committee to develop an integrated risk management and control strategy for the organization.
- Conducting a joint pilot CSA project for a provincial department with the provincial auditors which involved five sessions of up to twenty people.
- Using a survey-based CSA approach for cash handling for two departments.
- Planning for an approach to risk assessment (see below) and integrating with value-for-money audits.

Performance measures

The Department is in the process of implementing a performance management model. This model will guide the performance of specific activities, monitor whether activities are being performed, and evaluate whether these activities are consistent with the Department's strategic goals and objectives and, ultimately, with the organization's strategic priorities and objectives. Specifically, the model involves

- Determining goals, strategic objectives and anticipated outcomes.
- Identifying performance indicators.
- Developing and aligning key output measures.
- Integrating into performance contracts.
- Developing data collection tools.
- Collecting information and indicating progress towards achieving the Department's mission .

The performance measurement model fits with the proposed performance management framework for the organization.

Risk assessment process

The City of Winnipeg is in the midst of a major shift in how it conducts its business. For the first time, a draft Corporate Plan has been developed which links to the Council agenda and priorities, establishes corporate values and objectives and communicates a common direction for all departments. Departments are in the process of preparing their own business plans, which build on the Corporate Plan.

The Audit Department was instrumental in leading the business planning initiative and many of its activities during the previous two years focused on corporate strategies. In developing the business and audit plan for the next three years, the focus is on providing assurance that the *new* organizational culture develops appropriate governance, accountability and controllership frameworks.

In developing a risk assessment model, recognized methods that explicitly link risks and controls to business objectives will be built on. The Department wants to be part of the organization's assurance model without taking away the responsibility of the administration to manage its own risks.

The Department is in the process of developing a new approach to risk assessment. It plans to begin with a high-level risk assessment against the objectives of the Corporate Plan. Specifically, it wants to take a *risk environment profile* to assess the internal environment and resources available to ensure achievement of the corporate objectives. The Department wants to determine whether there are cultural and environmental factors that serve as barriers to dealing with change and uncertainty and assess the quality of strategies available to deal with them. The Department is developing an approach based on the CoCo model using facilitated sessions with voting technology.

As a second strategy, the Department plans to conduct business risk assessments against the objectives approved in the departmental business plans. It intends to use a control and risk self-assessment approach to assess the adequacy of the Department's control framework in identifying and mitigating business risks. In using this approach, it is hoped that key benefits will be realized that will do the following:

- Provide high level assurance to Audit Committee that a risk management framework is in place to optimize achievement of corporate and departmental business objectives.
- Assist management in developing immediate action plans where gaps are determined.
- Provide a basis for the Audit Department to focus its resources on specific corporate and departmental high-risk areas.

Over time, the Audit Department hopes to develop an enterprise risk management model which will be fully integrated with the business planning activities of the organization on a continuous basis. It envisions that the department would spend a portion of the year updating its risk assessments and the remainder of the year *drilling down* into specific areas using more traditional audit methods.

In the long-term, the Department wants to work towards an integrated model whereby all managers have the skills to perform their own risk assessments and develop their own risk management and control frameworks. It believes that an enterprise-wide risk management and control framework will lead to a more effective management assurance model for the organization.

Both Audit Committee and senior management have endorsed, in principle, the concept of an integrated risk management and control framework. Implementation, however, must parallel the development and roll-out of other major initiatives such as the corporate and business plans and the decentralized controllership model. In the interim, the Department will continue to develop its model and begin work on the corporate risk assessment with a view to incorporating this piece as an integral part of the Corporate Plan when it is forwarded to Audit Committee for approval.

Annual attest audit

The attest function is contracted out to an external firm allowing the Department to focus its attention on operations. Deloitte and Touche have had the contract for the last two five-year terms. The Corporate Finance Department budgets for the payment of the External Auditor. For 1998, the payment was \$167,000. The Department is in the process of preparing a request for proposals for the next five-year term. It wants to promote a closer relationship between the Audit Department and the external auditor and look at acquiring dedicated CA students to work at the City as part of their articling program.

Other services (out-sourced or partnered)

In order to perform highly technical or specialized projects as part of special services, the Department hires outside experts as partners.

In a partnering or co-sourcing arrangement the service would be conducted jointly under strategies that are developed as a team. Internal staff, however, would manage the project. This delivery option allows the Department to meet client demands and to access the best skills for the service being performed. It is also expected that a *knowledge transfer* will occur as a result of the assignment and that the collective core competencies will increase as a result.

Audit reports

The City Auditor completes the audit report and issues a preliminary report to the Auditee to verify the technical information contained in the report and to solicit management's response. The CAO signs the response in the case of all reports that will proceed to Audit Committee. The Audit Committee reviews the Audit Report and may make recommendations for consideration by the Executive Policy Committee and Council. Recommendations that are made by Audit Committee are forwarded to Executive Policy Committee and tabled at Council for review and approval. Once tabled at Council, the report becomes a public document.

The Department follows up on all Council-approved recommendations by requesting the CAO to provide us with periodic status reports on outstanding audit issues. The follow-up report is tabled annually with Audit Committee.

Total budget

The total budget for 1999 is \$833,531. Of this amount, salaries and benefits are \$702,446 and the operating budget is \$131,085.

Department accountability and structure

Reporting relationship

The Department is independent of city administration and reports to Council through the Audit Committee.

Audit Committee

Executive Policy Committee (EPC) serves as the Audit Committee. The members of the Audit Committee are the Mayor, the Deputy Mayor, the Chairpersons of the four Standing Policy Committees, and the Councillor responsible for inter-governmental affairs. The City Auditor, the External Auditor, the Chief Administrative Officer and the Chief Financial Officer attend Audit Committee meetings. Other administrative staff appear when requested.

The terms of reference for the Audit Committee were revised recently to make them more contemporary (see Appendix 11). The purpose of the Committee was redefined to emphasize its focus on governance and accountability. The Audit Committee approves the Audit Department's annual Audit Plan and receives and reviews the City Auditor's Annual Report and other reports of major audit efforts. The Audit Committee may also recommend or cause to be conducted special studies or program reviews.

Audit Committee meetings are held bi-monthly or at the call of the Chair.

Department structure

The City Auditor, who reports to Council through the Audit Committee, directs the activities of the Department. The Department was re-organized during the past twelve months to reflect the more senior competencies it requires to achieve its strategic agenda. The Department declared a junior auditor and clerical position redundant and was successful in re-classifying two managers and five senior auditors to more senior level positions. The professional staff are supported by a research analyst who serves as the Department's communications expert, and an administrative coordinator. The administrative coordinator acts as the department's controller and human resources representative.

<i>Position</i>	<i>Number of Positions</i>	<i>Minimum Qualifications</i>	<i>Salary Range (as of October, 1999)</i>
City Auditor	1	CA, CGA, CMA	\$76,858 to \$103,581
Audit Managers	2	MPA, MBA or CA	\$66,836 to \$90,055
Senior Auditors	5	MPA, MBA or CA	\$54,515 to \$73,380
Research Analyst	1	BA, BComm	\$40,961 to \$54,953
Administrative Coordinator	1	Courses in human resources and accounting	\$37,593 to \$50,490 (under review)
Total	10		

Appendices

Appendix 1: Survey of Canadian Municipal Audit Departments

Survey of Canadian Municipal Audit Departments

Identification

City _____

Chief Auditor: _____

Name _____

Phone _____

Fax _____

Mandate and Services

1. What is the mandate of the department?
2.
 - a) What services do you offer?
 - b) Please describe your experience with Control Self-Assessment, if any.
3. How do you measure the results of your services?
4. Do you have a formal risk assessment process for determining audit projects?
If yes, please describe.
5.
 - a) Is the annual attest audit performed internally or externally?
 - b) What is the audit fee?
 - c) Where do the budget funds reside?
6.
 - a) Are other services out-sourced or partnered?
 - b) What arrangements are in place?
7.
 - a) To whom are Audit Reports distributed?
 - b) Are they public documents?
8. What is your total budget for audit services?

Department Accountability and Structure

9. To whom does the Audit Department report?
10. Describe the composition of the Audit Committee.
11. Describe the Audit Department staff members (number, salary ranges, qualifications).

Supporting Documentation

Please attach a copy of enabling legislation and/or Department Terms of Reference. An organizational chart would also be useful.

Submission Information

Please forward your completed questionnaire to:

Shannon Hunt
City Auditor
City of Winnipeg
Audit Department
3rd Floor, 185 King Street
Winnipeg, MB
R3B 1J1

Phone: (204) 986-2425

FAX: (204) 986-4134

Appendix 2: Calgary value-for-money audit procedures

TAKEN FROM THE CITY OF CALGARY AUDIT COMMITTEE VALUE-FOR-MONEY AUDIT PROCEDURES

Each year the Audit Committee budgets for and selects two or more value-for-money audit projects. For each project, an adhoc body or a task force is appointed which is a sub-committee of and reports to the Audit Committee. Task force members are selected to provide a balance of points of view. Membership generally consists of:

- two Aldermen (Councillors), usually members of the Audit Committee, and usually acting as Chairman and Vice-Chairman of the Task Force;
- one member of the Aldermanic Office Resource Group;
- the Commissioner responsible for the department or function to be examined;
- the Director of the Management Audit Department;
- an informed citizen or citizens, who may be experts in the field being examined, and who participate voluntarily.

The principal resource of the Task Force is an audit team, led by an external consultant, selected for each particular project. Use of Management Audit staff on the audit team is useful in keeping down the consulting costs, providing the internal audit perspective, and providing continuity for follow-up audit work by the Management Audit Department.

The consultant is given authority for the purposes of the audit project over team members appointed by the Management Audit Department. Reporting to the Audit Task Force is generally through the Aldermanic Office Resource Group, which is responsible for coordinating and monitoring the audit investigation on behalf of the Task Force.

The consultant should have at a minimum biweekly briefing meetings with the Department Head of the department which is being audited. As well the Audit Committee Resource Group is to be updated on a biweekly basis on the progress of the audit.

The Audit Task Force's role in the process is as follows:

- participate in the identification of issues (pre-scoping),
- interview and select the external consultant,
- review and approve the scoping report and the consultant's final report,
- monitor the investigation during the execution phase,
- assist in the preparation of the Task Force final report,
- attend the presentation of the Task Force final report,
- continue monitoring the implementation of recommendations (optional).

After the audit investigation is completed, the Audit Committee monitors the implementation of Task Force recommendations. During the audit, the Aldermanic Office Resource Group is delegated responsibility for coordinating and monitoring value-for-money audit investigations on behalf of the Audit Task Force. This responsibility includes:

- advertising for and short-listing the external consultant candidates,
- preparing agendas and minutes of task force meetings,
- monitoring budgets and schedules,
- keeping informed of major deficiency findings
- receiving and reviewing interim reports by the audit team,
- reviewing the audit team's work papers to ensure adequate documentation of audit findings should disputes arise,
- consolidating the final audit report and administrative responses in preparing the Final Task Force Report.

The Management Audit Department provides advice and assistance to the Resource Group (staff of 3) throughout the entire audit process, but is primarily responsible for assisting the, external consultant through the appointment of personnel assigned to the audit team, and for reporting on the implementation of audit recommendations through the issuance of follow-up reports.

Audit planning takes 1 to 2 months and comprises the development of an overall strategy concerning the objectives, scope and conduct of the examination. The audit team delivers a "scope report" to the Task Force. This report puts the project into context, reveals issues identified, and proposes the scope and workplan for subsequent audit activity directed towards the most significant matters. The task force reviews the report, finalizes the audit scope and approves the workplan for the remainder of the project. The workplan approved by the task force will generally include a tentative schedule for the project, and a brief listing of the methodology to be followed in investigating the issues identified in the audit scope.

The execution phase of the audit usually is in the order of 2 months. The procedures result in evidence which forms the basis of audit findings, opinions and recommendations. Working papers that document the audit should be prepared by the audit team and be available for review upon request by the Chairman of the Task Force. These papers should record the procedures followed, information obtained, analyses made, and conclusion reached. They should also support the findings and recommendations made in the final report.

Interim progress reports should also be regularly provided to the Aldermanic Office Resource Group as the investigation of each issue included in the scope is individually completed. If unexpected problems arise at any time during the audit, the Chairman of the Task Force may meet with the Chairman of the Audit Committee and the Resource Group representative on the audit to discuss future action. The Resource Group is responsible for keeping the task force informed of audit proceedings, and will promptly report any significant problems or issues revealed.

The draft report should be discussed with key personnel prior to its presentation to the Task Force. The report should reflect the professional status of the consultant, include an executive summary, a background chapter to present the principal facts about the area of study, and a discussion of findings and recommendations. The report should provide an opinion regarding, whether good value-for-money is being, achieved, and a schedule of costs, savings, costs avoided and service level expected to be realized from the implementation of audit recommendations. There should also be an implementation plan for audit recommendations.

An oral presentation of the final draft of the report is made to the Audit Task Force prior to the inclusion of written management responses. The response may also be presented to the Task Force. The consultant's report is complete when the management responses to the audit recommendations are included in the final report by the consultant. If there are any subsequent changes they are made by the Task Force. The final report of the Task Force to the Audit Committee is prepared by the Aldermanic Office Resource Group and includes, but is not necessarily restricted to, the final report prepared by the Audit Team, management responses to audit recommendations and supplementary information provided at the request of the Audit Task Force. In instances of disagreement between the consultant recommendations and auditee responses, the Task Force will determine a recommended course of action.

The consultant will be requested to appear before the Audit Committee at this time to provide an opinion regarding the final report. There could also be a press conference held by the Audit Committee prior to the report being forwarded to the City Council.

The Follow-up phase consists of follow-up reports as follows:

- 6 months to 1 year after approval of the report by City Council, the Commissioner responsible for the audited area prepares a summary of action taken to implement the recommendations,

- 1 to 1.5 years following acceptance of the report, Management Audit prepares a follow-up report on the original audit issues and the degree of completion of each recommended action,
- after approximately 1.5 to 2 years, the responsible Commissioner prepares a final summary, showing which recommendations have been completed, projected completion dates for the remaining recommendations and a summary of savings achieved or costs avoided which can be directly attributed to implementation of the recommendations.

