APPENDIX "A"
CITY OF HAMILTON
2016 - 2018 AUDIT SERVICES WORK PLAN

Background and Purpose

The risk based Audit Services Work Plan for the remainder of the current Council Term (2016-2018) was developed using a risk assessment process that combined information from many sources, including:

- Risk assessment of all 89 City Services using a standard set of attributes (complexity of operations, susceptibility to error, manipulation or fraud, asset profile, community trust/confidence, degree of change, financial, non-compliance).
- Input from the Corporate Leadership Team (Directors, GM's and City Manager)
- Input/insights from Council
- Current and emerging risks in the Local Government Sector
- High profile issues in other Municipalities
- Themes from previous projects

As noted in our 2016 budget presentation (as part of the City Manager's Office presentation), it is planned that the Audit Services Division will be broadening the portfolio of services offered to include the following:

- Audits (including value-for-money auditing)
- Consulting
- Risk assessments
- Lessons Learned/Opportunities Assessment
- Developing and implementing a comprehensive fraud prevention and detection program

Previously the vast majority of work performed by Audit Services was audits and some very limited professional advice/investigation support. Going forward, Audit Services will provide a more robust range of services, with no increase in staff in 2016.

Service Areas

- Audits
  - o Audits are designed to add value and improve an organization's operations. Audits help an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve risk management, control, governance processes and examine the efficiency, effectiveness and economy of operations to add value and improve the City of Hamilton's service delivery.

- Risk Assessment:
    - Identifies risks proactively so they can be managed, mitigated or accepted. This is collaborative work with a department/division to ensure risks are appropriately addressed.
    - Aligns with the formalization of Continuous Improvement Program in 2016 by the Office of the City Manager.

- Consulting

    - Conducting special projects, reviews or investigations;
    - Performing research;
    - Preparing and facilitating training sessions on audit related topics such as risk assessment and management, internal controls, continuous improvement or facilitating self-assessments
    - Providing professional advice on relevant topics

- Lessons Learned/Opportunities Assessment
    - Providing analysis about work done by one division/department and identifying opportunities for efficiencies that could be applied to other areas of the organization.
    - Also provide post-implementation advice for future work so that challenges and risks can be managed and or avoided.
    - Analysis post-investigation can also be provided to weigh in on organizational issues and provide professional advice so that the issue causing the investigation can be managed or avoided in the future.

- Fraud Prevention/Detection
    - Initial program development of a comprehensive fraud prevention and detection program, including revision of the "Fraud Policy and Protocol".
    - Developing and providing education/training to the organization, investigation support, case documentation and management, and maintaining a roster of fraud/forensic accounting specialists that can be utilized as required.
    - Provide oversight for all forensic investigations conducted by the city to ensure quality and independence of these investigations (as required).

Staffing and Available Hours
This plan is based on the approved complement of 6.0 FTE auditors that execute projects and the Director and Supervisor, who manage the overall program of work and related methodology/compliance with professional standards, perform strategic planning and participate in various working groups.

2.0 of these 6.0 FTE's are temporary Performance Auditors who have funding until June 2017. This plan reflects only the current approved funding. Additional staff may be required if the risk profile changes significantly or if there is an increased demand for audit services.

The portfolio of work executed includes work plan projects, special requests received during the year, advice and education to audit clients on internal controls, new corporate initiatives, emerging issues audit research, maintaining the Audit Services work methodology and audit planning.

Time available to complete the plan takes into account statutory holidays, vacations, training and various administrative functions. As experience has shown that, throughout the year, unanticipated requests for audit resources arise from Council and management, the work plan sets aside approximately 10% of available staff time to meet such requests. This allotment may also be used to conduct special investigations, as warranted, as the same pool of staff that carries out the audits in the work plan would carry out such work.

Timelines to complete projects are estimates only. Risk based projects require significant participation from management to identify risks, agree on issues and provide management action plans. If management does not provide information in a timely manner, it is more challenging to achieve the originally planned timelines.

