

Clause 2 in Report No. 1 of the Audit Committee was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on February 26, 2015.

2015 - 2018 Audit Plan

1. Recommendations

It is recommended that:

1. Regional Council approve the four year audit plan presented in this report.

2. Purpose

The purpose of this report is to inform Council of the risk assessment methodology used by the Region's Director, Audit Services to conduct a Region wide risk assessment. This risk assessment is the basis for developing the four year audit plan (Attachment 1), for which we are seeking Council's approval.

3. Background

On June 15, 2000 the Audit Committee approved the recommendation that the firm of Deloitte & Touche be engaged to develop an Organizational-Wide Risk Framework and Three-Year Audit Plan. This assignment was completed and the Organizational-Wide Risk Framework and three year audit plan was presented to Audit Committee and approved by Regional Council on October 26, 2000.

The three year audit plan has subsequently been updated and approved every three years since that original plan. Starting in 2015, the audit plan will move to a four year cycle to coincide with the term of Council.

4. Analysis and Options

Internal Audit is defined as an independent and objective assurance and consulting activity designed to add value and improve an organization's operations

Internal audit is defined by the Institute of Internal Auditors as "An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

The risk assessment methodology used by Audit Services follows the standards as published by the Institute of Internal Auditors

The Region's Audit Services Branch follows the *International Standards for the Professional Practice of Internal Auditing* as defined by The Institute of Internal Auditors. These standards state that: "the chief audit executive must establish a risk-based plan to determine priorities of the internal audit activity, consistent with the organizations goals" (Standard 2010 – revised October 2012).

All Audit Reports of the Region's Audit Services branch include a statement in the report confirming compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Risk criteria have been identified to allow for a ranking of high, medium and low risk operations within the Region

The criteria used by Audit Services to assess the overall risk at the Region are as follows: Complexity of Operations, Susceptibility to Fraud, Reputation Risk to the Region, Financial, and Dependence on People. Each criterion was equally weighted and given a ranking between 1 and 5, with 1 being the lowest risk and 5 being the highest risk.

Audit Services conducted over 50 one hour meetings with all of the Region's Commissioners, Directors, General Managers and Associates to discuss each of the risk criteria as they related to their areas of responsibility. Through these discussions with management, a numeric value of between 1 (very low) and 5 (very high) was agreed upon and assigned to each risk type to reflect the level of risk perceived by management to be associated with their areas. These values were used to calculate the risk ranking.

Based on this ranking, Audit Services then prepared the audit plan, assigning resources to the highest risk areas. We then considered the risk analysis and management requests to allocate any remaining hours to the audit plan.

The audit plan has unallocated hours for management requests which happen during the course of the year, as well as for forensic audits should the need occur. Audit Services is responsible for all forensic investigations under the Region's Code of Conduct.

Audit Services' scope of responsibility does not include Police Services

The Audit Services Branch will be responsible for all entities and activities of the Region, with the exception of Police Services.

Audit Services will assist the Region's management in achieving their objectives through audits and management consulting

To assist Regional Council, the Audit Committee, Senior Management and all Departments of York Region in the effective and efficient discharge of their responsibilities. Audit Services will assist the Region achieve its objectives by providing objective advice on managing and controlling risk and independent appraisals on control, and participating in an advisory capacity in the identification of efficiencies and improvements in new and existing processes, programs and services.

Audit Universe Risk Prioritization

Table 1 summarizes the results distribution of the risk ranking of the Audit Universe. The Region's Audit Universe is comprised of 107 Auditable Units. An Auditable Unit is a branch, functional unit or any stand-alone component that has identifiable and measurable business objectives.

Table 1
Risk Prioritization Summary

| | Low Risk | Medium Risk | High Risk |
|-----------------|-----------|-------------|-----------|
| Score Range | 20 to 50 | 51 to 69 | 70 to 100 |
| Unit Allocation | 34 of 107 | 65 of 107 | 8 of 107 |
| Percentage | 32% | 60% | 8% |

Audit Services continues to use an enhanced consulting role through alternative funding model

Since its inception the Audit Services Branch has been using an enhanced consulting role through alternative funding model. This model allows for increased audit participation in consulting and audit engagements through

departmental funding of those activities. That is, the audit budget funds all of the assurance type activities and the department(s) generating other consulting and audit engagements fund them as part of the project specific budget. The practice of having audit as a cost line for major projects is quite common throughout large public sector and private sector organizations. This results in a more comprehensive plan, which takes a more proactive approach to risk management and control.