Appendix 3: Edmonton Auditor General bylaw

THE CITY OF EDMONTON

BYLAW NO. 11327

The Auditor General Bylaw

Edmonton City Council enacts:

PART I PURPOSE AND DEFINITIONS

PURPOSE	1.	This bylaw establishes the responsibilities and the terms of office of the City of Edmonton Auditor General.
DEFINITIONS	2.	The following words and phrases mean:
(1) Annual Audit Schedule		the annual work Program listing audits, investigations, studies and follow-up audits to be performed by the Office of the Auditor General, as approved by Council.
(2) Appropriate Standing		the standing committee of Council responsible to deal Committee with reports from a particular Department or Organization under the Procedures and Committees Bylaw.
(3) Chair		the presiding member or other person in charge of an Organization.
(4) City		the City of Edmonton.
(5) Compliance Audit		the audits described in Part IV, Section 11A.
(6) Council		the municipal Council of the City.
(7) Councillor		the Mayor and all other members of Council.
(8) Department		internal administrative divisions of the City administration and includes any Office.
(9) Employee		any person employed by the City, including the City Manager, General Managers, contractors and any person appointed to perform duties on behalf of the City.
(10) Executive Committee		the Executive Committee established in the Procedures and Committees Bylaw.
(11) Financial Opinion Audits		the audits described in Part IV, Section 12.

- | | | |
|------|---------------------------------|---|
| (12) | General Manager | the individual in charge of any Department, excluding the City Manager. |
| (13) | Organizations | includes all civic agencies and other organizations listed in Schedules B, C & D to the Procedures and Committees Bylaw or added under Section 194 of that Bylaw. |
| (14) | Procedures and Bylaw Committees | Bylaw 9999, The Procedures and Committees Bylaw as amended. |
| (15) | Program | an activity designed to improve social, economic or environmental conditions in a society. |
| (16) | Program Evaluation | a study performed by the Auditor General to determine the effectiveness and efficiency and continuing need for a particular Program as described in Part IV, Section 12A. |
| (17) | Records | information expressed in any medium, regardless of physical mode, which provides evidence of the City's Programs. |
| (18) | Special Audit Committee | The Special Audit Committee established in the Procedures and Committees Bylaw. |
| (19) | Special Project | any audit, investigation, evaluation or other study directed by Council or the Special Audit Committee under Part IV, Section 13. |
| (20) | Value-for-Money Audits | the audits described in Part IV, Section 11. |

PART II WHAT ARE THE AUDITOR GENERAL'S TERMS OF EMPLOYMENT?

- | | | |
|--|----|--|
| Appointment | 3. | The Auditor General is appointed by Council. |
| Employment Terms and Performance Appraisal | 4. | Each year, after receipt of a recommendation from the Executive Committee under Section 179(8) of the Procedures and Committees Bylaw, Council will appraise the performance of the Auditor General. |
| Dismissal | 5. | The Auditor General may be dismissed by a majority of Council. |

PART III WHAT IS THE AUDITOR GENERAL'S RELATIONSHIP TO THE ADMINISTRATION AND ORGANIZATIONS?

- | | | |
|------------------------|----|---|
| Independent Department | 6. | The Office of the Auditor General is a Department, but is independent of the authority of the City Manager and is accountable only to the Special Audit |
|------------------------|----|---|

Committee and Council.

- | | | |
|-----------------------------|----|---|
| Cannot Direct Other | 7. | Unless Council gives specific authority, the Departments Auditor General may not give directions to any Department or any Employees, except the employees of the Office of the Auditor General. |
| Duty to Inform Departments | 8. | The Auditor General must, as soon as reasonably possible, inform the City Manager and the appropriate General Manager or Chair of the findings of any audit, program evaluation or special project. |
| Assist in Implementation of | 9. | The Auditor General will provide any Recommendations clarification required to assist audited Departments and Organizations to implement recommendations that have been approved by Council. |

PART IV WHAT ARE THE AUDITOR GENERAL'S RESPONSIBILITIES?

- | | | |
|------------------------|-----|---|
| General Duties | 10. | <p>The Auditor General will perform:</p> <ol style="list-style-type: none">(1) Value-for-Money Audits,(2) Compliance Audits,(3) Financial Opinion Audits,(4) Program Evaluations,(5) Special Projects, and(6) recommend when, or if, a follow-up audit should be done to determine whether the Department or Organization has complied with directions made by Council about significant audit recommendations, and <p>in the course of each audit or investigation the Auditor General must report whether, in the areas audited or investigated, evaluated or studied, Departments and Organizations maintain essential Records.</p> |
| Value-for-Money Audits | 11. | <p>When performing a Value-for-Money Audit, the Auditor General will assess the management principles, processes, information systems and practices implemented by the Department or Organization and will assess whether due regard has been paid to economy, efficiency and effectiveness in the use of public funds and other resources. The assessment may involve an examination of any issues, including:</p> <ol style="list-style-type: none">(1) Does an appropriate mechanism exist to measure and report on Program results?(2) Have public funds been used for the purposes intended and has value for money been obtained? |

- (3) Are appropriate mechanisms or controls used to ensure that Departments, Organizations or Employees account for their use of resources and results achieved?
- (4) Are resources (including human and financial resources and assets) protected from loss, damage or unauthorized use?
- (5) Are electronic data processing systems designed to control access to and ensure accuracy of data at a reasonable cost?

Compliance Audit

11A. A Compliance Audit is any audit that focuses on a Department's or Organization's compliance with statutes, bylaws, polices, agreements and procedures.

Financial Opinion Audits

12. Financial Opinion Audits include any audit that:

- (1) determines whether a Department, Organization or Program complies with any agreements, statutes and regulations that govern funding or payment of royalties, or
- (2) expresses an opinion on:
 - a) financial statements; or
 - b) any part of a financial statement.

under the recommendations and guidelines in the Canadian Institute of Chartered Accountants Handbook.

Program Evaluation

12A. When performing a Program Evaluation, the Auditor General must provide objective information on Programs, including the adequacy objectives, design and outcomes (both intended and unintended). The evaluation may involve an examination of any issues including:

- (1) Does the Program effectively consider current and projected social, economic and environmental conditions?
- (2) Has the Program been effective in achieving its objectives and have the objectives been clearly stated?
- (3) What are the alternative strategies for delivering the Program, and is the most appropriate strategy being used?
- (4) Is there any opportunity to improve the Program.
- (5) Is there any opportunity to save costs?

- (6) Is the Program reaching its target group? Is the current level of service appropriate?
- Special Project 13. A Special Project is any audit, investigation or study not listed on the Annual Audit Schedule, that is directed by Council or the Special Audit Committee.
- Audit Standards 13A. The Auditor General must follow the standards for the professional practice of audits, special projects, reviews and studies as adapted from the Canadian Institute of Chartered Accountants Handbook, the Standards for the Professional Practice of Internal Auditing, the Canadian Comprehensive Audit Foundation Audit Standards and the Code of Ethics developed by the Office of the Auditor General.
- Fraud Investigation 14. (1) If the Auditor General receives any information that shows a plausible case of fraud, or determines during an audit, investigation or study, that an Employee or Councillor may have acted fraudulently or committed any other criminal act, the Auditor General must conduct an adequate investigation to either confirm or dispel the allegation or suspicion of fraud.
- (2) If the Auditor General's initial investigation confirms the allegation of fraud, the Auditor General must continue the investigation until sufficient evidence is gathered through the investigation to establish a legal case and must then report the matter to the Edmonton Police Service
- (3) Unless the Edmonton Police Service directs otherwise, the Auditor General must confidentially advise the Special Audit Committee when Edmonton Police Service informs the Auditor General that charges will be laid.
- (4) The Auditor General may commence any audit, evaluation or study that is required to initiate and complete the fraud investigation without direction from Council or the Special Audit Committee.
- Cooperation with Police 15. The Auditor General must cooperate fully with the Edmonton Police Service or any other investigating body in the investigation of any fraud or other criminal act involving City affairs.

PART V HOW ARE INVESTIGATIONS COMMENCED?

- Annual Schedule 16. The Auditor General must audit, investigate, study and follow-up as described in the Annual Audit Schedule.

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| Request for Special Project | 17. | Any Councillor or the City Manager may request that the Auditor General conduct a Special Project of any Department, Organization or Program. A Chair may request a Special Project of his or her Organization. All requests must be in writing and delivered to the Auditor General, who will present them to Council or the Special Audit Committee for a decision under Section 23. |
| Request by General Manager | 18. | Any General Manager may request that the City Manager forward a request for a Special Project of that General Manager's Department to the Auditor General. The City Manager must forward the request to the Auditor General. |
| Receipt of Request | 19. | When the Auditor General receives a written request under Section 17 or 18, he or she must present the request to Council or the Special Audit Committee at the next regular Council or Special Audit Committee meeting, except when suspected fraud or other criminal acts are involved. |
| Committee Recommendation | 20. | The Appropriate Standing Committee may recommend that Council or the Special Audit Committee instruct the Auditor General to commence a Special Project of a Department, Organization or Program. |
| Information from Public and Employees | 21. | Members of the public and City employees may inform the Auditor General of any problem with the economy, efficiency or effectiveness of any Program or of any suspected fraud or criminal act. The Auditor General may refuse to identify the source of the information. |
| Audits Initiated by the Auditor General | 22. | Unless otherwise allowed by this Bylaw, the Auditor General must request permission of Council or the Special Audit Committee to commence a Special Project. If the matter is important or urgent, the Auditor General may commence a Special Project, but must obtain the approval of Council or the Special Audit Committee at the next regular Council or Special Audit Committee meeting. |
| Enlarging the Scope of Audits or Projects | 22A | If, during the course of an audit or project, the Auditor General identifies significant information which puts the City's objectives at risk, the Auditor General may conduct any further reviews outside the scope of the audit or project which may be required to give an opinion and to report conclusions to Council or the City Manager. |
| Authorization for Special | 23. | Council or the Special Audit Committee Project will decide: <ul style="list-style-type: none"> (1) whether to instruct the Auditor General to conduct a Special Project, (2) the terms of reference of the Special Project, including the timeframe, the general nature of issues that the |

Auditor General must address, and the criteria that will be used to assess performance.

- (3) the allocation of any resources required by the Auditor General to complete the Special Project,
- (4) the date for completion and report of the Special Project.

Special Audit Committee or
Council

24. All Special Projects must be authorized by Council unless the Special Project involves:

- (1) actual or potential litigation involving the City, Councillors, City employees or agents, or
- (2) existing or likely future negotiations, or
- (3) contracts to which the City is a party, or
- (4) personnel matters involving the hire, promotion, discipline or discharge of any employee of the City, or
- (5) any other sensitive subject matter involving corporate security, protection of personal privacy, the need to preserve evidence, or
- (6) the disclosure of the Special Project could nullify its effect.

The Special Audit Committee may authorize a Special Project if it involves any matter described in Subsections (1) - (6) of this Section.

Administrative Inquiries

25. Despite Part 6 of the Procedures and Committees Bylaw, Councillors are not entitled to make any administrative inquiries that would require the Auditor General to commence an audit, investigation or study in order to respond.

PART VI WHO DOES THE AUDITOR GENERAL REPORT TO?

Reports to Council or Special
Audit Committee

26. Unless Council or the Special Audit Committee directs otherwise, the City Clerk must send all reports on Special Projects authorized by Council or the Special Audit Committee to the authorizing body.

Employee Cooperation

26A. Council or the Special Audit Committee may direct any member of the Administration to cooperate with the Auditor General in an audit investigation or study.

Standing Committees

27. The City Clerk must direct all audits, investigations, studies and follow-up audits that were listed on the Annual Audit Schedule to the Appropriate Standing Committee.

Budget Process 28. The Auditor General will prepare and submit an annual budget within the Council approved budget process.

PART VII WHAT TYPES OF REPORTS DOES THE AUDITOR GENERAL ISSUE?

Annual Audit Schedule 29. Each year the Auditor General must recommend a proposed Annual Audit Schedule to Council.

Content of Annually 30. Annually scheduled audit, investigation Scheduled Audits and follow-up reports must:

- (1) identify areas requiring improvement and provide appropriate recommendations
- (2) suggest timelines for implementation, and
- (3) contain any information or evaluation that is requested by the Special Audit Committee or Council,

and may contain any other information that the Auditor General considers relevant.

Annual Report 31. The Auditor General must prepare an annual report to be presented at the first regular Council meeting in March. The annual report must contain:

- (1) a brief description the work done by the Office of the Auditor General,
- (2) an analysis of the trends that can be drawn from the audits, investigations and studies that were conducted, and
- (3) information about the extent of, and the causes and effects of, non-compliance with significant Council bylaws, policies, and directions.
- (4) A list of any concerns that the Auditor General has about the operation of the Departments, Organizations, Programs or the City Administration as a whole,
- (5) a report on performance measures and accomplishments.

Special Report 32. When Council or the Special Audit Committee has directed a Special Project, the Auditor General must prepare a report that deals with concerns expressed by Council or the Special Audit Committee.

Other Reports (Internal) 33. The Auditor General may issue reports on internal administrative matters about the Auditor General's

Department and these reports will be directed through the Executive Committee.

PART VIII HOW DOES THE ADMINISTRATION RESPOND TO AN AUDITOR GENERAL'S REPORT?