Annual Update
Since this is a longer-term audit plan, an update of this plan will be provided to the Audit, Finance and Administration Committee at least once per calendar year, as required by the current, Council approved Audit Services Charter.

Summary of Plan and Updates

A work plan was approved by Council in January 2015 for Internal Audit projects and in March 2015 for Value-for-Money projects. Audit Services is committed to keep Council up to date on significant plan changes. This is a combined Audit Services Work Plan.

1. Audits In Progress Or Carried Forward From 2015

The following projects are in progress and should be completed by the end of the first half of 2016:
- Various Follow Up Audits/Reviews (e.g. Ethics, IT Security and Identity & Access Management, Grants, Building Inspections)
- Capital Projects (two construction contract compliance audits)
- AODA Customer Service Standard: Compliance Risk Assessment Pilot (management request)
- Continuous Auditing Pilot - Accounts Payable

- Continuous Auditing Pilot - Procurement Cards
- Spot Cash Counts (ten locations across the organization)
- Information Technology Risk Assessment
- Use of Consultants, Part I: Operating (Value for Money Audit)

Due to new information and changing circumstances, the following changes are recommended as part of the 2016 to 2018 Audit Services Work Plan:

2. Deferred Projects

The following audit was included in the 2014 and 2015 Work Plans. Due to technology changes (the implementation of a new provincial application, SAMS, was delayed) the audit was deferred.

Project	Project Type	Project Description	Timeline
Ontario Works: Employment Services Audit	Audit	The City's Community Services provides employment supports under the Ontario Works program. The facilitation or provision of services including training and skills development, case management and job development for eligible individuals in accordance with the Ontario Works Act and Directives will be reviewed.	Carried over for completion in 2017, depending on the timing of the resolution of the issues related to the SAMS system implementation.

The following audits were included in the 2015 Work Plans. Due to a high proportion of staff vacancies (7 of 9 positions at various points during 2015) in the Audit Services Division, these projects will be carried over for completion in 2016-2018.

Project	Project Type	Project Description	Revised Timeline
Development and Growth (Incentive Programs)	Audit (Value for Money)	To align with the City's strategic priority of increasing the non-residential tax base, particular services/initiatives in the Development and Growth program area will be selected for this project.	2016

Development and Growth (Incentive Programs) (Continued)		Incentive programs will be the focus of this project. Aspects of business development services to attract new business and retain and grow existing businesses will also be considered for inclusion in the audit scope.	
Roads Operations and Construction Programs (previously listed as Roads Resurfacing)	Audit (Internal Controls & Value for Money)	The process for managing the roads operations program and construction program will be assessed to identify risks and any gaps in controls and evaluate if value for money in program spending is being achieved. Audits have previously been conducted over individual capital construction contracts (2012, 2013, and 2015). This audit extends that work to the overall program with design, tendering, monitoring of construction, controls over change orders and extra work orders, and payments being included in the project scope.	2016
Storm Water Management	Audit	Various service aspects are included under this title. Storm water collection (sewers, overflow tanks, etc.), water treatment (wastewater treatment plants, pumping stations) and infrastructure maintenance will all be considered when a specific area is selected for review. Governance of this service will also be assessed.	2017-subject to obtaining funding to co-source technical engineering expertise.

Driver Certification Program (DCP) Compliance	Audit	The Driver Certification Program (DCP) is a program under the direction of the Ministry of Transportation (MTO) which gives the City the authority to train and test employees for licence upgrades or renewals. In order to ensure that the MTO's standards are met and maintained in the delivery of the DCP, the MTO required that "benchmark" audits be performed in 2014. Audit Services was able to conduct the audit for Central Fleet and the external auditors completed the audits for HSR and Fire. Some changes were made to MTO deadlines, with the new deadline being in mid-2016, rather than 2015.	2016 Fire
IT Disaster Recovery/ Business Continuity Planning	Risk Assessment	With today's City services highly reliant on information technology, the continued availability of City services and supporting systems in the event of a disaster or crisis is a critical risk. Infrastructure that will enable the recovery of the City's business applications if some facet of the City's primary data centre is lost for a period of time is necessary. This risk assessment will evaluate the City's current planning and preparedness efforts in the event of a disaster and determine if there are any unaddressed risk exposures.	2017

