



OFFICE OF THE CITY AUDITOR: OVERVIEW

December 1, 2022

Introduction & Agenda

Charles Brown CPA, CA

- City Auditor since January 2016
- Prior to joining the City, had a 27-year career with the Province of Ontario and held various roles in both audit and finance, including leading the audit functions at the Ministry of Transportation, Ministry of Agriculture, Food and Rural Affairs, and most recently was Director of Finance at the Ministry of Health and Long-Term Care.
- Also gained experience working at the Federal level when he was seconded for 2 years to establish the Audit and Evaluation function for a new agency – the Federal Economic Development Agency of Southern Ontario.

Agenda

- How the Office Functions/Responsibilities
- How it serves Council and the public

Mandate

- To provide independent, objective assurance regarding the sound functioning and compliance with policy of City programs
- To ensure risks to the City are managed efficiently and effectively
- To add value and improve City operations
- Per the Municipal Act the City Auditor (Auditor General) “assists Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value for money in municipal operations”

Scope of Our Audits

Evaluate adequacy and effectiveness of the City's:

- Governance
- Risk management processes
- Compliance with policies, standards, procedures & laws
- Internal control structures
- Quality of performance to achieve goal & objectives
- Value for money in service delivery

Services Provided by City Auditor/Resources

- Compliance/Control Assessment Audits
- Value for Money Audits
- Follow-up Audits
- Risk Assessments
- Special projects requested by Council
- Fraud, Waste, & Whistleblower
 - Investigations
 - Detection/Prevention work
- Lessons Learned/Opportunities Assessment

Develop a risk-based Term of Council audit work plan (approved by Council).

Office of the City Auditor has 7.0 FTEs and utilizes external audit/investigation firms and other subject matter experts as required for projects.

Fraud and Waste Hotline

confidential
anonymous

SPEAK UP

Report any wrongdoing



Hamilton
Office of the City Auditor

Use the Fraud and Waste Hotline

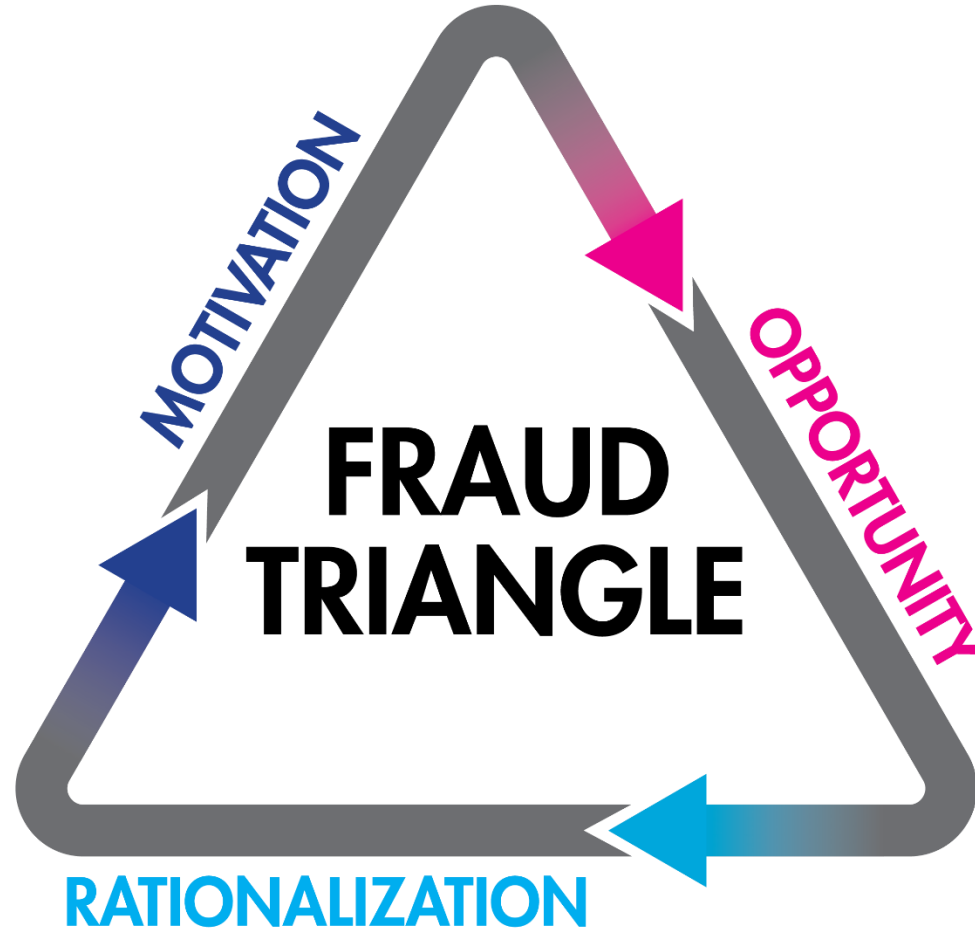
www.hamilton.ca/Fraud

Call Toll Free 24/7 1-888-390-0393

Fraud & Waste Hotline

- Fraud & Waste Hotline (launched in mid-2019 as a 3 year pilot project)
- Employees or members of public can report complaints about fraud or wasteful practices anonymously via a hotline managed by third party on a 24/7 basis
- Some complaints are referred to others and may or may not require report back. Others may be investigated by the City Auditor.
- Hotline activity and investigations are summarized in an Annual Report to Council
- Report activity is 107 per year (latest annual substantiation rate 32%)