- Administration Notification 34. The Auditor General must send all audit, investigation, study or follow-up reports dealing with the Administration or any Organization to the City Manager or the appropriate Chair, unless
- (1) the Auditor General determines that a report is urgent, or
 - (2) the Auditor General has reported the matter to the Edmonton Police Service, or
 - (3) other instructions are given by the Appropriate Standing Committee, Council or the Special Audit Committee.
- Administration Response 35. Once the City Manager or the appropriate Chair has received the report, he or she must within four weeks prepare, sign and forward a written response (the "Response") to the Auditor General. The Response must include:
- (1) the action planned or taken to address each recommendation,
 - (2) the timeframe within which action will be taken,
 - (3) and the name of the individual who will be accountable for taking action.
- If the City Manager or the Chair disagrees with the report, he or she must state the reason for disagreeing. The Auditor General must incorporate the Response as part of his or her report, ensuring that there is a clear distinction between the report and the Response.
- Audit and Response Submitted 36. The Auditor General will submit the report and the incorporated Response to Council or the Special Audit Committee. If the Auditor General has not received the Response within four weeks as described in Section 35, the Auditor General may submit his or her report to Council or the Special Audit Committee without the Response.

PART IX HOW WILL THE AUDITOR GENERAL'S REPORT BE PRESENTED?

- Reports to the City Clerk 37. Once a report is complete under sections 35 and 36, the Auditor General must submit it to the Office of the City Clerk for placement on the agenda for Special Audit Committee, Council or Appropriate Standing Committee.
- Public Reports 38. All audit, investigation or follow-up reports must be considered in public unless:
- (1) the Auditor General, the City Manager or the appropriate Chair requests that a report be considered in private, or
 - (2) the report deals with
 - (a) actual or potential litigation involving the City, Councillors, City employees or agents, or
 - (b) existing or likely future negotiations, or
 - (c) contracts to which the City is a party, or
 - (d) personnel matters including the hire, promotion, discipline or discharge of any employee of the City.
- Request for Private or Public 39. (1) If a request is made under Section 38(1) Consideration for consideration of an Auditor General's report in private, or if the report deals with a matter described in Section 38(2), the City Clerk will place the report on the private portion of the agenda for the Special Audit Committee, Council or the Appropriate Standing Committee.
- (2) If the City Manager, the Auditor General or any Councillor wants the report to be presented in public, he or she may request that the Appropriate Standing Committee or the Special Audit Committee deal with the report in public.
- Decision to Consider in Public 40. If a request is received under Section 39(2), the Appropriate Standing Committee or the Special Audit Committee will decide whether the audit report, or any part of it, will be presented in public.
- Disclosure of Report Content 41. Employees and Councillors must not disclose to any member of the public any part of a report on an audit, investigation or study until it is placed on a public agenda, or until it forms part of the public domain. Disclosure by an Employee or a Councillor of any information about an audit, investigation or study report prior to the public release of the information is a breach of this Bylaw and, in the case of an Employee, is cause for dismissal.

PART X WHAT INFORMATION IS THE AUDITOR GENERAL ENTITLED TO?

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| Access to Records | 42. | Subject to the Individual Rights Protection Act and any other legislation or Council policies that restrict access to personnel or any other Records, the Auditor General is entitled to review all Records. |
| Obligation of Secrecy | 43. | When the Auditor General receives any confidential information, (for example, from any solicitor files subject to solicitor-client privilege or from minutes of private meetings) he or she may not disclose the information except under the same restrictions on disclosure that apply to the person giving the confidential information. The Auditor General is entitled to rely on current ethical standards applicable to the audit profession for a refusal to release information. |
| Information from Employees | 44. | After informing the appropriate General Manager or Chair or the City Manager, the Auditor General may require any City employee to provide information and explanations relevant to an audit, investigation or study. The Auditor General does not have to inform the appropriate General Manager or Chair or the City Manager if an audit, investigation or study is being conducted under Section 14. |
| Auditor's Employees on Site | 45. | Whenever possible, a Department that is being audited, investigated, evaluated or studied will provide reasonable accommodation for the employees of the Auditor General. |

PART XI GENERAL

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| Includes Employees | 46. | All references in this Bylaw to the Auditor General include any employees of the Office of the Auditor General. |
| External Review | 47. | Council may, at any time, appoint an external auditor to audit or investigate the Office of the Auditor General. |
| Repeal | 48. | Bylaw No. 10140 and all amendments to are repealed. |
| Offence | 49. | Any breach of this Bylaw is an offence and the Penalties under Bylaw 7083, A Bylaw to Provide for the Imposition of Penalties for Infraction of City Bylaws will apply. |

Appendix 4: Edmonton fraudulent act policy



CITY POLICY

POLICY NUMBER: A1431

REFERENCE:

City Manager 1998 11 13
Policy C408 1987 01 13

ADOPTED BY:

City Manager

SUPERSEDES:

NEW

PREPARED BY: The Office of the Auditor General

DATE: 1999 04 15

TITLE: CONDUCT OF EXAMINATIONS INTO ALLEGATIONS OR SUSPICIONS OF
FRAUDULENT ACTS

Policy Statement:

THE CITY OF EDMONTON WILL TAKE APPROPRIATE MEASURES TO PREVENT AND DETECT FRAUDULENT ACTIVITIES AND THROUGH THE OFFICE OF THE AUDITOR GENERAL WILL RIGOROUSLY INVESTIGATE SIGNIFICANT ALLEGATIONS OR SUSPICIONS OF ACTIVITIES CONSTITUTING FRAUD.

SENIOR MANAGEMENT TEAM OF EACH DEPARTMENT WILL ESTABLISH AND MAINTAIN THE PROPER INTERNAL CONTROLS THAT PROVIDE SECURITY AND ACCOUNTABILITY FOR THE RESOURCES ENTRUSTED TO THEM, INCLUDING CONTROLS REQUIRED TO PREVENT AND DETECT FRAUDULENT ACTS.

ANY SUSPECTED OR ALLEGED FRAUDULENT ACT MUST BE REPORTED IMMEDIATELY TO A SUPERVISOR, SENIOR MANAGEMENT, OR THE OFFICE OF THE AUDITOR GENERAL (OAG).

ALL INVESTIGATIONS WILL BE CONDUCTED WITHOUT REGARD TO THE SUSPECTED WRONGDOER'S LENGTH OF SERVICE, POSITION, TITLE OR RELATIONSHIP. THIS POLICY SUPPLEMENTS THE EMPLOYEE CODE OF ETHICS POLICY A1100A DATED JANUARY 20,1995. IF THERE IS A DIFFERENCE BETWEEN THIS POLICY AND A1100A, THEN THIS POLICY WILL PREVAIL.

The purpose of this policy is to:

Set out the responsibilities of management, employees and the Auditor General with respect to the prevention and detection of fraudulent acts, and with respect to investigating and reporting allegations or suspicions of activities constituting fraud within the City of Edmonton.

Ensure that, where plausibility of fraud has been established, an adequate investigation is conducted sufficient to either confirm or dispel the occurrence of fraud.

Ensure where sufficient evidence exists supporting an allegation or suspicion of fraud that the evidence collected during the investigation be turned over to Edmonton Police Service (EPS).

Ensure that cause(s) of any failure in the controls designed by management to safeguard the assets of the City against loss, misuse, theft, unauthorized use, damage and fraud, are identified and appropriate action is taken to prevent future occurrences.

This policy is subject to any specific provisions of the Municipal Government Act or other relevant legislation or Union Agreement.



CITY PROCEDURE

POLICY NUMBER: A1431

AUTHORITY: City Manager

EFFECTIVE DATE: 1999 04 15

TITLE: CONDUCT OF EXAMINATIONS INTO ALLEGATIONS OR SUSPICIONS OF FRAUDULENT ACTS

PAGE: 1 of 3

1. DEFINITIONS:

1.0.1 Fraud: Section 380(1) of the Criminal Code of Canada defines "Fraud" as:

"Every one who, by deceit, falsehood or other fraudulent means, whether or not it is a false pretense within the meaning of this Act defrauds the public or any person, whether ascertained or not, of any property, money or valuable security."

In considering whether you should report a suspected situation it may be helpful to ask yourself the following: If a decision or an action by an employee of the City of Edmonton became known to everyone, would this decision or action be looked on and considered acceptable, or would it discredit the individual, other employees, and the Corporation?

2. RESPONSIBILITIES:

2.01 City Manager shall:

- a) Approve this policy and any amendments thereto.
- b) Ensure the Auditor General is apprised of significant allegations or suspicions of fraud.
- c) Unless the Edmonton Police Service (EPS) directs otherwise, confidentially advise City Council of fraud examination findings after the Corporation has been informed by the EPS that criminal charges will be laid.
- d) Be responsible for media release and contact.

2.02 General Manage shall:

- a) Ensure that control measures are implemented to prevent the unauthorized appropriation of funds, goods or services.
- b) Ensure that mechanisms are in place that allow for the early detection of fraudulent activities.
- c) Ensure that mechanisms are in place to allow for the reporting of suspicions or allegations of fraudulent activities.
- d) Ensure that in situations where management becomes aware of allegations or suspicions of fraudulent activity notification of the allegation or suspicion is provided to the City Manager.
- e) Ensure that in all cases where information is received by the Administration indicating that activities may have resulted in fraud, receipt of the information will be acknowledged in writing by the designated recipient of the complaint.
- f) Not initiate investigations on their own as such actions can compromise any ensuing investigation. Any individual who reports suspected dishonest or fraudulent activity and those cooperating with the ensuing investigation will be protected from retaliatory actions.



CITY PROCEDURE

POLICY NUMBER: A1431

AUTHORITY: City Manager

EFFECTIVE DATE: 1999 04 15

TITLE: CONDUCT OF EXAMINATIONS INTO ALLEGATIONS OR SUSPICIONS OF FRAUDULENT ACTS

PAGE: 2 of 3

2.03

Auditor General shall:

- a) In all situations where he/she becomes aware of an allegation or suspicion of fraud, by means other than notification by the City Manager, immediately inform the City Manager.
- b) In all situations where he/she becomes aware of an allegation or suspicion of fraud through notification by the City Manager ensure that an adequate examination is conducted which will be sufficient to either confirm or dispel the allegation or suspicion. The Auditor General is responsible to coordinate the necessary examination.
- c) As part of his/her examination, review and assess the adequacy of the controls in place to safeguard the assets of the City against loss, misuse, unauthorized use, and fraud. In those situations where the control mechanisms have not adequately safeguarded City assets, the Auditor General will identify the cause(s) for the failure, and will issue a report to the City Manager and the appropriate General Manager(s) providing recommendations to prevent reoccurrence.
- d) Ensure that a qualified investigative team is assigned to the examination. The make up of the team will be at the discretion of the Auditor General. However, the Auditor General will endeavour to consult with corporate resources from Finance, Security, Law, and Human Resources in an effort to bring a corporate team approach to investigations.
- e) Notify the General Manager of Corporate Services (or his/her designate), as soon as it is practical to do so, of the amount of any potential loss for insurance purposes.
- f) Turn the matter over to the Edmonton Police Services if the examination produces evidence that a fraudulent act has been committed.
- g) Cooperate fully with the Edmonton Police Service or any other investigating body in the investigation of any fraud.
- h) Jointly with the City Manager, and after the Corporation has been informed by the Edmonton Police Services that criminal charges will be laid, report the fraud examination findings and recommendations to City Council, in a manner and form that they deem appropriate in the circumstances.
- i) Ensure that information received indicating that employees may have behaved/conducted themselves in an unacceptable manner, when such behaviour/conduct does not fall within the definition of "Fraud", is forwarded to the City Manager to be resolved within the framework of the Employee Code of Ethics Policy.
- j) Be receptive to receiving relevant information on a confidential basis from anyone who suspects dishonest or fraudulent activity.
- k) Not disclose or discuss the results of investigations with anyone other than those persons associated with the City of Edmonton who have a legitimate need to know in order to perform their duties and responsibilities. This is important in order to avoid damaging the reputation of persons suspected, but subsequently found innocent of dishonest or fraudulent conduct, and to protect the City of Edmonton from potential liability.



CITY PROCEDURE

POLICY NUMBER: A1431

AUTHORITY: City Manager

EFFECTIVE DATE: 1999 04 15

TITLE: CONDUCT OF EXAMINATIONS INTO ALLEGATIONS OR SUSPICIONS OF FRAUDULENT ACTS

PAGE: 3 of 3

2.04 Employees who suspect that a fraudulent activity is taking place should:

- a) Report his/her suspicion to their supervisor, senior management or the Auditor General, and shall:
- b) Cooperate fully with those performing an examination.
- c) Not initiate investigations on their own as such actions can compromise any ensuing investigation. Any individual who reports suspected dishonest or fraudulent activity and those cooperating with the ensuing investigation will be protected from retaliatory actions.

3. EXAMINATION STANDARDS:

3.01 Those conducting fraud examinations should strive to perform their duties diligently, impartially, conscientiously, and in a professional manner, to the best of their ability and should:

- a) Comply with any relevant legislation, administrative requirements or labour agreements.
- b) Maintain adequate documentation to support any decisions made.
- c) Treat members of the public and other City employees with courtesy and sensitivity to their rights.
- d) Ensure that their work practices in dealing with their colleagues and clients do not harass or discriminate on the grounds of sex, marital status, pregnancy, age, colour, nationality, ethnicity, or national origin, physical or intellectual impairment, sexual preference or religious or political beliefs.
- e) Ensure that in using their discretionary powers, they take all relevant facts into consideration and have regard to the particular merits of each fraud examination.
- f) Treat each fraud examination promptly and reasonably with a view to meeting the principles of procedural fairness. Fraud examinations will be conducted in accordance with the principles of fundamental justice. This will include the concept of promptness, reasonableness, and procedural fairness.

OFFICE OF THE CITY MANAGER

AUDITOR GENERAL

MISSION: To provide City Council and the City Manager with independent oversight on the economy, efficiency and effectiveness of civic programs, and the adequacy of related controls in order to help strengthen accountability and improve program performance.