3. **Cancelled Projects:**
   1. Cancelled: Public Health Consolidation (Value-for-Money)
      Some planning work was completed for this project. It was determined that additional significant savings in addition to what Public Health Services has already reported to Council were unlikely to be found during this audit.
   2. Cancelled: Information Technology – Internet Usage (Value-for-Money)
      Some planning work was completed for this project. It was determined that due to concerns identified by Legal Services, it would be challenging for Audit Services to be able to conduct fieldwork and report in a way that would provide any significant positive impact to City organizations. A consulting project on this topic regarding a system to monitor usage trends will be considered for future work plans.

4. **Recurring Responsibilities/Annual Projects**

Project	Project Type	Project Description	Timeline
Follow Up of Outstanding Recommendations from Previous Audit Reports	Audit-Follow Up	This work relates to the verification of the status of the implementation of audit recommendations from audit reports (both internal audit and value-for-money) issued annually. The *International Standards for the Professional Practice of Internal Auditing* requires the follow up of recommendations made.	Throughout 2016-2018. Average of approximately 10-15 per each calendar year
Annual Follow Up Process	Audit-Follow Up	In order to ensure that the Audit, Finance and Administration Committee has adequate information to fulfil its responsibilities for the oversight of governance and control, the results of a follow up system of yearly updating on the status of uncompleted recommendations (after the regular follow up conducted as above) are reported annually to the Committee.	2016, 2017 and 2018

| Spot Cash Counts | Audit & Fraud Prevention | In 2014, a corporate Cash Handling Policy was approved by Council. Staff was directed to implement the elements of the policy in all the operations which handle cash funds. Compliance issues were identified during the 2015 spot cash counts. Cash counts will occur randomly across all operations to ensure compliance with the policy to safeguard this asset. Five to ten locations will be selected for this project. An overall report about the state of cash handling in the organization will be provided. | Throughout 2016 and 2017. |

5. New Projects

Project	Project Type	Project Description	Timeline
Performance Measures	Consulting (Value for Money)	Audit Services was directed with a motion in February 2016 to investigate and report back to the Audit, Finance & Administration Committee in September 2016, with respect to: (a) General best practices and/or models in empirical, data-based performance measurement protocol systems across city organizations (i.e. Canadian municipal governments similar to the City of Hamilton); and (b) Next steps in implementing a refined broad, empirical, data-based performance measurement protocol system for the City of Hamilton with options and recommendations.	2016

Organization-Wide Fraud Prevention and Detection Program: Policy Update, Program Development, Intake, Investigation and Reporting	Fraud Prevention & Detection	Updating the Fraud Policy and Protocol and initial program development and implementation of a comprehensive fraud prevention and detection program. Work includes developing and providing education/training to the organization, investigation support, case documentation and management and maintaining a roster of fraud/forensic accounting specialists. The development of a hotline and anonymous reporting system will also be part of this project.	2016-Policy Update 2017- Program Development, Intake & Investigations 2018 and onwards- Intake, Investigations and Reporting
LRT	Risk Assessment/ Lessons Learned	Working with the LRT Office, periodic risk assessments will be conducted throughout the lifespan of the LRT project to ensure that risks and opportunities are identified and that management has action plans in place to manage, mitigate or avoid risks and realize benefits from opportunities.	2016, 2017, 2018
Enterprise Risk Management	Risk Assessment/ Consulting (Education)	Raising awareness in the organization about the importance of enterprise risk management throughout the organization by providing educational sessions to support the development of corporate risk profile by management by enabling management to complete risk self-assessments and to develop corresponding action plans.	2016-Education 2017-Support the development of a corporate risk profile and action plans by management.