How Fraud Occurs: The Fraud Triangle



Audit Authority

- Identified in Council approved Office of the City Auditor Charter
- Full, free and unrestricted access to any and all records, property and personnel relevant to any function under review
- Authority to conduct audits and reviews of all City Departments, Members of Council, agencies, boards and commissions, as well as other entities the City is related to or has an interest in
- The City Auditor has been appointed by by-law as an Auditor General
- Holds the responsibilities, including the powers, duties and protections under Sections 223.19 to 223.23 of the Municipal Act

Office of the City Auditor Independence

- Provided for in the Office of the City Auditor Charter
- Essential component to building public trust and preserving objectivity
- Audit reports functionally to Audit, Finance and Administration Committee (AFA) and administratively to the City Manager
- Reports sent directly to AFA
- Activities are to remain free of influence by any element in the organization, including matters of audit selection, scope procedures, frequency, timing
- Audit shall have no direct operational responsibility over any activities or report content it reviews

Audit Reports

- Audit Reports are in two forms – short form for compliance, control and process audits – long form for Value for Money reports
- Draft reports are presented to Departmental leadership for comment and response
- In most cases, management responses to each recommendation are contained in the report. A two week timeline is provided
- Follow-up reports on action taken are scheduled to take place within 12-36 months of issue

Auditor General Responsibilities

- City Auditor has been appointed as an Auditor General (AG) under sec 223 of the Municipal Act with described powers and duties and shall perform duties “in an independent manner”
- Per the Act the AG reports to Council and is responsible for assisting the Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value for money in municipal operations
- Entitles AG to access information necessary to perform their duties but also creates a **duty of confidentiality** with respect to matters that come to his or her knowledge in the course of their duties
- Provides authority to perform their duties in relation to grant receipts
- Provides powers to examine any person on oath on any matter pertinent to an audit or examination. AG and may summon witnesses and compel the production of documents using the powers of the Public Inquiries Act sec 33
- AG is not a compellable witness in a civil proceeding and disclosing privileged documents to AG does not waive privilege
- Sec 223 overrides FOI e.g. analysis exempt from FOI disclosure

Key Policies & By-laws

Whistleblower By-law

- Provides a mechanism for employee disclosure of serious wrongdoing while providing protection from reprisal
- Serious wrongdoing includes Criminal Code violation, misappropriation of assets, Code of Conduct contraventions, potential harm to safety of a person or environment and reprisals
- Semi-annual reports are made to Council on Whistleblower activity
- City Auditor makes the determination whether to investigate

Fraud Policy and Protocol

- Provides guidelines and responsibilities regarding appropriate actions for detecting, reporting and investigating fraud
- Requires notification of Audit of suspected fraud at the earliest convenience
- Audit carries out an initial review which may extend to a full investigation
- Audit has full and unrestricted access to records and personnel

City-Wide Cash Handling Policy

- Unannounced audits performed periodically across the City
- Self assessment program for all locations has been developed

Audit Planning

- Council members are provided the opportunity to give individual input into the Term of Council Office of the City Auditor Work Plan
- Once approved, a 2/3 majority is required to change the plan
- Part of the audit plan (25%) is left open for special requests or projects identified by the City Auditor

Serious Matters Reporting

- By approved policy, Council is to be proactively informed of any “serious matter” that comes to the attention of the Office of the City Auditor
- A serious matter is a situation that meets one or more of the following criteria:
 - Could pose a threat (cybersecurity exposure) to the organization’s information systems, hardware, software applications or involves a major privacy breach
 - Threatens public safety
 - Could have a significant adverse affect on vulnerable populations
 - Involves fraud over \$100,000
 - Results in investigation by OCA and referral to the Police
 - In the judgement of the City Auditor are deemed to be of a significant risk to the Corporation

A Few Past Reports

- Audit of **DARTS** (the City's Accessible Transit Service) with respect to the adequacy of maintenance and inspection. Vehicles condition found to be poor due to inadequate maintenance practices
- **Grighthouse Arena Project** Lessons Learned Audit about what can be done better to manage construction projects
- Focused on things that could be done better from a project management and legal remedy perspective, especially with high risk projects
- Two audits of **Roads Program** (construction and maintenance)
- Part 1 in 2021 identified issues with quality of asphalt, testing adequacy, preservation and maintenance, and methods of asset management/state of the network reporting
- Part 2 in 2022 cited issues with the quality assurance and validation related to aggregates and weight based contracts
- **Hamilton Future Fund** - findings related to administration and need for strategic direction
- **Cybersecurity/Security of Mobile Devices** – recommendations to improve protection from cyberfraud and malicious attacks

Audits Underway

- Audit of Cemeteries Administration (which is required to be managed as a trust)
- Transfer Payments and Grants
- Personal Use of City Vehicles
- Quality Management of Road Construction in New Development
- Audit of Hamilton Water Metering Program
- Audit of Employee Benefits Management and Administration
- Review of Equity, Diversity and Inclusion Initiative
- Stormwater Asset Management
- Audit of Real Estate – Leases and Licensing

Information about Audit Committee Responsibilities

- Canadian Audit and Accountability Foundation is a research and training organization that serves auditors and members of oversight bodies such as auditor committees
- For 40 years they have promoted best practices and research in value for money auditing used by Federal, Provincial and Municipal Auditors
- They offer 2 free training modules for Municipal Councillors
- Municipal Oversight for Councillors – Module 1 Foundations
- Municipal Oversight for Councillors – Module 2 The Role of audit
- www.caaf-fcar.ca

Questions