CUSTOMER RESULTS

City Council

- Assurance Opinions to Assist in Accounting to the Public
- Identification of Opportunities for Improvement
- Information from Investigation of Fraud and Other Criminal Activity Where Criminal Charges Have Been Laid
- Indicators % recommendations accepted % Councillors surveyed who report that OAG work has contributed to a great or very great degree to demonstrating due diligence and stewardship

City Manager

- Opinions that Programs Have Been Managed with Due Regard to Efficiency, Effectiveness and Economy
- Opinions of the Adequacy of Mechanisms Developed and Implemented by Management to Direct and Monitor the Affairs of the Corporation
- Opinions on the Adequacy of Mechanisms for Accountability Reporting
- Indicators recommendations implemented that have corrected the deficiency managers surveyed who report that: OAG projects have been useful in improving results OAG projects have not been unduly disruptive OAG projects addressed issues of significance (i.e. materiality; sensitivity; risk) OAG conducted its work in a professional manner

FINANCIAL RESULTS

Operating Costs Minimized

- % budgeted hours vs. actual hours spent on projects (target range between 90% and 110%)
- report phase hours to total project hours not in excess of 20%
- average person days per project (by project type)
- % chargeable time

INTERNAL PROCESS RESULTS

- Comprehensive Audits Conducted
 - # conducted compared to Annual Plan (as initially approved or amended)
- Program Effectiveness Evaluations Conducted
 - # conducted compared to Annual Plan (as initially approved or amended)
- Financial and Other Single Type Audits Conducted
 - # conducted compared to Annual Plan (as initially approved or amended)
- Fraud Investigations Conducted
 - # conducted compared to Annual Plan
- Other and Council Directed Studies and Projects Conducted
 - # conducted compared to Annual Plan
 - % of Council directed projects initiated within 30 days

LEARNING AND GROWTH RESULTS

- Qualified and Skilled Staff Ensured
 - \$ spent on training and development per employee
 - # days training and development per employee
- Review of OAG to ensure that work is done in accordance with relevant standards
 - narrative or special study

Appendix 6: Edmonton audit plan development

Office of the Auditor General Development of the Long Term Audit Plan

Purpose of the Long Term Audit Plan

The purpose of the long-term audit plan is to serve as a guide in the planning of future annual audit plans. It ensures that no significant areas of the corporation are overlooked and provides a means of budget justification for the existence of the office. The long-term audit plan also provides the basis for management and City Council involvement in the auditing process. Knowing in advance when the different areas of the corporation are to be audited allows management or City Council to raise specific issues that can be addressed through the audit. Involving management and City Council in audit plans is a means of obtaining their commitment to the scope of the audit philosophy and practice. The long-term audit plan also serves as a standard by which the City administration can assess the performance of the OAG.

The Approach used to Develop the Long Term Audit Plan

The development of the long-term audit plan was undertaken in four stages.

In the first stage the goals and objectives the OAG wanted addressed through the long-term audit plan were formalized. The audit universe and the Manageable Audit Units (MAUs) within the universe were defined. A list of general considerations with identified risk factors was developed and used to specify the size, control, and audit factors to be used in the assessment of risk for all identified branches and MAUs.

In the second stage the risk-scoring matrix was developed using the identified size, control, and audit factors to define the risk equation for the assessment process. The relative weighting of these risk factors was developed through the use of a comparison matrix and incorporated into the risk assessment matrix.

Risk assessment scoring instructions were developed along with factor scoring sheets. Background sheets providing information on the department, branch, years last audited, budget, FTEs, role/service, and policies & priorities were also developed for each MAU or branch.

In stage three, the risk assessment was conducted using the risk-scoring matrix, risk assessment scoring instructions, factor sheets, and background sheets. The branches were scored first, independently of the MAUs. The MAUs were divided evenly among five subgroups of OAG staff members. The average score was calculated for each OAG subgroup for each MAU.

The results of the MAU risk assessment were compared to the earlier branch risk assessment. Significant differences between a branch's risk score and the risk scores of its MAUs were investigated and subsequent adjustments to either the branch's risk score or the MAUs were made.

In stage four, two group meetings were conducted with the staff of the OAG. In these two group meetings the risk scores for each branch and MAU were reviewed. Changes in either relative ranking and/or magnitude of risk were made and finalized.

Three equations, used to translate risk score into frequency of auditing, were reviewed and one was selected as being the basis for the initial estimate of audit frequency and audit interval.

Two equations, used to translate risk score into estimated man-hours for conducting Value-For-Money (VFM) auditing were reviewed. One was selected as being considered the more accurate

of the two. A comparison was made later of the two equations to man-hours expended on operational audits in previous years to confirm this selection.

During the second group meeting, branches, which could be audited as a group, were identified. MAUs that had either similar or related functions and could be audited as a group were combined. Other branches and MAUs that could be eliminated from the audit universe were identified and removed.

In stage five all the MAUs were sorted by risk score and a cut off was determined by the planning horizon's work capacity. All MAUs above the cut off with a risk score of 17 to 25 were considered to be high priority audits. Those below the cut off were considered to be either medium or low priority audits. MAUs with risk scores from 11 to 16 were considered to be medium priority and those with a risk score of 10 or less were considered to be low priority.

An initial schedule was developed for two 7-year planning horizons using the initial audit frequencies and audit intervals calculated by the selected equation. This schedule illustrated that the planning horizon was too short and that the frequencies and audit intervals had to be adjusted.

In revising the schedule the planning horizon was expanded and the audit interval adjusted until the work capacity balanced the workload of the planning horizon. The planning horizon went from 7 years to 12, then 15 and finally 19 years. For each planning horizon, the audit intervals were increased for low and medium priority audits and were increased or decreased for high priority audits. The expanded planning horizon and adjusted audit interval were then used to calculate the revised frequency of auditing for each MAU and subsequently the total workload.

Minor adjustments were made to the schedule after it was reviewed based on which MAUs would most likely be audited in the year 1999.

In developing the long-term audit schedule, the high priority audits were scheduled first, followed by the medium then low priority audits. While scheduling MAUs, the yearly capacity of 10,682 man-hours was kept in mind as well as having as many MAUs audited together in either the same or adjacent year within one branch. This was done to ensure that year to year fluctuations in workload was minimized and that sufficient time has elapsed between audits before re-entering the same branch.

Note: the yearly capacity of 10,682 man-hours is calculated from 11 FTEs x 1262 man-hours/FTE per year -1500 man-hours for cash audits - 1700 man-hours for system audits.

Development of the Long Term Audit Plan

Defining the Audit Universe & Audit Factors: Stage One

The goal of the OAG to be addressed through the development of the long-term audit plan is to provide assurance to Senior City management and City council that the corporation is operating efficiently, effectively and with economy in all aspects of its operations. This assurance is provided through the systematic application of Value-for-Money (VFM) at regular intervals for a specified period of time.

The immediate objective of the OAG is to clearly illustrate what length of time is required to thoroughly audit the corporation with the current level of OAG staff and the level of risk exposure for various City operations.

The first step undertaken to develop the long-term plan was to compile a list of possible MAUs for each branch of each City department. This information was taken from City 97 reorganization documentation as well as program budget information.

The next step was to compile a list of considerations and potential risk factors from existing audit documentation, periodicals, articles, and books. In addition to these, organization design information was gathered from industrial engineering sources. A summarized list of potential risk factors was produced; most of which had come from the OAG Value-for-Money procedure manual.

The comprehensive list of risk factors is presented in Appendix A.

From this list fifteen risk factors were derived. These fifteen risk factors consist of five size factors, five control factors, and five audit factors.

The five size factors assess the size of risk associated with an operation's activities. The size factors takes into account the probability and impact of potential losses to the corporation. The size factors used are financial risk, inherent risk, volume, political impact, and liability. These size factors are defined as follows:

- **Financial Risk:** This factor relates the financial impact of a resultant event, condition or failure experienced by a department or branch on the financial condition of the corporation. The factor takes into account the amount of capital invested in operations, the cost of the system to operate (budgeted operating expenditures), and the dollar impact of consequential losses.
- **Inherent Risk:** This factor considers the inherent risk of the activities and tasks undertaken by the department or branch. It takes into account the probability of an event, condition or failure occurring and its impact on the viability of the organization's operations.
- **Volume:** This factor takes into account the volume of activities and/or transactions under taken by a department or branch.
- **Political Impact:** This is the impact that would result from an event, condition or failure upon the politics of corporate governance based on the perceptions of the general public.
- **Liability:** This factor takes into consideration the legal liability that would result from the occurrence of an event, condition, or failure by a department or branch of the corporation.

The five control factors assess the level of risk associated with management's degree of control over operational activities. The extent of operational control determines the ultimate probability of the occurrence of an event, condition or failure within the operation's activities. The size risk adjusted by the control risk results in the commercial risk of the organization.

The five control factors used are, management & operational discipline, legislation & policy, quality of work life, goals, objectives & results, and performance measurements.

The five control factors are defined as follows:

- **Management & Operational Discipline:** Operational discipline is the means by which an organization integrates and co-ordinates the various activities that it undertakes. The operational discipline may draw upon one or several management philosophies and concepts to achieve this integration and co-ordination. Generally speaking the more developed the operational discipline the more effective is the co-ordination, integration and scheduling of the organization's activities.

Management discipline would take into consideration the level of awareness of management to any sensitive areas within their control, which would require special consideration and assurance against manipulation, theft or fraud.

- **Legislation & Policy:** This factor takes into account the level of management's compliance with external legislation and regulations. It also takes into consideration the full extent to which policies, procedures, and guidelines are clearly established and understood by management and employees.

- **Quality of Work Life:** This factor considers items such as the organization's safety record, overtime and turnover rate of employees. Significant and consistent overtime along with a high turnover rate is a direct indication of the quality of work life. Generally speaking when there is significant and consistent overtime it is an indication that activities which do not add value have not been eliminated as the number of positions have been reduced. Moreover, a high turnover rate leads directly to the constant hiring and training of new personnel. The combination of these conditions leads to a greater risk that important control measures will either be implemented poorly or not at all. Finally, the organization's safety record is a direct indication of the risk to injury of employees and the quality of work life.
- **Goals, Objectives, & Results:** This factor takes into account how extensive and clearly does management define its goals and objectives as well as document results. Generally speaking the more extensive and clearly defined the goals and objectives are and the more extensive and clearly recorded the results are, the more effective is management's control of the organization.
- **Performance Measurements:** This factor considers the extent to which performance measurements have been developed for the organization. The organization's performance is measured across seven performance dimensions, which are effectiveness, efficiency, productivity, quality, quality of work life, innovation, and budgetability or profitability. Generally speaking the more extensive the performance measurement system, the more effective is management's control of the organization.

The five audit factors are used to translate the business risk of size and control into an audit risk. The five audit factors used are, last time audited, diversity & complexity of operations, auditability, opportunity to benefit from audit, and management request for audit.

The five audit factors are defined as follows:

- **Last time Audited:** This factor takes into consideration that as the length of time increases since an organization has last been audited, there is an increased probability that management's controls may have deteriorated leading to increased risk.
- **Diversity & Complexity of Operations:** This factor considers how increased diversity and complexity of an organization's operation increases the difficulty of conducting an audit of the organization leading to an increased probability that a significant issue could be overlooked.
- **Auditability:** This factor considers the ability of an audit team to audit an organization with the amount of experience and skill possessed given the organization's level of complexity.
- **Opportunity to benefit from audit:** This factor considers the likely benefits to be obtained from the audit in terms of identifying means of improvement or providing assurance.
- **Management request for audit:** This factor takes into account whether or not management or City Council requested an audit and the subsequent receptiveness of audit results.

Creation of Risk Assessment Tools: Stage Two

The use of the fifteen risk factors in the determination of MAU risk assessment is accomplished through the use of the following risk equation.

$$\text{Risk Score} = 20(\text{Size factor score}) \times (\text{Control factor score}/5) \times (\text{Audit factor score}/5)$$

Where:

- Factor Scores are from 1 to 5
- Size factors pertain to the size of inherent risk in the MAUs activities.
- Control factors and Audit factors work to lower the overall risk as controls and auditability improve.
- Maximum Risk Score is 100.
- Minimum Risk score is 1.

This risk equation is a simplified version of the automated risk assessment formula presented in a paper published by Andrew Chambers of City University, London England.

The relative weighting for the risk factors within each category were derived using comparison matrices. These matrices calculate the average of the OAG assessment of the relative importance of each risk factor to the other risk factors within the same category.

The risk equation and relative weightings were used in the development of the risk assessment matrix. OAG staff used this matrix to consistently assess the level of risk for each identified MAU.

To facilitate the process of risk assessment scoring, instructions along with factor scoring descriptions & scales and background sheets were produced.

The factor scoring contains a brief description of the factor and presents a scale of 1 to 5 for rating the level of risk for the factor.

Background sheets were produced for each identified MAU or branch. The background sheet indicates the department, branch, year last audited, budget expenditures and FTEs for the MAU or branch. The background sheet also indicates the role or service provided by the MAU or branch as well as its policies & priorities. The information provided on these background sheets was derived from branch program information submitted to the budget office and from City 97 reorganization documentation.

Examples of the comparison matrices, risk assessment matrix, factor scoring and background sheet are present in appendix A.

Conducting Risk Assessment: Stage Three

The branches of the audit universe were divided among five subgroups, each consisting of two OAG staff members. Each individual within the subgroup had to review and score 41 to 44 MAUs.

A group session was conducted to present the purpose and the general plan for the development of the long-term audit plan. The importance of the risk assessment was also presented and is stated as follows:

- The use of a formal, risk assessment process will provide the means of assessing the risk exposure to the corporation of the business units & MAUs in a systematic manner using a common set of risk factors.
- This provides for an objective prioritization of business units and MAUs relative to one another within the audit universe.
- The risk score will serve as one of the basic factors in the determination of audit frequency.

The risk assessment scoring instructions & factor scoring were reviewed in detail. The Fire\Rescue Service Branch's MAUs were scored as a group to provide OAG staff with practise in performing risk assessment.

All staff members were then provided with the risk assessment matrices, and background sheets of their assigned MAUs.

The scores received back from each individual staff member were averaged with the other within the same subgroup using spreadsheets in Microsoft Excel.

The average scores were cross-checked with branch scores conducted prior to the group session.

