



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Audit Services

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	June 9, 2014
SUBJECT/REPORT NO:	Follow Up of the External Validation of the 2012 Self-Assessment Review (AUD14013) (City Wide) (Outstanding Business List Item)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Ann Pekaruk 905-546-2424 x4469 Brigitte Minard 905-546-2424 x2088
SUBMITTED BY:	Ann Pekaruk Director, Audit Services City Manager's Office
SIGNATURE:	

RECOMMENDATION

- (a) That Report AUD14013, respecting the Follow up of the External Validation of the 2012 Self-Assessment of Audit Services, be received; and,
- (b) That the item respecting item "K" be considered complete and removed from the Audit, Finance & Administration Committee's Outstanding Business List.

EXECUTIVE SUMMARY

During the 2012 Independent Validation of the Self-Assessment Review, the consultant found that overall, the City's Audit Services Division "generally conforms" to the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing. This is the highest level of compliance.

The consultant also identified opportunities to improve existing practices that may strengthen the effectiveness of the Division. A total of 18 recommendations were made in the original report presented to the Audit, Finance and Administration Committee in May, 2013 (AUD13017). Six recommendations were to further improve compliance with IIA Standards and the remaining recommendations were based on leading practices from other municipalities. An assessment of the progress that has been made towards addressing these recommendations was performed in March and April 2014.

Overall, nine of the recommendations have now been completed and two had alternatives implemented. Three of the recommendations were disagreed with by Audit Services or were found to be not applicable and reported to Committee so no further follow up work was carried out. The four remaining recommendations are in various

stages of implementation (three are “In Progress” and one is “Initiated”). Two recommendations are the direct responsibility of the Audit Services Division; the other two recommendations are dependent on the completion of corporate-wide projects (i.e. Web Redevelopment and the IT Governance Review).

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND (Chronology of events)

One of the IIA’s International Standards for the Professional Practice of Internal Auditing requires internal audit shops to have independent quality assessments every five years. As the audit operation is small and resources may be more restrictive, the IIA allows for self-assessment by the audit staff with an independent third party validation.

The findings of the 2012 independent third party validation carried out by consultant, Lal Balkaran, were received by the Audit, Finance and Administration Committee on May 13, 2013.

Staff were also directed to report back to the Audit, Finance and Administration Committee in one year’s time with respect to the status of the implementation of the agreed to recommendations.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

None.

RELEVANT CONSULTATION

None.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION
(Include Performance Measurement/Benchmarking Data if applicable)**

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The report attached as Appendix “A” to Report AUD14013 contains the information that was originally reported in Appendix “A” to Report AUD13017 along with an added column indicating Internal Audit’s comments as a result of the follow up work.

There were a total of 18 recommendations in the original report. Nine recommendations have been completed, two had alternatives implemented (and therefore, now considered completed) and three were originally disagreed with or noted as “Not Applicable” so no further follow up was conducted. Four recommendations are in various states of implementation – three are “In Progress” and one is “Initiated”. Two of these recommendations are the direct responsibility of the Audit Services Division; the other two recommendations are dependent on the completion of corporate-wide projects (i.e. Web Redevelopment and the IT Governance Review). Appendix “A” to Report AUD14013 should be examined for details of implementation by recommendation.

Audit Services conducted this follow up assignment in conformity with the *International Standards for the Professional Practice of Internal Auditing*. Audit Services believes that the work performed provides a reasonable basis for the follow up comments and conclusions.

This report satisfies Committee’s and Council’s direction to report back in one year’s time with respect to the status of the implementation of the agreed to recommendations as indicated in the A,F&A Committee’s Outstanding Business List.

ALTERNATIVES FOR CONSIDERATION

(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)

Not Applicable.

ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN

Strategic Priority #2

Valued & Sustainable Services

WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.

Strategic Objective

- 2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report AUD14013

ap:bm