



CITY OF HAMILTON
CITY MANAGER'S OFFICE
Office of the City Auditor

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	September 5, 2019
SUBJECT/REPORT NO:	Office of the City Auditor Work Plan 2019 to 2022 (AUD19007) (City Wide)
WARD(S) AFFECTED:	City Wide
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RECOMMENDATION(S)

- (a) That Report AUD19007 respecting the Office of the City Auditor Work Plan 2019 to 2022, be approved.
- (b) That the item regarding the follow up of outstanding recommendations older than five years be removed from the Outstanding Business List.

EXECUTIVE SUMMARY

The Office of the City Auditor develops a work plan which outlines the scope of work the Office intends to conduct during a defined time period. Previously a three-year work plan was submitted, this is a four-year, term of Council work plan for 2019-2022. The work plan is based on an updated risk assessment of all the services identified in the City's Trust and Confidence Report (www.hamilton.ca/trustandconfidence).

In addition, inquiries, input from Council members, consultation with senior management and staff, observations made by audit staff during other audits and reviews of audits conducted in other municipalities are also taken into consideration.

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OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Various risk factors and related criteria were considered to prioritize the various projects.

As noted in our 2019 budget presentation (as part of the City Manager's Office presentation), the Office of the City Auditor completes the following types of work:

- Compliance Auditing
- Value for Money Auditing
- Special Investigations (Fraud and Waste, Whistleblower)
- Risk assessments
- Consulting

The first three activities are conducted by the Office in its capacity as Auditor General. Please refer to the attached Appendix "A" for a description of each of the above services.

Alternatives for Consideration – See Page 4

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The recommendation in this Report has no financial impact beyond the amount provided in the Office of the City Auditor's 2019 budget request. If speciality, external expertise is needed, requests for Council approval will be submitted as required.

Staffing: The Work Plan has been developed based on the current approved complement.

Legal: None.

HISTORICAL BACKGROUND

According to the current Council-approved Audit Charter, the City Auditor (formerly known as Director of Audit Services) is required to prepare a Work Plan for Council approval. The Plan describes projects and related work proposed. It also provides City Council with an overview of how resources in the Office of the City Auditor will be used during 2019-2022.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Municipal Act, sections 222.19 to 223.23

Office of the City Auditor Charter (AUD19005)

City of Hamilton By-law 19-180 (City Auditor By-law)

City of Hamilton Fraud Policy and Protocol

City of Hamilton By-law 19-181 (Whistleblower By-law)

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RELEVANT CONSULTATION

Members of Council, departmental management and staff were asked to provide input for the work plan.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

Management Responsibility and Council Oversight

Management is primarily responsible for designing, implementing, monitoring and reporting on controls. However, Council, through the Audit, Finance and Administration Committee, is ultimately responsible for ensuring management fulfils these responsibilities.

The Office of the City Auditor assists Council and management in meeting their governance, oversight and internal control responsibilities by carrying out projects and audits with the goal of enhancing internal controls and operational efficiency and effectiveness of City programs and services. The City's capacity to respond to recommendations arising from any audits and make improvements to its management practices is where the real benefit to the taxpayers will come.

Reporting to Council as Part of Effective Oversight

Reporting project findings, audit results and management action plans to the Committee is an important step in the Committee's role for the effective oversight of the control environment and culture and promotes accountability and transparency with City Council.

Follow up of recommendations are also important to ensure that management has taken appropriate action to implement recommendations identified in previous reports and improvements have been realized as a result. Auditing standards require that an audit follow up process to determine the status of outstanding audit recommendations be administered. However, the methodology, timing and frequency are not prescribed. A portion of the available time is set aside to conduct the initial follow up of audit and other project reports issued within the last 12-36 months. This process provides management and Council with a snapshot of the progress of implementation.

In previous years, the practice has been to have formal follow-ups that validate all recommendations as to actions taken, an annual report of the status of all report recommendations, and a special report of outstanding recommendations older than five years. In order to streamline these reporting mechanisms and ensure sufficient resources to carry out hotline related activities and audit work, the OCA proposes that formal follow-ups be focused on validation of management actions listed as completed, and be sample based, and that the special report on older five-year recommendations be eliminated and only included in the annual status report.

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Flexibility of Work Plan

Due to the nature of work that the Office performs, special projects and investigations can arise without much notice, so it is important for the work of the Office of the City Auditor to remain flexible in order to provide the timeliest service to Council and management. At the same time, there should be a logically structured work plan to focus scarce resources on major areas of concern and risk, and to balance coverage across the types of services delivered. The Work Plan serves as a standard against which to measure the performance of the Office.

If Demand Exceeds Available Resources

Should the special requests and investigations exceed the level estimated for the work plan, it will be necessary to defer the timelines of projects included in the work plan. Any deferrals will be reported to the Committee as part of an annual Work Plan Update (detailing any revisions to the plan) submission. However, should scheduling and resources allow, projects from the “B” list (Appendix “B” to Report AUD19007) would be considered for additional completion or substitution in the 2019-2022 work plan, or the timing of projects may be earlier than indicated in the plan.

The extent of completion of the projects will be dependent on the approval of the Office’s budget as submitted, the number of requests by City Council and management, the level of special investigations and other issues which may emerge during the years.

Impact of Fraud and Waste Hotline

The Fraud and Waste Hotline launched in July 2019. At this point in time, volumes are unknown as the Hotline has been operational for a short period of time. It is the same pool of staff that handles fraud and waste hotline assessment and intake and completes audit work.

Impact of Judicial Investigation

The Office of the City Auditor anticipates some involvement in the judicial investigation for the Red Hill Valley Parkway to share information and support such work; however, the extent of the Office’s involvement and the associated time commitment is not known at this time.

Plan will Improve Overall Operations of the City

The Office of the City Auditor believes that the proposed work plan provides a balance of work that, once completed, will result in improving the overall operations of the City by proactively identifying and assessing risks, strengthening management controls, improving accountability and transparency and helping the Audit, Finance and Administration Committee with its governance and internal control oversight role.

ALTERNATIVES FOR CONSIDERATION

The Committee can decide to add/delete/replace projects from the proposed work plan, taking into consideration resource limitations or preferred alternatives. Also, the current Audit Charter requires a majority of at least two-thirds the total members of Council present to make any changes to the proposed work plan once it is approved. Any significant changes resulting in increased time commitments will require a reallocation of staff resources. In addition, changes which require the substitution of a planned audit project with a new project may not address areas of higher risk.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” to Report AUD19007 - Office of the City Auditor Work Plan 2019 to 2022

Appendix “B” to Report AUD19007 - Proposed Projects for Subsequent Years