Significant differences between the branch scores and its MAUs were found for:

- Recreation Facilities Branch
- Drainage Branch
- Streets Engineering Branch
- Land & Buildings Branch
- Neighbourhood Social & Recreation Services Branch
- Planning Services Branch
- Program Services Branch
- Traffic Operations Branch

These differences were investigated by reviewing the risk assessment with the staff members who had done the assessment. In some cases an entry error was discovered, in others incorrect scoring had taken place. In others the size factors of the MAUs were changed upon investigation, while for most it was the branches that were re-scored.

After adjusting the branch & MAU risk scores, the branches and MAUs were sorted by risk score.

Tentative equations for converting the MAUs' risk score into man-hours to conduct an audit and to determine the frequency of auditing were developed. These equations were inputted into various spreadsheets to estimate the amount of workload to be expected along with the amount of coverage for a given planning horizon.

Review of Risk Scores for Audit Universe: Stage four

Spreadsheets were produced to illustrate the impact of different frequencies and man-hour calculations. These spreadsheets were used in two additional group sessions conducted with OAG staff.

The first session reviewed the MAU risk scores. Some MAUs were identified as having too low a ranking within the branch. In other cases the ranking of MAUs within a branch was considered correct but the magnitude of the associated risk scores needed to be changed.

All changes in relative ranking and risk score were made by consensus.

The second item dealt with was the selection of a tentative equation to translate risk score into frequency of auditing for a seven year planning horizon.

The group session determined that for a seven year planning horizon an MAU with a very high risk score of 50 would be audited twice.

The selected tentative equation for translating risk score into frequency of auditing was $f = 0.0204 RS + 0.9796$. It was also the consensus that the frequency equation should remain unchanged even if the planning horizon was expanded beyond seven years.

The next group session focused upon determination of an equation to estimate the man-hours required auditing a MAU given its risk score. Two equations were examined.

The first equation was; $\text{man-hours} = [RS \times 15 \times 3] \times 1.25$

Where RS is Risk Score, 15 is the average man-hours/RS per phase expended for the first three phases of an audit. The fourth and last phase of the audit can only constitute 20% of the total time on the audit.

The second equation was; $\text{man-hours} = [RS \times 10 \times 3] \times 1.25$

Where 10 is the average man-hours/RS per phase expended for the first three phases.

Upon close review by OAG staff, it was concluded that the use of 10 man-hours/RS per phase resulted in a more accurate estimate of required man-hours.

For those MAUs where it was known that the man-hours are considerably more or less than the calculated estimate, the equation was over ridden with the correct man-hours.

The last item addressed was the identification of which branches could be done as a whole, which should be done in part, and which MAUs could be combined or eliminated.

MAUs were combined on the basis of similar or related activities and functions and if it was still manageable to audit the combination.

This reduced the initial number of identified MAUs from 234 to 96. Areas not covered by the longterm audit plan are Edmonton Police Services, the Public Library, EPCOR, and Economic Development Edmonton (EDE).

Development of Long Term Audit Schedule: Stage Five

Both the initial frequency equation and the man-hours equation were entered into the spreadsheet and used to calculate the expected workload over a 7 year planning horizon.

MAUs were sorted by risk score and a cut off was established using the work capacity of the seven-year horizon. All MAUs above the cut off with a risk score equal to or greater than 17 were considered high priority audits. Those that fell below the cut off were considered to be either medium or low priority audits.

This resulted in only 63% of the expected workload being covered during the seven-year period. An audit schedule consisting of two 7-year planning horizons was devised to illustrate that not all the MAUs would be covered.

The planning horizon was then expanded from 7 years to 12, then 15 and finally 19 years. The initial calculated audit intervals based on the frequency equation were over ridden with selected audit interval lengths for each MAU. The audit interval lengths were then used with the length of the planning horizon to calculate new audit frequencies.

The new audit frequencies were then used with the man-hour estimates to calculate new workloads for the planning horizon. Through the process of trial & error, both the planning horizon was expanded and the audit intervals adjusted until a balance was achieved between the work capacity and the workload for the planning horizon.

Using a nineteen-year planning horizon, the calculated workload for the period is 194,436 manhours. The work capacity for the period is 202,958 man-hours resulting in an estimated coverage of 104% using the given audit intervals and frequencies.

The high priority audits constitute approximately 70% of the total workload over the course of the planning horizon.

In developing the nineteen-year plan all the high priority audits were scheduled first followed by the medium then low priority audits. In assigning when to do the high priority audits, care was taken to note when the branch and MAU was last audited. Also MAUs are scheduled to be audited in either the same or adjacent years. This was done to provide sufficient time between audits for a particular branch.

Appendix A

- Comprehensive List of Risk Factors
- Factor Scoring
- Comparison Matrices; Size, Control, & Audit
- Risk Assessment Matrix; Edmonton Transit, Light Rail Transit
- Background Sheet; Edmonton Transit, Light Rail Transit
- Determining Frequency of Auditing, Seven-year Planning Horizon

Comprehensive List of Risk Factors (from OAG Value-for-Money Procedure Manual)

- Dollar impact
- Volume of activities/transactions
- Growth of the function/organization
- Change in direction
- Potential or actual theft/fraud
- Management attitude/style/integrity
- Sensitivity/public exposure
- No assessment against organization, function, or program goals/objectives
- Variance from the business plan
- Very low turnover
- Very high turnover
- Possibility of outside intervention
- High level of pressure to produce
- Diversity of activities
- Complexity of operations
- Customer complaints
- Employee complaints
- Not the subject of a review and evaluation for some time
- Maturity of the organization/function/program
- Potential impact on external legislation/regulations
- Crisis management/amount of management's time spent on putting fires out
- Liquidity
- External services
- Number of locations
- Political and social stability
- Senior management input/review/control
- Management capability
- Major system change
- Newness of services/function/organization
- Degree automation
- Degree of decentralization/centralization
- Extent of delegation
- Judgmental extend of transactions
- Management overrides
- Vendor dependency
- End of year transactions
- Extent of make or buy
- Reorganization
- Specialist/generalist
- Management's control attitude
- Inter-departmental dependencies
- Employee morale

Comprehensive List of Risk Factors (continued)

- Employee grievance/upheld/dismissed
- Management information systems
- Confidentiality
- Training
- Key indicator variances
- Internal political environment
- Extent of policy/procedures/guidelines
- Safety record
- Amount of overtime
- Amount of documented objectives/goals/results
- Measurement and analysis of service interruptions
- Development of performance standards
- Monitoring and reporting on quality of service
- Discipline
- Delays in installing service
- Lack of service orientation
- Impact of the acquisition of services/goods on service delivery
- Cost/implication of redress
- Liability

Risk Factors

(Risk Assessment Formula examples in Value-for-Money Procedure Manual)

- Dollar size of individual transactions
- Volume of transactions
- Potential impact of the function, area, or department has on the organization's ability to remain in operation.
- Liquidity
- Technological developments
- Customer influences
- Competition
- Regulatory influences
- Financial condition of audit entity
- Pressure on management to meet objectives

Confidence Considerations (factors)

(Risk Assessment Formula examples in Value-for-Money Procedure Manual)

- Control environment
- Economic influences
- Disaster recovery
- Potential for operational improvement
- Complexity and volatility of activities
- Difficult/complex operations
- Audit Difficulty
- Control Activities
- Competence and experience of operating personnel
- Competence and experience of assigned audit team
- Compensating controls

Risk Factors (from example in Automated Risk Assessment)

Size Factors

- Amount of capital risk
- Amount of turnover at risk
- Business partner sensitivity
- Category of risk
- Consequential loss
- Cost of system Impact upon the business
- Initial inherent risk
- Legal risk

Control Factors

- Access control
- Data control
- Dependence upon third parties
- Project control risk
- Quality of direction
- Quality of DP control
- Quality of internal control
- Quality of management
- Quality of user staff
- Quality & experience of technical staff
- Relative requirement for control
- Technical control risk
- User control
- Vulnerability from staff
- Vulnerability to abuse

Audit Factors

- Auditability
- Bias of management for audit attention
- Cost effectiveness of audit
- Likely audit effectiveness
- Opportunity to benefit from an audit
- Reliance placed on external review agencies
- Reliance placed on other internal review agencies
- Requirement for pre-audit by internal audit

Risk Factors (from previous attempt at long term audit planning)

- Financial Impact
- Political Impact
- Environmental Impact
- Employee Impact
- Customer Impact

Factor Scoring

Size Factors

Financial Risk: This factor relates the financial impact of a resultant event, condition or failure experienced by a department or branch on the financial condition of the corporation. The factor takes into account the amount of capital invested in operations, the cost of the system to operate (budgeted operating expenditures), and the dollar impact of consequential losses.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	x > \$6.0 million	(Scale is for MAUs only)
	4	\$4.0 < x < \$6.0 million	
	3	\$2.0 < x < \$4.0 million	
	2	\$0.5 < x < \$2.0 million	
	1	x < \$0.5 million	

Scale:	5	x > \$30.0 million	(Scale is for Business Units only)
	4	\$20.0 < x < \$30.0 million	(i.e. Department or Branch)
	3	\$10.0 < x < \$20.0 million	
	2	\$2.5 < x < \$10.0 million	
	1	x < \$2.5 million	

Inherent Risk: This factor considers the inherent risk of the activities and tasks undertaken by the department or branch. It takes into account the probability of an event, condition or failure occurring and its impact on the viability of the organization's operations.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Fatal - Operations are no longer capable of continuing. A 1 to 7 day survival period.
	4	Disastrous - Operations are jeopardized. Conditions could become fatal if the situation is not rapidly corrected. An 8 to 30 day survival period.
	3	Disruptive - Operations are seriously affected but can continue at a significantly diminished level. A 31 to 90 day survival period.
	2	Impairing - Operations are moderately affected, but can continue. Productivity would be inhibited to some degree. A 91 day to one year survival period.
	1	Inconvenient - It will have a minor effect on operations and may be accepted without a change of current practices. An indefinite survival period.

Volume: This factor takes into account the volume of activities and/or transactions under taken by a department or branch.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Very large number.
	4	Large number.
	3	Average number.
	2	Small number.
	1	Very small number.

Size Factors (continued)

Political Impact: This is the impact that would result from an event, condition or failure upon the politics of corporate governance based on the perceptions of the general public.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

- | | |
|----------|---|
| Scale: 5 | Extreme public criticism of the administration, jeopardizing political careers, its resolution a high political priority of all councillors. |
| 4 | Significant public criticism and media coverage of the problem, extreme embarrassment for some councillors, extreme concern for some councillors. |
| 3 | Moderate public criticism and media coverage of the problem, moderate embarrassment to most councillors, and a moderate concern for most councillors. |
| 2 | Some public criticism and media coverage of the problem.
Some embarrassment to some councillors.
Some concern for some councillors. |
| 1 | Minimal public criticism of media coverage of the problem, no embarrassment to councillors, minor to moderate concern for some councillors |

Liability: This factor takes into consideration the legal liability that would result from the occurrence of an event, condition, or failure by a department or branch of the corporation.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

- | | | |
|-------|---|-----------------------------|
| Scale | 5 | Very large legal liability. |
| | 4 | Large legal liability. |
| | 3 | Moderate legal liability. |
| | 2 | Some legal liability. |
| | 1 | Minimum legal liability. |

Control Factors

Management & Operational Discipline: Operational discipline is the means by which an organization integrates and co-ordinates the various activities that it undertakes. The operational discipline may draw upon one or several management philosophies and concepts to achieve this integration and co-ordination. Generally speaking the more developed the operational discipline the more effective is the co-ordination, integration and scheduling of the organization's activities.

Management discipline would take into consideration the level of awareness of management to any sensitive areas within their control, which would require special consideration and assurance against manipulation, theft or fraud.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

- | | | |
|-------|---|---|
| Scale | 5 | No detailed, designed operational discipline exists. /
A very low level of awareness of sensitive areas. |
| | 4 | The operational discipline was not systematically designed but was organically developed. / A low level of awareness of sensitive areas. |
| | 3 | The operational discipline was developed at a basic level using one management philosophy. / A medium level of awareness of sensitive areas. |
| | 2 | The operational discipline was designed using a few key management philosophies. / A high level of awareness to sensitive areas. |
| | 1 | An extensive operational discipline was designed drawing from several management philosophies. / A very high level of awareness of sensitive areas. |

Legislation & Policy: This factor takes into account the level of management's compliance with external legislation and regulations. It also takes into consideration the full extent to which policies, procedures and guidelines are clearly established and understood by management and employees.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale	5	Very low level of compliance. / Very low extent of established policies.
	4	Low level of compliance. / Low extent of established policies.
	3	Medium level of compliance. / Moderate extent of established policies.
	2	High level of compliance. / High extent of established policies.
	1	Very high level of compliance. / Very high extent of established policies.

Quality of Work Life: This factor considers items such as the organization's safety record, overtime and turnover rate of employees. Significant and consistent overtime along with a high turnover rate is a direct indication of the quality of work life. Generally speaking when there is significant and consistent overtime it is an indication that activities which do not add value have not been eliminated as the number of positions have been reduced. Moreover, a high turnover rate leads directly to the constant hiring and training of new personnel. The combination of these conditions leads to a greater risk that important control measures will either be implemented poorly or not at all. Finally, the organization's safety record is a direct indication of the risk to injury of employees and the quality of work life.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Very low level of QWL, very poor safety record, and very high turnover rate.
	4	Low level of QWL, poor safety record, high turnover rates.
	3	Moderate QWL, fair safety record, moderate turnover rates.
	2	High level of QWL, good safety record, low turnover rates.
	1	Very high level of QWL, very good safety record, low turnover rates.

Goals, Objectives, & Results: This factor takes into account how extensive and clearly does management define its goals and objectives as well as document results. Generally speaking the more extensive and clearly defined the goals and objectives are and the more extensive and clearly recorded the results are, the more effective is management's control of the organization.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Goals, objectives, and results are undocumented.
	4	Goals, objectives, and results are sporadically documented.
	3	Goals, objectives, and results are tentatively documented.
	2	Goals, objectives, and results are documented.
	1	Goals, objectives, and results are extensively documented.

