

The Regional Municipality of York

Audit Committee
January 9, 2019

Report of the Director, Audit Services

2019 – 2022 Audit Plan

1. Recommendation

1. Regional Council approve the Four Year Audit Plan (Attachment 1).

2. Summary

This report informs 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).

3. Background

Internal Audit is defined as an independent and 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.”

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 provide objective advice on managing and controlling risk and independent appraisals on control, and participate in an advisory capacity in the identification of efficiencies and improvements in new and existing processes, programs and services.

The risk assessment methodology used by Audit Services follows the *International Standards for the Professional Practice of Internal Auditing (the Standards)* as published by the Institute of Internal Auditors (IIA)

The Region's Audit Services Branch follows the Standards as defined by the IIA. 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 organization's goals" (Standard 2010 – revised October 2016).

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

The Region's Audit Services Branch performs an IIA Quality Assurance Review (QAR) every five years to help ensure that the Audit Services Branch continues to adhere to the Standards

Every five years the Audit Services Branch performs a self-assessment with external validation QAR to help ensure that the Branch continues to adhere to the IIA Standards. The most current QAR was performed in 2017. Validation of Audit Services' continued adherence to the Standards was provided through an external consultant, who noted that the Audit Services Branch was in compliance with the IIA Standards.

The next QAR is scheduled to be performed in 2022.

4. Analysis

Risk criteria allows for a ranking of high, medium and low risk operations at the Region

The six criteria used by Audit Services to assess the overall risk at the Region are as follows: Complexity of Operations, Susceptibility to Fraud, Reputational Risk to the Region, Financial, Dependence on People and Personal / Sensitive Information maintained. 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 60 interviews with Regional Commissioners, Directors and General Managers to discuss each of the risk criteria as they related to their areas of responsibility. Through these discussions with management, a numeric value between 1 and 5 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 medium risk areas 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. Audit Services is responsible for all forensic investigations under the Region's Code of Conduct.

Audit Risk Assessment Results

Table 1 summarizes the results of the Audit Services Branch’s risk assessment. The risk assessment is comprised of 131 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 Assessment Summary

| | Low Risk | Medium Risk | High Risk |
|-----------------|-----------|-------------|-----------|
| Unit Allocation | 50 of 131 | 66 of 131 | 15 of 131 |
| Percentage | 38% | 50% | 12% |

Audit Services’ scope includes York Region and all its subsidiaries

Subsidiaries included are Housing York Inc., York Telecom Network and York Region Rapid Transit Corporation.

The Audit Services Branch scope of responsibilities does not include Police Services.

Audit Services uses an enhanced consulting role through alternative funding model

Audit Services has, since its inception in 2001, used an alternative funding model that allows for increased audit participation in consulting and audit engagements through departmental funding of those activities. That is, the departments generating other consulting and audit engagements, in addition to the assurance type activities performed by Audit Services, fund them as part of the project specific budget. The practise 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.

Audit Services Branch supports Vision 2051

The Audit Services Branch, through both audit and consulting engagements, 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

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

6. Local 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 Services Branch provides audit services to seven 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.

For more information on this report, please contact Paul Duggan, Director Audit Services at 1-877-464-9675 ext. 71205. Accessible formats or communication supports are available upon request.

Recommended by:

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Director, Audit Services

December 17, 2018
Attachments (1)
Private Attachments (0)
eDOCS # 9023885

| Process / Project | Nature of Work | Year | | | | Total Hours Per Project | % of Total Hours per Year |
|---|----------------|-------|-------|-------|-------|-------------------------|---------------------------|
| | | 2019 | 2020 | 2021 | 2022 | | |
| Legal and Court Services | | | | | | | |
| Court Services Revenue Management | Audit | | | 350 | | 350 | 1.3% |
| <i>Total Hours Spent in Department</i> | | - | - | 350 | - | 350 | 1.3% |
| Finance | | | | | | | |
| Procurement and Accounts Payable | Audit | | | | 700 | 700 | 2.6% |
| Network Security | Audit | 350 | | 350 | | 700 | 2.6% |
| Expense Reporting & Reimbursement | Audit | | | 350 | | 350 | 1.3% |
| Procurement Card | Audit | | | 350 | | 350 | 1.3% |
| ITS Strategy & Architecture | Audit | | 350 | | | 350 | 1.3% |
| Payroll | Audit | | 350 | | | 350 | 1.3% |
| Cellular | Audit | | 350 | | | 350 | 1.3% |
| ITS Departmental Chargebacks | Audit | | | | 350 | 350 | 1.3% |
| ITS Solutions Delivery | Audit | | | | 350 | 350 | 1.3% |
| Payment Card Industry Compliance | Consulting | 350 | | | | 350 | 1.3% |
| Payment Card Industry Compliance | Audit | | | 350 | | 350 | 1.3% |
| <i>Total Hours Spent in Department</i> | | 700 | 1,050 | 1,400 | 1,400 | 4,550 | 16.9% |
| Community & Health Services | | | | | | | |
| Medic Safe Drug Dispensing (Paramedical Services) | Audit | | 350 | | | 350 | 1.3% |
| Medication Management Audit Follow-up & Privacy (LTC) | Audit | | | 500 | | 500 | 1.9% |
| Sexual Health | Audit | 700 | | | | 700 | 2.6% |
| Ontario Works - Fictitious Clients | Audit | 105 | 105 | 105 | 105 | 420 | 1.6% |
| Infectious Diseases Control Division Follow-up | Audit | | 350 | | | 350 | 1.3% |
| Ontario Works | Audit | | | 700 | | 700 | 2.6% |
| Children's Services | Audit | | | | 350 | 350 | 1.3% |
| Housing Stability / Homelessness Program | Audit | | 350 | | | 350 | 1.3% |
| Housing Operations | Audit | 350 | | | | 350 | 1.3% |
| Paramedical Services Fleet Management | Audit | 350 | | | | 350 | 1.3% |
| Housing York Inc. - Contract Management | Audit | 350 | | | | 350 | 1.3% |
| <i>Total Hours Spent in Department</i> | | 1,855 | 1,155 | 1,305 | 455 | 4,770 | 17.7% |
| Environmental Services | | | | | | | |
| Asset Commissioning | Audit | | | | 350 | 350 | 1.3% |
| Capital Project Warranty Administration | Audit | 350 | | | | 350 | 1.3% |
| Health & Safety on Capital Projects | Audit | | | 350 | | 350 | 1.3% |
| Forestry Contract Management | Audit | 350 | | | | 350 | 1.3% |
| Solid Waste Contract Management | Audit | | 700 | | | 700 | 2.6% |
| Review of emergency purchases process | Audit | 350 | | | | 350 | 1.3% |
| Capital Assets Tagging | Audit | | | | 350 | 350 | 1.3% |
| Operations Maintenance & Monitoring | Audit | | 350 | | | 350 | 1.3% |
| Capital Project Delivery Program | Audit | | | 700 | | 700 | 2.6% |
| <i>Total Hours Spent in Department</i> | | 1,050 | 1,050 | 1,050 | 700 | 3,850 | 14.3% |
| Transportation Services | | | | | | | |
| Capital Project Delivery Program | Audit | | | | 700 | 700 | 2.6% |
| YRT Capital Assets | Audit | 350 | | | | 350 | 1.3% |
| Road Operations | Audit | | | | 350 | 350 | 1.3% |
| YRT Mobility Plus Contract Management | Audit | | | 350 | | 350 | 1.3% |
| YRT Bus Operations Contract Management | Audit | | 350 | | | 350 | 1.3% |
| Roads Traffic Lights Maintenance Contracts | Audit | 350 | | | | 350 | 1.3% |
| Fleet Management | Audit | | | | 350 | 350 | 1.3% |
| Roads Permits System & Enforcement & Corridor Safety | Audit | | 350 | | | 350 | 1.3% |
| <i>Total Hours Spent in Department</i> | | 700 | 700 | 350 | 1,400 | 3,150 | 11.7% |

| Process / Project | Nature of Work | Year | | | | Total Hours Per Project | % of Total Hours per Year |
|---|--------------------------------|-------|-------|-------|-------|-------------------------|---------------------------|
| | | 2019 | 2020 | 2021 | 2022 | | |
| Corporate Services | | | | | | | |
| Human Resources - Benefits Administration | Audit | | | | 350 | 350 | 1.3% |
| Property Services - Capital Project Delivery Program | Audit | | 700 | | | 700 | 2.6% |
| Human Resources - Workplace Health, Safety & Wellness | Audit | 350 | | | | 350 | 1.3% |
| York Telecom Network - Capital Program Delivery | Audit | | | 350 | | 350 | 1.3% |
| | | | | | | | |
| <i>Total Hours Spent in Department</i> | | 350 | 700 | 350 | 350 | 1,750 | 6.5% |
| Unallocated Time | | | | | | | |
| Management Requests | Various | 750 | 750 | 750 | 750 | 3,000 | 11.2% |
| Forensic Reviews | Various | 750 | 750 | 750 | 750 | 3,000 | 11.2% |
| | | | | | | | |
| <i>Total Hours Spent in Department</i> | | 1,500 | 1,500 | 1,500 | 1,500 | 6,000 | 22.3% |
| Audit Services - Administrative Projects | | | | | | | |
| Audit Committee Charter Update / IIA QAR | Consulting | - | 105 | - | 175 | 280 | 1.0% |
| Continuous Controls Monitoring | Audit | 335 | 230 | 185 | 255 | 1,005 | 3.7% |
| Outstanding Audit Recommendations Follow-up | Audit | 210 | 210 | 210 | 210 | 840 | 3.1% |
| 2023 to 2026 Audit Plan | Audit | 20 | 20 | 20 | 275 | 335 | 1.2% |
| | | | | | | | |
| <i>Total Hours Spent in Department</i> | | 565 | 565 | 415 | 915 | 2,460 | 9.2% |
| | | | | | | | |
| | Total Hours per Year | 6,720 | 6,720 | 6,720 | 6,720 | 26,880 | 100.0% |
| | Total Hours Available per Year | 6,720 | 6,720 | 6,720 | 6,720 | 26,880 | |
| | overage / (shortage) | - | - | - | - | - | |