This model has worked well in the past and will continue to be employed.

Relationship to Vision 2051

The Audit Services Branch, through both audit and consulting assignments assists the Region in achieving operational excellence and fiscal responsibility, which are two of the action areas in Vision 2051 under *Open & Responsive Governance*. The audit and consulting assignments assist management in ensuring processes are efficient, effective and economical.

5. Financial Implications

Audit Services Branch will manage its workload within the Audit Services budget.

6. Local Municipal Impact

The Region's Audit Services Branch monitors the Region's effective and efficient discharge of its responsibilities and objectives. Increasing assurance over the Region's performance will indirectly benefit the local municipalities.

In addition, the Audit Service Branch provides audit services to six of the local municipalities through an Audit Services Memorandum of Understanding, on a cost recovery basis. A similar exercise of risk assessment and audit planning is conducted at the local municipalities.

7. Conclusion

The Audit Services Branch is using a Risk Assessment Methodology to determine how to best allocate audit and consulting resources across the Region to the areas of highest risk. The enhanced consulting role through alternate funding is a model that has worked well at the Region since the inception of Audit Services.

2015 - 2018 Audit Plan

For more information on this report, please contact Paul Duggan, Director, Audit Services at 905-830-4444 ext. 71205.

Attachment (1)

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Accessible formats or communication supports are available upon request