Reserves	Audit (Value-for Money)	An audit to review the portfolio of reserves and evaluate if contributions and are at a level to ensure sustainability. Utilization of reserves will also be assessed for compliance with stated purposes/By-laws. An overall assessment of reserves as a whole will also be performed evaluate if there are any chronically underfunded areas, or any areas that are over budgeted for and overfunded via surpluses without a specified purpose.	2016
Use of External Consultants-Part II (Capital)	Audit (Value for Money)	In 2015 an audit of the Use of External Consultants-Part I (Operating) from the operating budget was conducted. This audit builds upon Part I. No corporate policy exists to govern the use or management of external consultants. This audit will assess whether consultants are utilized in an effective manner and project outcomes add value to City operations.	2016
Child Care Programs	Risk Assessment	A risk assessment of child care services (including Child Care Management, Best Start, and Red Hill Family Centre) to determine if current processes adequately identifies risks and opportunities, and that there are appropriate action plans to manage and mitigate these risks.	2016

Facilities Management (Space Optimization & Cost Effectiveness)	Audit (Value for Money)	An audit to evaluate if owned and leased spaced is deployed in an optimized manner to maximize usage of the existing portfolio and that space is sold or not leased if it is not needed for service delivery purposes so that savings can be realized.	2016
AODA Accessibility Standards for Customer Service Compliance	Risk Assessment	In 2015 a self-assessment tool was developed by Audit Services and Customer Services, Access and Equity and piloted at 5 customer locations. In 2016, the AODA Accessibility Standards for Customer Service self-assessment tool will be provided to all citizen facing divisions for them to complete self-assessments. A sample of locations may be selected for audit fieldwork and be assessed for compliance with the AODA Accessibility Standards for Customer Service. This work will support achievement of AODA Accessibility Standards for Customer Service compliance across the City and will promote a greater level of transparency and accountability. There are potentially significant fines for non-compliance and also this audit will further enable the delivery of sensational service to all residents, especially to persons with disabilities. This is Part 1 of 3 of the overall AODA audit plan.	2016

AODA Human Resources Integrated Accessibility Standards (IAS) for Employment Compliance	Risk Assessment	Part 2 of the AODA project listed above. This project will consist of planning, fieldwork and reporting phases. This area of AODA requires that Persons with disabilities who are potential employees will be accommodated and supported throughout the recruitment, assessing, selecting and hiring process and when they are seeking advancement opportunities as employees.	Planning/Fieldwork - 2017 Reporting - 2018
AODA Built Environment Compliance	Risk Assessment	Part 3 of the AODA project listed above. This project will consist of the planning phase in 2017. Fieldwork and reporting are planned to occur in 2018. The Accessibility Standard for the Built Environment, which only applies to new construction and extensive renovation came into force on January 1, 2013, and will help remove barriers in buildings and outdoor public spaces. This standard requires that City facilities and open spaces are fully accessible and/or will provide accessibility measures to meet the needs of persons with disabilities when accessing programs, services, resources and opportunities.	Planning-2017 Fieldwork/Reporting-2018

IT Governance Corporate Initiative Support	Consulting	Providing ongoing audit subject matter expertise for the corporate-wide IT governance initiative.	2016-2018
City-Wide Cash Handling	Risk Assessment	Development of a risk assessment tool for cash handling processes so that each Department can perform a self-assessment of their current state to identify areas of improvement so that process improvements can be implemented by management.	2017
Environmental Services	Risk Assessment	Risk assessment of services within this Division and recommendations for how to improve any existing gaps in controls.	2017
Human Resources-Performance Accountability & Development System	Risk Assessment	The Performance Accountability and Development System (PAD) is a key component of the organization's accountability and performance management process. A risk assessment will be conducted to evaluate if the program is being executed in the organization as rolled out to the organization by Human Resources and determine if any remaining risks need to be managed via the development of an action plan.	2018