Performance Measurements: This factor considers the extent to which performance measurements have been developed for the organization. The organization's performance is measured across seven performance dimensions, which are effectiveness, efficiency, productivity, quality, quality of work life, innovation, and budgetability or profitability. Generally speaking the more extensive the performance measurement system, the more effective is management's control of the organization.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Performance measurement covers only one dimension.
	4	Performance measurement covers only two dimensions.
	3	Performance measurement covers only three to four dimensions.
	2	Performance measurement covers five or six dimensions.
	1	Performance measurement covers all seven dimensions.

Audit Factors

Last time Audited: This factor takes into consideration that as the length of time increases since an organization has last been audited, there is an increased probability that management's controls may have deteriorated leading to increased risk.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Five years or more since last audited.
	4	Four years since last audited.
	3	Three years since last audited.
	2	Two years since last audited.
	1	One year since last audited.

Diversity & Complexity of Operations: This factor considers how increased diversity and complexity of an organization's operation increases the difficulty of conducting an audit of the organization leading to an increased probability that a significant issue could be overlooked.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	Very diversified & complex operation.
	4	Significant diversity & complexity to operations.
	3	Moderate diversity & complexity to operations.
	2	Limited diversity & complexity to operations.
	1	Very limited diversity & complexity to operations.

Auditability: This factor considers the ability of an audit team to audit an organization with the amount of experience and skill possessed given the organization's level of complexity.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

Scale:	5	The organization is very difficult to audit.
	4	The organization is difficult to audit.
	3	The organization is auditable with no difficulty.
	2	The organization is easy to audit.
	1	The organization is very easy to audit.

Opportunity to benefit from audit: This factor considers the likely benefits to be obtained from the audit in terms of identifying means of improvement or providing assurance.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

- Scale:
- | | |
|---|---|
| 5 | Very high level of benefits from audit. |
| 4 | High level of benefits from audit. |
| 3 | Moderate level of benefits from audit. |
| 2 | Low level of benefits from audit. |
| 1 | Very low level of benefits from audit. |

Management request for audit: This factor takes into account whether or not management or City Council requested an audit and the subsequent receptiveness of audit results.

High Risk (H) score 5, Medium Risk (M) score 3, Low Risk (L) score 1

- Scale:
- | | |
|---|---|
| 5 | Management had directly requested audit & are very receptive to results. |
| 4 | Management had requested audit and are receptive to results. |
| 3 | Management is open to audit and is receptive of results. |
| 2 | Management had not requested audit but is willing to consider results. |
| 1 | Management had not requested audit and is non-receptive to audit results. |



THE CORPORATION OF THE CITY OF MISSISSAUGA

BY-LAW NUMBER 627-93

A by-law to establish an Audit Committee as a Standing Committee of Council for the City of Mississauga

WHEREAS the Council of The Corporation of the City of Mississauga on June 23, 1993, endorsed the Audit Committee Charter to demonstrate a high level of public accountability and to provide assurance to the public that municipal services are administered in an efficient, effective and economical manner;

AND WHEREAS Council has responsibilities regarding financial and other reporting, internal control and compliance with laws, regulations and ethics;

AND WHEREAS Council wishes to ensure an impartial, objective and independent assessment of the management of the City;

AND WHEREAS the terms of the Audit Committee are set out more particularly as Schedule 'A' hereto;

NOW THEREFORE the Council of The Corporation of the City of Mississauga ENACTS as follows:

1. There shall be a Standing Committee of Council known as the Audit Committee which shall operate in accordance with the provisions of the Procedural By-law.
2. Schedule 'A' attached to this by-law shall form part of this by-law.

ENACTED and PASSED this 15th day of December 1993.

SCHEDULE “A” TO BY-LAW

1. Objective

The Audit Committee assists Council in the provision of effective municipal government by overseeing the administrative system regarding financial accounting, reporting internal controls, safeguarding of corporate assets, compliance with legal, ethical and regulatory requirements and the efficient and effective use of resources. The Audit Committee provides a focal point for communication between Council, the External Auditor, the Internal Auditor and management, and facilitates an impartial objective and independent review of management practices through the internal and external audit functions.

2. Composition

The Audit Committee is comprised of three members of Council who are appointed annually by Council, with the Mayor also being a member ex-officio. The term of office for the Audit Committee runs from January 1 to December 31 in a given year. Two members constitute a quorum. The Mayor, as ex-officio, shall not be counted for the purpose of establishing or fulfilling a quorum.

3. Meetings

At its first meeting of each year the Audit Committee shall elect a Chairperson from among its members.

The Audit Committee shall meet at least four times per year with additional meetings at the call of the Chairperson in order to properly discharge its responsibilities as set out in this by-law.

Minutes shall be prepared for each Audit Committee meeting and shall be presented to the next succeeding meeting for confirmation.

4. Responsibilities

The Audit Committee is responsible for making recommendations to Council regarding the following:

The External Audit Function

- selecting and dismissing the external auditor,
- reviewing the terms of engagement, fees and scope of the audit and any non-audit services provided,
- reviewing any reports and correspondence from the External Auditor relating to The Corporation of the City of Mississauga, the Mississauga Public Library Board, the Mississauga Hydro-Electric Commission, the Business Improvement Area Boards, and any other local boards or agencies which may be created;
- evaluating the external auditor's performance.

SCHEDULE “A” TO BY-LAW 627-93

The Internal Audit Function:

- reviewing and approving the mandate of Internal Audit and ensuring that all of the City's operations are subject to review by Internal Audit,
- concurring with the appointment or removal of the Director of Internal Audit to assist in safeguarding the independence of the Internal Audit function,
- reviewing the workplan, staffing, and budget of Internal Audit,
- reviewing requests for special studies and investigations made by members of Council,
- reviewing reports from the City Manager and the Director of Internal Audit identifying audit issues and the steps taken to resolve them,
- reviewing the adequacy of the management responses to audit concerns, having regard to the risks and the costs involved,
- reviewing any quality assurance reviews which may have been conducted in accordance with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing.

Financial and Other Reporting:

- reviewing the annual financial statements of the City and its local boards prior to presentation to Council,
- reviewing financial and fiscal policies, practices and procedures (eg. accrual policy, deferred revenue policy, policies for establishing reserves, reserve funds, etcetera),
- reviewing information used for decision making (including management reports, affirmations, etc), as to integrity, timeliness and comprehensiveness,
- reviewing significant current or pending litigation and outcome, where applicable,

Internal Control

- reviewing the adequacy of the internal control systems for safeguarding assets, including the review of policies and procedures,
- reviewing management and program performance regarding the efficiency, effectiveness and economy in the use of resources,
- reviewing the effectiveness of corporate reporting systems regarding administrative and program performance (for example, budget monitoring system),

SCHEDULE “A” TO BY-LAW 627-93

Compliance

- reviewing the level of compliance with legislation, regulations, corporate objectives, policies and ethics,
- reviewing the adequacy of the system established to ensure compliance,

- reviewing by-laws and policies specifically regulating the conduct of members of council, staff, and suppliers (for example, personnel, fraud and theft policies, conflict of interest policy, purchasing by-law, budget control by-law, expense claims policy, etcetera),
- reviewing significant cases of employee conflicts of interest, misconduct, or fraud and their resolution.

General

- reviewing and approving the scope, terms of reference and fees of professional services retained for purposes related to the Audit Committee's responsibilities,
- receiving an annual report from the City Manager summarizing progress made in resolving issues raised by both internal and external audit,
- providing opportunities for private discussion of sensitive matters raised by the External Auditor, the City Manager, or the Director of Internal Audit relating to personnel, legal, or other matters which could be prejudicial to the corporate interest if discussed in open committee,
- reviewing the Audit Committee Mandate periodically and recommending modifications to Council, as necessary,
- any other matter which could come within the purview of internal or external audit.

EXIBIT 2

BY-LAW AND CHARTER - CITY AUDITOR

R.B.C.M.

c. V-2

BY-LAW CONCERNING THE VÉRIFICATEUR

1. The person appointed to the office of city auditor (vérificateur) must be a member in good standing of a professional corporation of accountants referred to in Division II of Chapter IV of the Professions Code (R.S.Q., chapter C-26).
2. In the discharge of his duties, the auditor has the powers, duties and functions conferred by the law and regulations.
3. With the approval of the executive committee, the auditor appoints his office employees with the titles, ranks and duties he may see fit.
4. The auditor designates office employees to act on his behalf should he be absent or unable to act, in the order of precedence that he determines.
5. With the approval of the executive committee, the auditor may hire the experts required for the efficient discharge of his duties. Those experts and all other occasional office employees, must take an oath to maintain confidentiality of information received in the exercise of their duties.

6. Notwithstanding Article 5, the auditor may, within the scope of his duties, enter into a contract, on behalf of the city, for leasing and hiring the services of experts for appraisal and auditing purposes, and set fees, for each expert, of no more than \$100 000.
7. To ensure the efficient discharge of his duties, the auditor may assign his employees and experts to any department, organization, corporation or person subject to audit by him; the latter are required to collaborate with them accordingly.

CHARTER ARTICLES 732 and 733

732. The city auditor shall audit the accounts and affairs of the city, in accordance with auditing standards generally recognized in public accounting, and shall discharge all the other duties imposed on him by the law and by-laws.
- 732a The city auditor shall audit the accounts and affairs of:
- 1° the pension fund committees and their affiliates;
 - 2° any body, corporation, association or society constituted under this Act or any other act more than 50% of the outstanding voting shares of which are held by the city, or more than 50% of the directors of which are appointed by the council or the executive committee;
 - 3° any body, corporation, association or society the audit of which is entrusted to him by the city.

Article 733, adapted as required, applies to the audit.

732b The auditor of any body, corporation, association or society for which the audit is not conducted by the city auditor in accordance with Article 732a and which receives an annual monetary contribution of \$100 000 or more from the city, must transmit, to the city auditor, a copy of:

- 1° the annual financial statements of the body, corporation, association or society;
- 2° his report on these statements;
- 3° any other report to the board of directors or senior officers of the body, corporation, association or society containing his findings and recommendations.

This person must also make available to the city auditor, at the latter's request, the working papers and other reports and documents relating to his audit work as well as the results thereof, and provide any additional information and explanations required respecting his audit and results thereof.

Where the information, explanations, documents and reports of the body, corporation, association or company are insufficient and additional audit work is required, the city auditor may conduct, or cause to be conducted, such additional audit work he considers necessary.

For the purpose of this article, a body, corporation, association or society which receives an annual monetary contribution of \$100 000 or more from the city is bound to cause to be conducted an audit of its financial statements.

733. 1. The auditor is directly responsible to the council.

2. The auditor must audit the accounts and affairs relating to the various funds, services and property of the city, examine the financial statements of the latter and issue his opinion in this respect.
3. The auditor shall make an enquiry and report each time the executive committee or the council makes a request thereof on any matter within his competence.
4. Not later than August 31 each year, the auditor shall remit to the executive committee the results of his audit for the fiscal period ending on the preceding December 31, and mention every fact or irregularity that he has noticed which, in his opinion, deserves to be pointed out, particularly cases where he has found that:
 - a) accounts have not been kept in a faithful and satisfactory manner;
 - b) account of all public moneys has not been made;
 - c) the rules and procedures applied are not adequate to ensure efficient control of the assessment, collection and apportionment of revenue;
 - d) sums of money have been spent for purposes other than those for which they had been voted;
 - e) expenses have been made without authorization.

The executive committee shall table before the council the results of such audit at the first meeting held following the expiry of 30 days after receiving it.

5. The auditor may consult all files, documents and registers respecting all the accounts and affairs of the city.

He may also require from any officer or employee of the city, any information, report or explanation he deems necessary for the performance of his duties.

6. The auditor may inform the department heads of the city and the executive committee of the facts discovered during his audits.
 7. The council shall appoint a professional public accountant to examine the accounts respecting the auditor.
 8. No civil action may be instituted by reason or in consequence of the publication of a report of the city auditor under the law, or the publication made in good faith of an extract or abstract of such report.
 9. The city must keep the auditor clear of any claim or conviction exercised or executed against him, in capital, interest and costs, and of all lawyers' or experts' fees incumbent on him in all cases where such claim, conviction or costs result from the exercise of his office or the performance of his duties, in accordance with the law and the by-laws.
- 733.1 The auditor is responsible for the application of policies and standards concerning the management of human, material and financial resources allocated to the auditing.

OFFICE CONSOLIDATION

THE CITY AUDITOR GENERAL BYLAW

No. 8926

Including Amendments to April 5, 1993

This Bylaw has been consolidated under the authority of the City Clerk. It represents proof, in absence of evidence to the contrary of:

- a) the original bylaw and of all bylaws amending it; and
- b) the fact of passage of the original and all amending bylaws.

AMENDMENTS

Bylaw No. 9332

Bylaw No. 9485

DATE PASSED

April 6, 1992

April 5, 1993

BYLAW NO. 8926

A BYLAW OF THE CITY OF REGINA
TO APPOINT A CITY AUDITOR GENERAL

WHEREAS Section 53(2) of The Urban Municipality Act, 1984 provides for appointment of such officials other than those specified in the Act, as it considers necessary for carrying into effect the provisions of that or any other Act affecting the City of Regina, or any municipal bylaw and for the prescribing of their duties; and

WHEREAS Section 72 of The Urban Municipality Act, 1984 provides for the appointment by City Council of an external auditor; and

WHEREAS it is deemed in the public interest that there should be appointed an internal auditor to be known as the City Auditor General who shall be answerable and responsible only to City Council.