| Process / Project | Nature of Work | Year | | | | Total Hrs / Project | % of Total Hrs / Year |
|--|----------------|--------------|--------------|--------------|--------------|---------------------|-----------------------|
| | | 2015 | 2016 | 2017 | 2018 | | |
| Finance & IT | | | | | | | |
| Treasury - Debt, Investment, Forecasting Systems | Audit | | 320 | | | 320 | 1.8% |
| Revenue Management - Other Revenue | Audit | 280 | | | | 280 | 1.6% |
| IT - Network (Wired & Wireless Security) Protection | Audit | 140 | | | 140 | 280 | 1.6% |
| Corporate Purchasing Card | Audit | | | 210 | | 210 | 1.2% |
| Purchasing | Audit | | 560 | | | 560 | 3.1% |
| Payroll | Audit | | | 210 | | 210 | 1.2% |
| Development Charges Collection | Consulting | | | | 420 | 420 | 2.4% |
| Scope & Contingency Changes in Capital Projects | Consulting | 280 | | | | 280 | 1.6% |
| <i>Total Hours Spent in Department</i> | | 700 | 880 | 420 | 560 | 2,560 | 14.4% |
| Community & Health Services | | | | | | | |
| EMS Fleet Management | Audit | | | | 210 | 210 | 1.2% |
| Medic-Safe Drug Dispensing System (LTC & EMS) | Audit | 560 | | | | 560 | 3.1% |
| Public Health (IDC) | Audit | | | 210 | | 210 | 1.2% |
| SAMS (Social Services) | Audit | | | 280 | | 280 | 1.6% |
| HYI - Rent Supplement and Revenue Controls | Audit | | | | 280 | 280 | 1.6% |
| Housing (Capital Repairs) | Audit | | 280 | | | 280 | 1.6% |
| Ontario Works - Fictitious Clients | Consulting | 105 | 105 | 105 | 105 | 420 | 2.4% |
| <i>Total Hours Spent in Department</i> | | 665 | 385 | 595 | 595 | 2,240 | 12.6% |
| Environmental Services | | | | | | | |
| Health & Safety on Capital Projects - (see Transportation Services also) | Audit | | | 280 | | 280 | 1.6% |
| Review of Capital Project | Audit | | 245 | | | 245 | 1.4% |
| Contract Compliance - Solid Waste Operations | Audit | 280 | | | | 280 | 1.6% |
| Contract Compliance - Source Separated Organics | Audit | | 280 | | | 280 | 1.6% |
| Contract Compliance - Transfer Stations | Audit | | | 280 | | 280 | 1.6% |
| Contract Compliance - Recyclables | Audit | | | | 280 | 280 | 1.6% |
| Materials QA Testing for Capital Projects | Audit | | | 280 | | 280 | 1.6% |
| Operations Maintenance & Monitoring - Maintenance Schedule | Audit | 280 | | | | 280 | 1.6% |
| Asset Management Life Cycle Management Project | Audit | | | | 280 | 280 | 1.6% |
| <i>Total Hours Spent in Department</i> | | 560 | 525 | 840 | 560 | 2,485 | 14.0% |
| Transportation Services | | | | | | | |
| Health & Safety on Capital Projects (Environmental Services also) | Audit | 280 | | | | 280 | 1.6% |
| YRT - Performance Contracts 2016 | Audit | | 350 | | | 350 | 2.0% |
| YRT - Facility Audit for Division of Asset Responsibility | Audit | | | 210 | | 210 | 1.2% |
| YRT - Revenue Management | Audit | 280 | | | | 280 | 1.6% |
| YRT - Asset Maintenance Agreement with Metrolinx | Audit | | | 280 | | 280 | 1.6% |
| Roads Operations | Audit | | 350 | | | 350 | 2.0% |
| Roads - Contract Payments through Yards | Audit | | | 210 | | 210 | 1.2% |
| Capital Projects - Materials QA Testing | Audit | 280 | | | | 280 | 1.6% |
| Transit / TCP Fleet Management | Audit | | | | 420 | 420 | 2.4% |
| Asset Management Life Cycle Management Project | Audit | | | | 280 | 280 | 1.6% |
| <i>Total Hours Spent in Department</i> | | 840 | 700 | 700 | 700 | 2,940 | 16.5% |
| Corporate Services | | | | | | | |
| Health & Safety- Capital Projects | Audit | | 280 | | | 280 | 1.6% |
| Realty Services - Expropriations | Audit | | | 280 | | 280 | 1.6% |
| Human Resources - Compensation and Benefits | Audit | | | 210 | | 210 | 1.2% |
| Property Services - Building Security Systems | Audit | | 280 | | | 280 | 1.6% |
| Property Services - Follow up of Capital Projects Report | Audit | 280 | | | | 280 | 1.6% |
| <i>Total Hours Spent in Department</i> | | 280 | 560 | 490 | 0 | 1,330 | 7.5% |
| Legal | | | | | | | |
| Court Services - Revenue Management | Audit | | | | 210 | 210 | 1.2% |
| <i>Total Hours Spent in Department</i> | | 0 | 0 | 0 | 210 | 210 | 1.2% |
| Unallocated Time | | | | | | | |
| Management Requests | Various | 500 | 500 | 500 | 500 | 2,000 | 11.2% |
| Forensic Reviews | Various | 500 | 500 | 500 | 500 | 2,000 | 11.2% |
| <i>Total Hours Spent in Department</i> | | 1,000 | 1,000 | 1,000 | 1,000 | 4,000 | 22.5% |
| Audit Services - Administrative Projects | | | | | | | |
| Outstanding Audit Recommendations Follow up | Audit | 105 | 105 | 105 | 105 | 420 | 2.4% |
| Continuous Controls Monitoring | Audit | 278 | 273 | 278 | 153 | 982 | 5.5% |
| Audit Plan Update 2019-2022 | Consulting | 20 | 20 | 20 | 390 | 450 | 2.5% |
| Institute of Internal Auditors Quality Assurance Peer Review | Audit | 0 | 0 | 0 | 175 | 175 | 1.0% |
| <i>Total Hours Spent in Department</i> | | 403 | 398 | 403 | 823 | 2,027 | 11.4% |
| Total Hours per Year | | 4,448 | 4,448 | 4,448 | 4,448 | 17,792 | 100.0% |