Procurement By-law Analysis	Consulting	A data-driven project with the purpose of taking the Procurement By-law and designing procedures for how to effectively analyze procurement data using audit analytics software to effectively identify risks, irregularities and non-compliance with the procurement by-law. The goal will be to develop reports that can easily be run on a regular basis based on criteria developed during the audit so that Procurement is able to follow up in a timely manner with the various Divisions.	2018
Quality Assessment Review	Other	In order to comply with Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing, it is required that internal audit shops have independent quality assessments every five years. The most recent assessment occurred in 2012. This item is dependent on receiving adequate budget to have a Quality Assessment Review performed.	2017
Audit Universe Update and Risk Assessment	Risk Assessment	A full-scale update of the audit universe and a related risk assessment is typically performed every five years with an update performed during the other years. The most recent full-scale audit universe update and risk assessment occurred in 2012.	2017

Continuous Improvement Project Support and Education	Consulting/ Lessons Learned	A block of time to provide support to ongoing corporate continuous improvement initiatives. Work may include giving educational presentations to staff/management meetings about the importance of internal controls, business procedures and a consistent work product. Other activities may include support to assist with data analysis using audit analytics software and assisting departments with performing control self-assessments to identify areas for improvement. Also provide commentary on lessons learned for how to apply this approach to other areas in the organization.	2017
Fire Services-Urban Response	Audit (combined Value-for-Money and Compliance)	This service provides emergency response for fires, medical emergencies, vehicle accidents/rescues and technical rescues. Particular services/initiatives in this area will be selected for review and assessment with an emphasis on compliance with regulations that ensure public safety.	2016
Housing Services	Audit (Value for Money)	A value for money audit that will include all areas of the Housing Services Division in the initial audit scope, with the project scope being narrowed once initial research has been completed. The area of focus will be to determine if services are being effectively delivered to the public.	Late 2016-Early 2017

Security and Safety at City Facilities	Risk Assessment	Per direction at the February 3, 2016 General Issues *"to co-ordinate a cross-functional team to review the City's security program",* this project will provide support to the ongoing corporate efforts for physical security from both a risk assessment and consulting perspective. The project scope will be finalized once direction is received from Council as to how the organization will be proceeding to address security (i.e. subsequent to the 2017 budget process).	2017
Real Estate-Expropriations	Risk Assessment/ Audit (Value for Money)	Part of the "Real Property Management" service provided by the City. Relevant legislation includes the Expropriation Act. Given that it is anticipated that there will be a higher volume of expropriations in the future due to the upcoming LRT construction, this audit will assess compliance with relevant legislation and City policies and determine if internal controls are operating effectively in this area. Audit Services anticipates collaborating with Legal Services on this project.	2017
Emergency Management-Compliance with Legislated Requirements	Audit	An audit will be conducted in this area to evaluate if the organization is achieving compliance with Emergency Management and Civil Protection Act, O.Reg. 380/04.	2018

Emergency Management- Compliance with Legislated Requirements (Continued)		The area of focus will to evaluate compliance, determine if risk assessment and management is effective to prepare the organization to respond appropriately to disasters and emergencies from a public safety and public health perspective. Education and awareness of this service by employees will also be considered for inclusion in this project.	
CityHousing Hamilton	Risk Assessment and Audit	Development of Audit Universe and identification of services and related risks. An audit topic will be determined once the services and related risks and have been identified. This item is dependent on Audit Services receiving a formal request to audit from management and/or the Board of Directors.	2017
Hamilton Police Service	Risk Assessment and Audit	Development of Audit Universe and identification of services and related risks. An audit topic will be determined once the services and related risks and have been identified. This item is dependent on Audit Services receiving a formal request to audit from management and/or the Police Services Board.	2017
Hamilton Public Library	Risk Assessment and Audit	Development of Audit Universe and identification of services and related risks. An audit topic will be determined once the services and related risks and have been identified.	2018

Hamilton Public Library (Continued)		This item is dependent on Audit Services receiving a formal request to audit from management and/or the Library Board.	
Public Health Services- Chronic Disease and Injury Prevention Division	Audit	An audit of compliance with regulations and policies, internal controls and program results. A program (one that has not been previously audited) will be selected from the Division will be selected once further research has been conducted.	2018