NOW THEREFORE THE COUNCIL OF THE CITY OF REGINA ENACTS AS FOLLOWS:

1. This Bylaw may be cited as The City Auditor General Bylaw.
2.
 - (1) The office and position of the City Auditor General for the Corporation of the City of Regina is hereby created.
 - (2) The Office of the City Auditor General is a department of the City.
3. The Council is hereby authorized and empowered to appoint, by Resolution, such person as it may deem suitable for the purpose of carrying out the duties and responsibilities of City Auditor General by an affirmative vote of a majority of the total number of members of the Council.
4. The City Auditor General is a municipal official.
5.
 - (1) The City Auditor General is to be paid a salary determined by Council.
 - (2) The City Auditor General may not be dismissed except by an affirmative vote of a majority of the total number of members of the Council.
6. When the position of City Auditor General is vacant, or he is unable to carry out his duties through illness or otherwise the Council may, by Resolution, appoint an acting City Auditor General pro tempore who shall have all the powers and duties of the City Auditor General under this Bylaw.
7. For the purposes of exercising any of the powers or carrying out any of the duties imposed upon him by this Bylaw, the City Auditor General may engage the services of or retain any technical, professional or other advisors, specialists or consultants that he considers necessary provided that:

- (a) the monies for such services are contained in the estimates and the budget approved by Council; and
 - (b) the relevant policies as adopted by Council are strictly observed.
- 8.
 - (1) The City Auditor General shall be responsible and answerable only to Council and will, except as otherwise specifically provided in this Bylaw, report to Council through the Audit Committee.
 - (2) The City Auditor General may, in relation to any matter arising under sections 5 to 16 of this Bylaw report to Council through the Executive Committee.
- 9.
 - (1) The City Auditor General shall be supplied with whatever financial resources, personnel, accommodation, supplies and any other good or service which he may require in carrying out his duties pursuant to the provisions of this bylaw and in accordance with the budget annually approved by City Council.
 - (2) The City Auditor General shall annually submit to City Council, concurrently with the City Manager's budget, a budget for the next calendar year.
- 10. The City Auditor General and the employees of the Office of the City Auditor General shall be civic employees for all purposes except as other-wise provided in this Bylaw.
- 11. The City Auditor General shall administer, manage and control the Office of the City Auditor General and the general business of the office and shall oversee and direct the staff of the office.
- 12. The City Auditor General may delegate to any member of his office the authority to exercise any power or to perform any duty conferred on him by this Bylaw, other than the duty to make his annual report or a special report to the Council.
- 13. The City Auditor General shall have no power to direct the Administration, any department, official or employee to perform any work or thing except as authorized by City Council or this Bylaw.
- 14. Notwithstanding section 13, the City Auditor General has the right and duty to advise appropriate officials of the Administration of matters discovered in his examination and shall draw such matters to the attention of the City Manager.

15. (1) The City Auditor General shall have the authority and duty to make a special report to City Council on any matter of pressing importance or urgency that in his opinion ought not be deferred until the issue of his Annual Report.
- (2) The report referred to in subsection (1) shall, prior to its submission to City Council be forwarded to the Executive Committee of Council.
- (3) The City Auditor General shall simultaneously transmit a copy of the report referred to in subsection (1) to the City Manager.
16. (1) The City Auditor General shall have access at all convenient times to any and all files, documents, reports, financial records and such other records of the City as the City Auditor General in his sole discretion deems necessary for the carrying out of his responsibilities.
- (2) The City Auditor General is entitled to require and receive from officials and employees of the City such information, reports and explanations as he may deem necessary for the proper performance of his duties.
- (3) In discharging his duties under subsections (1) and (2) the City Auditor General shall be subject only to such restrictions as are imposed by law or in any resolution of the Council.
17. The City Auditor General may station in any City Department any officer employed in his office to enable him to more efficiently carry out his duties, and the department shall provide the necessary office accommodation for any officer so stationed.
18. (1) The City Auditor General shall be responsible for all internal audit functions of the City and his duties shall include but not be limited to an examination of the City's financial, administrative, operational and organizational affairs. In this regard he shall examine in such manner as he may deem necessary the accounts relating to the affairs of the City of Regina and to City of Regina property, and shall, for programs under his review, ascertain whether in his opinion:
 - a) value for money has been obtained for expenditures made;
 - b) the operations of the City Administration are being planned, conducted and controlled with due regard for economy, efficiency and effectiveness;
 - c) internal controls, accounting systems and practices are adequate and the accounting records and reporting systems are reliable and properly maintained and are sufficient to safeguard and control City property;

- d) the accounts have been faithfully and properly kept;
 - e) all public money has been fully accounted for and the rules and procedures applied are sufficient to secure an effective check on the assessment, collection and proper allocation of the revenue;
 - f) money has been expended for the purposes for which it was appropriated by City Council, and the expenditures have been made as authorized;
 - g) there is compliance with established City policies; and
 - h) there are sufficient controls in place to ensure that there is compliance with the provisions of contracts entered into by the City.
- (2) The City Auditor General shall determine the appropriate methodologies necessary to discharge his responsibilities and will adhere to generally accepted auditing and accounting standards.
- (3) In subsection (1) "City" includes any board, association, committee or other body that is established by the Council and that receives the majority of its funds from the City.
- (4) The Auditor General may upon request and with the approval of Council, make any investigation of any of the financial, administrative, operational or organizational affairs of any board, association, commission, authority or other organization which has been created under The Urban Municipality Act, 1984, any other statute or bylaw of the Council. (#9332, s. 3, 1992)
19. The City Auditor General shall prepare an annual work program for approval by City Council.
20. The City Auditor General shall prepare an audit report, which gives his findings and recommendations, on each of the audits approved by the Council. The recommendations will include areas where there are opportunities to improve the economy, efficiency and effectiveness of the operations. The City Manager shall provide the City Auditor General with a formal response to each of the audit recommendations and his response shall be incorporated as provided into the final audit report. The audit reports shall be presented to:
- (a) the Department Head and Senior Director
 - (b) the City Manager
 - (c) the Audit Steering Committee, if applicable

(d) the Audit Committee

(e) City Council

in the order listed.

For audits of internal accounting systems and financial audits, detailed findings and recommendations will normally only be reported to the City Manager. The Audit Committee will be provided with a synopsis of the findings.

21. Departments will be required to submit, to the City Manager, an implementation plan for each audit report within a specified time frame. The City Auditor General shall monitor the preparation of the departmental implementation plans and shall periodically report to the Audit Committee on the progress of the departments in implementing the audit recommendations. If, in the opinion of the City Auditor General, implementation plans are not being prepared or the recommendations of the audit report are not being implemented in what he considers a reasonable time period, the City Auditor General shall report these occurrences to the Audit Committee.
22. (1) The Council, by Resolution, shall have the authority to require the City Auditor General to make any investigation of any of the financial, administrative, operational and organizational affairs of the City and to report to the Council thereon;
- (2) The Executive Committee by Resolution shall have the authority to require the City Auditor General to make any investigation of any of the financial, administrative, operational and organizational affairs of the City and to report to the Executive Committee thereon;
- (3) A resolution passed pursuant to subsection (1) or (2) is required to be passed by a majority of the total number of members of the Council or Executive Committee;
- (4) (a) The Mayor or any other member of Council may request the City Auditor General to make an investigation of any of the financial, administrative, operational or organizational affairs of the City;
- (b) A request made pursuant to clause (1) of this section shall be in writing and shall be submitted to the Executive Committee;
- (c) Upon the concurrence of the Executive Committee in accordance with the provisions of subsection (3) of this section the City Auditor General shall make the investigation and report thereon to the Executive Committee.

- (5) The City Manager shall have the authority to require the City Auditor General to make any investigation of any of the financial, administrative, operational or organizational affairs of the City and to report thereon to the City Manager;
 - (6) Any report prepared pursuant to subsection (5) shall be made available only by the City Manager;
 - (7) The Council shall have the authority to require the City Auditor General to make any investigation of any of the financial, administrative, operational or organizational affairs of any board, association, commission, authority or other organization which the Council has created and which reports to Council.
23. (1) Where:
- (a) the Council or the Executive Committee:
 - (i) requests the City Auditor General to perform a special assignment pursuant to section 22; and
 - (ii) causes the City Auditor General to be provided with the funding that the City Auditor General considers necessary to undertake the special assignment; and
 - (b) in the opinion of the City Auditor General, the special assignment will not unduly interfere with his other duties prescribed in this Bylaw;
- the City Auditor General shall perform the special assignment.
- (2) Where:
- (a) the City Manager:
 - (i) requests the City Auditor General to perform a special assignment pursuant to section 22; and
 - (ii) causes the City Auditor General to be provided with the funding that the City Auditor General considers necessary to undertake the special assignment; and
 - (b) in the opinion of the City Auditor General, the special assignment will not unduly interfere with his other duties prescribed in this Bylaw;
- the City Auditor General shall perform the special assignment.

24. The City Auditor General shall prepare an annual report for City Council on the work of his office and the results of his examinations and the report shall be automatically referred to the Audit Committee for consideration and a report to Council.
25. The City Auditor General or any employee of his office:
 - (a) shall preserve secrecy with respect to all matters that come to his knowledge in the course of his employment or duties under this Bylaw; and
 - (b) shall not communicate those matters to any person other than when he is required to do so in connection with:
 - (i) the administration of this Bylaw;
 - (ii) any proceedings under this Bylaw; or
 - (iii) any proceedings in a court of law.
26. Notwithstanding The Procedure Bylaw:
 - (a) the City Auditor General shall submit to the Clerk, as soon as is practicable, any special report that is prepared by him pursuant to sections 8(2), 15 and 22;
 - (b) the City Clerk shall, as soon as is practicable, submit to the Executive Committee each report received by him pursuant to clause (a);
 - (c) the Council may refer a matter to the City Auditor General; and
 - (d) the City Auditor General may make a written submission to a Committee.
27.
 - (1) Members of the general public shall have the right to draw to the attention of the City Auditor General instances where it is felt greater efficiency is possible in the delivery of City programs and services.
 - (2) Employees of the Corporation of the City of Regina shall have the right to draw to the attention of the City Auditor General instances where it is felt greater efficiency is possible in the delivery of City programs and services and all such communications shall be treated so that the identity of the employee is known only to the City Auditor General.
28.
 - (1) An audit of the Office of the City Auditor General shall be undertaken by auditors appointed by the Council or by such other means as the Council may direct.

- (2) An auditor appointed under subsection (1) has the same powers and shall perform the same duties in relation to an audit of the Office of the City Auditor General that the City Auditor General has or performs in relation to an audit performed pursuant to this Bylaw.
 - (3) The audit required pursuant to this section shall be performed before the expiration of three years from the date of the passage of this Bylaw and thereafter at intervals of five years.
 - (4) The auditor of the Office of the City Auditor General shall submit his report to the Executive Committee. (#9332, s. 4, 1992)
- 28.1 (1) At the first meeting of the Audit Committee in February of each year, the City Clerk shall place on the agenda of that meeting the matter of the annual performance appraisal of the City Auditor General.
- (2) The Audit Committee shall carry out the annual performance appraisal of the City Auditor General prior to the last day of March in each year. (#9485, s.3, 1993)
29. On the day this Bylaw comes into force the Audit Department of the City of Regina is disestablished.
30. On the day this Bylaw comes into force all employees located within the Audit Department shall be employees of the Office of the City Auditor General.
31. This Bylaw shall come into full force and take effect on the day of the final passing thereof.

READ A FIRST TIME THIS 23rd DAY OF OCTOBER A.D. 1989.

READ A SECOND TIME THIS 23rd DAY OF OCTOBER A.D. 1989.

READ A THIRD TIME AND PASSED THIS 23rd DAY OF OCTOBER A.D. 1989.

Mayor

City Clerk

Appendix 10: Excerpts from the City of Winnipeg Act

CITY AUDITOR

Appointment of city auditor

58(1) Council shall appoint a city auditor who shall hold office during good behavior and who may be suspended or dismissed by a resolution of council that is approved by at least 2/3 of the councillors.

Persons not eligible for appointment

58(2) A person shall not be appointed as city auditor, where the person

(a) is, or was in the immediately preceding year, a member of council; or

(b) has, or had in the immediately preceding year, directly or indirectly, alone or with another person, a share or interest in a contract or employment with or on behalf of the city, except as an auditor.

Supervision

58(3) The city auditor shall supervise, and is responsible for, all matters relating to the conduct of the office of the city auditor and of persons employed for the purpose of fulfilling the duties of the office.

Suspension of employee

58(4) The city auditor may suspend from duty an employee in the office of the city auditor and shall report any suspension to council, which may dismiss, discipline or reinstate the employee.

Delegation of authority

58(5) The city auditor may delegate to an employee in the office of the city auditor any duty that by this Act the city auditor is required to do, other than reporting to council.

Powers of city auditor

58(6) The city auditor shall have access at all reasonable times to documents and records relating to the accounts of a department, and may require and receive from city administrators and employees of the city, and any board or commission of the city, information, reports and explanations that the city auditor considers necessary for the proper performance of the duties of the city auditor.

Stationing of staff

58(7) The city auditor may station an employee of the office of the city auditor in a department, board or commission of the city to enable the city auditor to carry out the duties of the office more effectively; and the department, board or commission shall provide office accommodation for the employee.

Security requirements

58(8) The city auditor shall require an employee who examines the accounts of a department, board or commission under this Act to comply with security requirements that apply to persons employed in the department, board or commission.

Audit of grantees

58(9) The city auditor may examine and audit the accounts of a person, institution or agency to which the city makes a financial contribution.

Examination under oath

58(10) Subject to the approval of council, the city auditor or, where approved by council, a representative of the city auditor, may examine any person on oath touching any matter which by this Act the city auditor is required to audit or control; and for the purpose of the examination the city auditor, or the representative, has the powers and protection of a commissioner appointed under Part V of *The Manitoba Evidence Act*.

58(11) to (13) Repealed, S.M. 1991-92, c. 42, s. 11.

S.M. 1989-90, c. 51, s. 4; S.M. 1991-92, c. 15, s. 6; S.M. 1991-92, c. 42, s. 11; S.M. 1997, c. 34, s. 3.

Accounts and operations

59 The city auditor shall examine, in a manner that the city auditor considers necessary and in accordance with such terms of reference as council may establish from time to time, the accounts of the city and boards and commissions and shall ascertain whether, in the opinion of the city auditor,

- (a) the accounts have been properly kept;
- (b) all moneys have been fully accounted for, and the rules and procedures that are applied are sufficient to secure an effective check on the levy, collection and proper allocation of the revenue;
- (c) money is expended for the purpose for which it is appropriated by council, and the expenditure is properly authorized;
- (d) essential records are maintained, and the rules and procedures applied are sufficient to safeguard and control city property;
- (e) money is expended with due regard for economy and efficiency; and
- (f) satisfactory procedures have been established to measure and report to council on the achievement of economy and efficiency.

