



Hamilton

CM11006 / AUD11028

Auditor General Model / Implementation of the Hybrid Auditor General Model

General Issues Committee (GIC) - February 1, 2012

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Context

1) Audit, Finance & Administration Committee - February 3, 2010

“That staff be directed to report back to the Audit, Finance and Administration Committee respecting the creation of an Auditor General position and investigate other jurisdictions relative to the efficiencies and the responsibilities of such a position.”



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Context

2) Audit, Finance & Administration Committee - June 8, 2011

“That Report CM11006, respecting the Auditor General Model, be tabled, as amended, pending the Audit, Finance & Administration Committee’s receipt of a report respecting the Implementation Plan for the hybrid Auditor General Model, which is to include a by-law and Terms of Reference.”



Context

3) Audit, Finance & Administration Committee - November 23, 2011

“That Report AUD11028, respecting the Implementation of the Hybrid Auditor General Model, be referred to the General Issues Committee for consideration.”

“That Report CM11006, respecting the Auditor General Model, as amended, be referred to the General Issues Committee for consideration.”



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Alternatives Considered

Recommended (CM11006)

1. Enhanced Internal Auditor (Hybrid Auditor General Model)
 - AUD11028 outlines the implementation plan for this alternative

Not Recommended

2. Implement a Separate Auditor General
3. Combining the roles of an Auditor General and Integrity Commissioner
4. Shared Auditor General service with another municipality/municipalities
5. Status Quo - Leave things the way they are currently



Audit Models Reviewed

All Ontario Municipalities that HAVE an Auditor General:

- Toronto*
- Oshawa
- Markham
- Windsor
- Sudbury
- Ottawa

Ontario Municipalities that DON'T HAVE an Auditor General (but HAVE Internal Audit):

- Region of York
- Mississauga
- Brampton
- Kingston

City of London in regards to their outsourced Audit Model



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* Auditor General is mandated through legislation

Audit Models Reviewed (con't)

Other Canadian comparator cities contacted:

- Calgary & Edmonton, Alberta – City Auditor
- Winnipeg, Manitoba – City Auditor/Chief Performance Officer
- Halifax, Nova Scotia – Auditor General*
- Vancouver, British Columbia – Internal Audit Only



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* Auditor General is mandated through legislation

Audit Model Review - Highlights

- In Ontario, municipalities have either an Auditor General or an Internal Auditor (they do not have both).
- The exception is the City of Toronto.
 - they have both an Auditor General (AG) position and Internal Audit. (AG is mandated, City of Toronto Act, 2006)
- Outside Ontario, the model is typically that of a City Auditor, except for Halifax where an Auditor General is mandated.
 - A City Auditor would be similar to the hybrid model that is recommended in CM11006.
- Municipal legislation is slightly different across the Country.



Auditor General (AG) vs. Internal Audit (IA)

- Preferred model is dependent upon the level of accountability and transparency desired.
- Ultimately, the Auditor General model provides the highest level of transparency and accountability.
- The Municipal Act, 2001, allows an Internal Auditor to conduct value for money audits.
- While Internal Auditors have no legislated powers, privileges or immunity, the Municipal Act, 2001 confers upon Auditor Generals certain powers, privileges and immunity.



AG vs. IA (con't)

Comparators Included:

- Reporting & Tenure
- Workplan Practice & Approval
- Budget Setting & Approval
- Level of Authority
- Responsibility



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Hybrid AG - Implementation Highlights

- By-law - Appendix A to Report AUD11028)
 - Provides the Director of Audit Services with various powers, duties and protections (Sections 223.19 – 223.23 of the Municipal Act) without the formal title change to Auditor General

- Audit Charter (Terms of Reference) - Appendix B to Report AUD11028
 - Previous Charter (approved as part of Report 11005, January 2011) has been revised to accommodate the By-law (Appendix A to Report AUD11028)

Hybrid AG – Highlights (con't)

– Resources

- Requires the recruitment of two performance auditors at a cost of \$261,300 (salary, benefits, supplies, equipment and training) and a one-time cost of \$10,000 (workstations)

– Workplan

- Value-for-money audits would be added to the Audit Services Division workplan as a separate section of work
- Prepared annually and presented to the AF&A Committee

Hybrid AG – Highlights (con't)

- Term
 - Three-year pilot for the value-for-money audit program is recommended
- Reporting Structure
 - Remain the same as it exists today



Today

General Issues Committee - February 1, 2012 (Today)

- Seeking endorsement for:
 - CM11006 recommendations (a), (b), (e) as amended June 8, 2011 and (f)
- Seeking endorsement for:
 - AUD11028 recommendations (a), (b), (c), (d) as revised and (e)



CM11006 Recommendations

- (a) That report CM11006 respecting the Auditor General Model, be received.
- (b) That the establishment of a separate Auditor General Office not be pursued.
- (c) That the current staff complement in Audit Services be increased by 2 FTE's to accommodate value for money audits be referred to the 2012 budget process.
- (d) That any savings achieved, as a result of measures identified by Audit Services, be transferred back into the general levy.

AUD11028 Recommendations

- (a) That Report AUD11028 respecting the implementation of the hybrid Auditor General model be received;
- (b) That the by-law appointing the Director of Audit Services as the Auditor General attached as Appendix “A” to Report AUD11028, which has been prepared in a form satisfactory to the City Solicitor, be passed;
- (c) That the Internal Audit Charter approved by Council on January 26, 2011 be repealed and replaced by the Audit Services Charter attached as Appendix “B” to Report AUD11028;



AUD11028 Recommendations

- (d) That the Director of Audit Services be directed to carry out a three year pilot project conducting value-for-money audits as approved by Council in the annual work plan, such workplan to be submitted for approval firstly to the AF&A Committee in accordance with the Audit Services Charter, pending receipt of the appropriate resources; and
- (e) That the Director of Audit Services report back to the Audit, Finance and Administration Committee on the pilot during its third year.



QUESTIONS



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