S.M. 1989-90, c. 51, s. 4; S.M. 1991-92, c. 42, s. 12.

Report to council

60(1) The city auditor shall, within the time specified in subsection (2), report to council respecting the fiscal year,

- (a) as to the city auditor's examination of accounts of receipts and payments of moneys;
- (b) as to the city auditor's examination of the balance sheet and related schedules shown in the accounts of the city and boards and commissions, in which the city auditor shall state whether
 - (i) they were compared with the books of account and financial records,
 - (ii) the information required by the city auditor was obtained, and
 - (iii) in the opinion of the city auditor, they are properly drawn up so as to present fairly, on a basis consistent with the preceding year, the financial position of the city;
- (c) as to any important change in the extent or character of any examination made by the city auditor;
- (d) setting out cases where money was not expended in accordance with clause 59(e);

(e) setting out cases where satisfactory procedures are not established in accordance with clause 59(f), whether or not the procedures were recommended by the city auditor; and

(f) on such matters as the city auditor desires to bring to the attention of council.

Time of report

60(2) A report on matters referred to in subsection (1) shall be made as follows:

(a) in the case of matters referred to in clauses (1)(a), (b), (c) and (f), not later than six months after the end of the fiscal year; and

(b) in the case of matters referred to in clauses (1)(d) and (e), not later than the completion of the report with respect to those matters, or six months after the end of the fiscal year, whichever is earlier.

S.M. 1989-90, c. 51, s. 4; S.M. 1991-92, c. 42, s. 13; S.M. 1993, c. 2, s. 10.

Report on statements

61 In the report made under subsection 60(1), the city auditor shall report on the examination by the office of the city auditor of

(a) the statements of the expenditures and revenues of the city and for each board and commission for the fiscal year; and

(b) the statements of assets and liabilities required to show the financial position of the city and boards and commissions at the end of their respective fiscal years.

S.M. 1989-90, c. 51, s. 4; S.M. 1991-92, c. 42, s. 14; S.M. 1993, c. 2, s. 11.

62 Repealed.

S.M. 1989-90, c. 51, s. 4; S.M. 1991-92, c. 42, s. 15.

Special audits

63 Council may, at any time, direct the city auditor to audit the accounts of a department, board or commission of the city that receives, pays or accounts for city moneys, and to report to council.

S.M. 1989-90, c. 51, s. 4; S.M. 1991-92, c. 42, s. 16.

Appointment of external auditor

63.1(1) Council may appoint one or more accountants or a partnership of accountants as external auditors to examine and report to council on the annual financial statements of

(a) the city; or

(b) a board or commission established under this Act.

Accountants not eligible for appointment

63.1(2) No accountant or partnership of accountants shall be appointed under subsection (1) as an external auditor where the accountant, or an accountant employed in or by the partnership, is, or was in the immediately preceding year, a member of council or an official or employee, other than an auditor, of the city.

By-law respecting external auditor

63.1(3) Council may by by-law

- (a) set the term of appointment of an external auditor; and
- (b) establish terms and conditions respecting the appointment of an external auditor.

Council to set fees of external auditor

63.1(4) Council shall from time to time set a fee or establish a schedule of fees payable for an audit under this Act by an external auditor.

City auditor and external auditor

63.1(5) The city auditor shall provide an external auditor with such information, records, documents and other assistance as is required by the external auditor for the purpose of the audit conducted by the external auditor.

S.M. 1991-92, c. 42, s. 17.

Report of external auditor

63.2(1) An external auditor may report to council at any time on a matter arising during an audit and shall report any irregularity that comes to his or her attention, including any failure on the part of an employee to comply with a request of the external auditor.

Report of external auditor on statements

63.2(2) An external auditor appointed under subsection 63.1(1) shall report the results of the audit to council within six months after the end of the fiscal year and the report shall include the matters set out in clauses 60(a), (b), (c) and (f), and section 61.

Report of city auditor

63.2(3) Notwithstanding any provision of this Act to the contrary, where an external auditor is appointed under subsection 63.1(1), the city auditor is not required to report to council on the matters referred to in subsection (2).

S.M. 1991-92, c. 42, s. 17.

Powers and duties of external auditor

63.3 Subsections 58(6) to (8) apply to an external auditor, with necessary modifications.

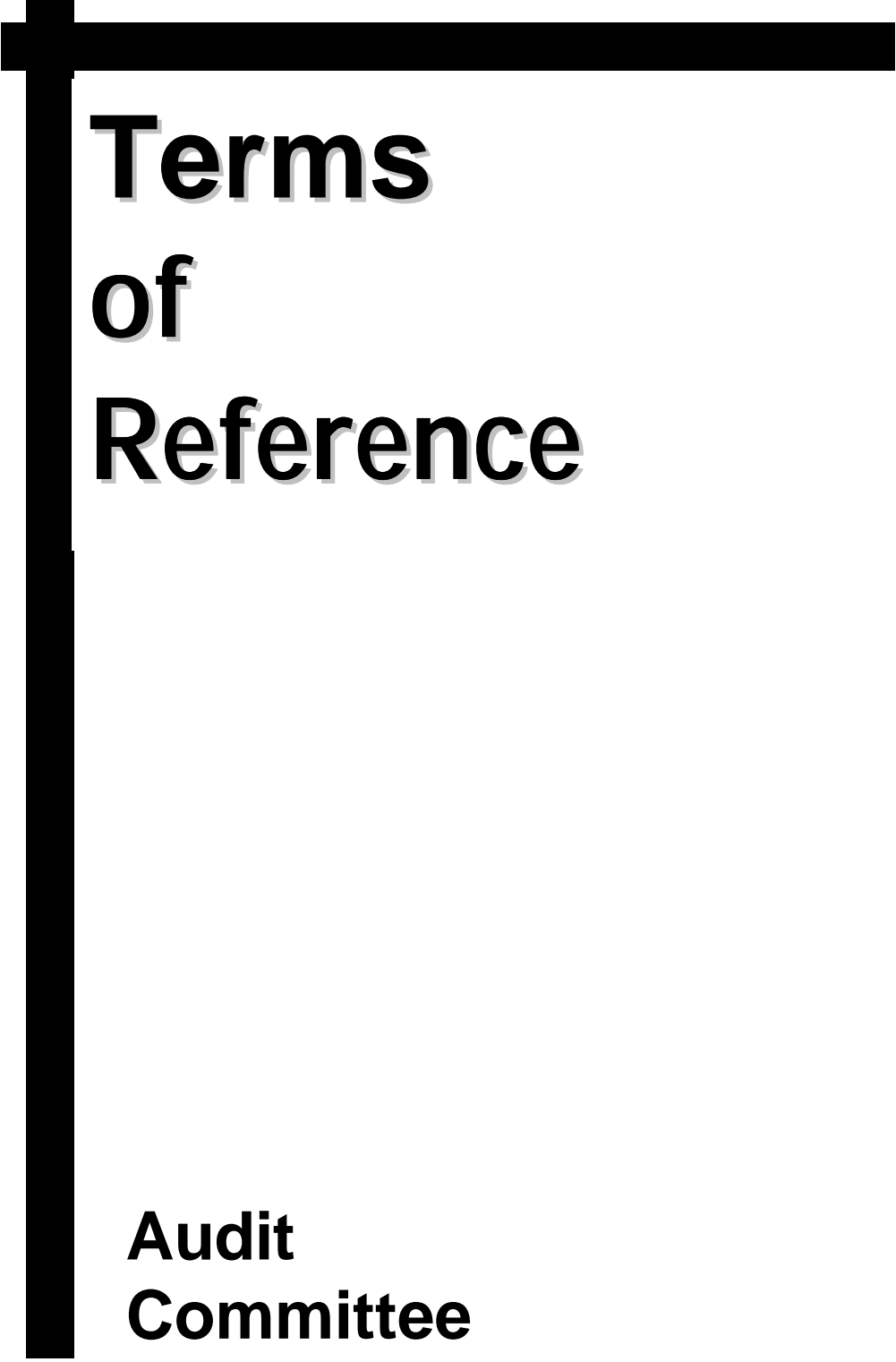
S.M. 1991-92, c. 42, s. 17.

Duties of external auditor

63.4 Notwithstanding the provisions of this Act respecting the duties of the city auditor, an external auditor appointed under clause 63.1(1)(a) shall, for the fiscal year in which the external auditor is appointed, perform the duties of the city auditor referred to in the following provisions:

- (a) section 57 (annual report to minister);
- (b) subsection 338(5) (reserve fund);
- (c) subsection 417(8) (parking authority).

S.M. 1991-92, c. 42, s. 17.



Terms of Reference

**Audit
Committee**

Introduction

The terms of reference outline the Audit Committee's

- Purpose
- Objectives
- Membership
- Responsibilities and work program

Audit Committee adopted the terms of reference on September 21, 1998.

Purpose

The Audit Committee's principal role is to ensure that due diligence has been directed towards ensuring that an effective control framework is in place. This framework provides reasonable assurance that the financial, operational and regulatory objectives of the City are achieved, and that the governance and accountability responsibilities of Council and the Administration are met. The Audit Committee fulfills its role on behalf of City Council.

Objectives

The objectives of the Audit Committee are

- To help City Council achieve its performance goals, including the economy, efficiency and effectiveness of operations, and safeguarding assets from loss.
- To promote the appropriate environment for the management of public funds which emphasizes the accountability of employees.
- To support high standards of ethical conduct.
- To ensure reliability of external and internal reporting.
- To ensure compliance with laws, regulations and policies.
- To strengthen the independence of the audit function by providing a forum for communicating findings to elected officials and facilitating the audit function's independence from management.
- To communicate the concerns of City Council to the auditors, and to have input into and assist in the overall direction of audit efforts.

- To promote effective and timely resolution of audit issues by facilitating communication among management, auditors and City Council.

Membership

The Audit Committee includes the Mayor, Deputy Mayor, and each Standing Committee Chair. Representatives from Senior Management, the City Auditor and External Audit should be present at all meetings, depending upon the agenda.

Responsibilities and work program

Control framework

The Audit Committee obtains assurance from management that the elements of control—the resources, systems, processes, culture, structure and tasks—are in place to support people to achieve the organization’s objectives. The Audit Committee does this by

- Ensuring that civic affairs are managed with an appropriate degree of care and control, and within an appropriate framework of ethics and values.
- Ensuring that management establishes and communicates objectives and measures results against performance targets and indicators.
- Obtaining assurance from management that the risks associated with the type, level and quality of the services the City provides or does not provide are understood, and that appropriate means are in place to manage risks.
- Reviewing with management, the External Auditor and the City Auditor, the City's policies and procedures that safeguard City assets.
- Ensuring that the City has implemented appropriate internal control systems over financial reporting and that these are operating effectively.
- Obtaining assurance from management that the City has policies and procedures to ensure compliance with legal, regulatory, ethical and environmental requirements.
- Ensuring that appropriate disaster recovery procedures are in place with respect to the City's computer systems.

City's major accounting policies

The Audit Committee

- Considers the appropriateness of the major accounting policies and reporting principles and practices the City uses when preparing its financial statements.
- Ensures that management and the External Auditors report annually on the City's major accounting policies. This includes the effect of alternative accounting policies, presentation of significant risk and uncertainties, and key management estimates and judgements that can be material to the annual financial statements.

Annual Financial Statements

The Audit Committee reviews the City's consolidated financial statements with management and the External Auditors and recommends their approval to Council.

Reporting

The Audit Committee should review all major reports and those that deal with policy. These reports include

- Corporate and business plans and annual reports.
- Major special assignments initiated by Audit Committee or City Council.
- Annual reports from the Audit Department.
- Monthly financial reports from management.
- External Auditors' management letters.
- Annual audited financial statements of the City of Winnipeg.
- Reports to credit granting agencies.

The Audit Committee should make a formal report annually to City Council on the discharge of its responsibilities.

City Audit Department

The Audit Committee

- Recommends to City Council the appointment or dismissal of the City Auditor.
- Reviews and recommends to City Council, the business plan and annual budget of the Audit Department.
- Ensures the Audit Department has adequate resources to carry out the approved business plan.
- Monitors the performance of the Audit Department in carrying out its approved business plan.
- Conducts an annual performance appraisal of the City Auditor.
- Arranges for an external review of the Audit Department every five years.
- Receives and reviews the Audit Department's Annual Report and other reports on areas of major audit efforts.
- Recommends to City Council the approval, amendment or rejection of the recommendations in the reports of the Audit Department.

External Auditors

The Audit Committee

- Recommends to Council the appointment of the External Auditor and the associated terms and fees.
- Reviews the scope of the external audit, as recommended by the External Auditors.
- Receives and reviews the External Auditors' report and management letters, and corresponding management responses.
- Reviews any problems in performing the audit. For example, limitations or restrictions imposed by management or disagreements with management that, if not satisfactorily resolved, would have caused the External Auditors to issue a non-standard report on the City's financial statements.
- Reviews with the External Auditors, during an *in camera* session, the quality of the City's financial and accounting personnel and any other recommendations of the External Auditors.
- Reviews the performance of the External Auditor.

Special studies

The Audit Committee

- Initiates special studies to fulfill its objectives, such as departmental or program reviews.
- Receives and reviews the reports on special studies and forwards the reports, either in full, or in summary, to Council.

Meetings

- The Audit Committee meets bimonthly or more frequently at the discretion of the Chair. A quorum is four members.
- The City Auditor or the External Auditor can also request a meeting of the Audit Committee.

Terms of reference

The Audit Committee will review these terms of reference as required, and recommend amendments to City Council. However, the Committee must review the terms of reference every four years.

The current terms of reference are based on a review of contemporary audit committee practices and are consistent with the requirements of the City of Winnipeg Act.