




CITY OF HAMILTON
Office of the Auditor General

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	December 7, 2023
SUBJECT/REPORT NO:	Office of the Auditor General Work Plan 2023 to 2026 (AUD23012) (City Wide)
WARD(S) AFFECTED:	City Wide
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SUBMITTED BY:	Charles Brown CPA, CA Auditor General Office of the Auditor General
SIGNATURE:	

RECOMMENDATION(S)

That Appendix "A" to Report AUD23012, respecting the Office of the Auditor General Work Plan 2023 to 2026, be approved.

EXECUTIVE SUMMARY

The Office of the Auditor General (OAG) develops a work plan which outlines the scope of work the Office intends to conduct during a defined time period. This is a four-year, term of Council work plan for 2023-2026.

Data from the Fraud and Waste Hotline, fraud and waste investigation results, input from Council members, consultation with senior management and staff, observations made by OAG staff during other audits and reviews of audits conducted in other municipalities are also taken into consideration. Various risk factors and related criteria were considered to prioritize the various projects.

The Office of the Auditor General completes the following types of work:

- Value for Money Auditing
- Special Investigations (Fraud and Waste, Whistleblower)

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- Occasional Compliance Audits

Please refer to the attached Appendix “A” for a description of each of the above services.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: The recommendation in this Report has no financial impact beyond the amount provided in the Office of the Auditor General’s previously approved 2023 budget request. If speciality, external expertise is needed, requests for Council approval will be submitted as required, or these costs will be charged back to the applicable department as per the Fraud Policy and Protocol.

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 Auditor General is required to prepare a Work Plan for Council approval. The Plan describes projects and related work that is proposed to carry out the Auditor General’s mandate. It also provides City Council with an overview of how resources in the Office of the Auditor General will be used during 2023-2026.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Municipal Act, sections 222.19 to 223.23

Office of the Auditor General Charter (AUD23005, Appendix A)

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

City of Hamilton Fraud Policy and Protocol

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

RELEVANT CONSULTATION

Members of Council, departmental management and OAG 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 Auditor General assists Council and management in meeting their governance, oversight, and internal control responsibilities by carrying out audits and investigations 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 audit results, a summary of investigative 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 generally 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 follow up audits for reports issued within the last 12-36 months. This process provides management and Council with a snapshot of the progress of implementation.

Since the launch of the Fraud and Waste Hotline in 2019 within the existing staffing complement, the OAG has a significantly reduced ability to complete follow up audits. The OAG completes follow up audits on a risk-based basis (contingent on staffing availability), however since mid-2021 the OAG has incorporated an additional method for management to be accountable for their management responses to the audits. In each audit, it is recommended that Council directs staff report back to the Audit, Finance and Administration Committee within a specified time period (typically 6-12 months). With this Council direction enacted, an Outstanding Business List item is generated, which hold staff accountable for the timely reporting back Committee with a status update regarding the implementation progress for their management responses to the audit.

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Flexibility of Work Plan

Due to the nature of work that the Office performs, special investigations and high priority audits can arise without notice, so it is important for the work of the Office of the Auditor General to remain flexible in order to provide the timeliest service to Council. 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. However, should scheduling and resources allow, projects from the “B” list (Appendix “B” to Report AUD23012) would be considered for additional completion or substitution in the 2013-2026 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 special requests by City Council and management, the level of investigation activity, OAG staff vacancies and other issues which may emerge during the years.

Impact of Fraud and Waste Hotline

The Fraud and Waste Hotline launched in July 2019. The OAG now has four years’ worth of data. There has been an increasing volume of cases for the past three years, with 159 reports received and assessed in the most recent reporting period. Fraud and Waste work has been significant and has comprised close to 50% of the OAG’s portfolio. It is the same pool of staff that handles fraud and waste hotline assessment and intake and completes audit work.

Plan will Improve Overall Operations of the City

The Office of the Auditor General 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.

Prior Work Plans

Projects that were unable to be completed as part of the 2019-2022 Work Plan were considered in the development of this work plan and are included in the Work Plan or

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the B-list where the OAG considered the project to still be relevant. Certain projects are no longer able to be performed by the OAG due to Council's approval in March 2023 to transition the OAG from the hybrid internal audit/auditor general model to an auditor general model. Any projects from prior year work plans not included in this work plan are no longer part of the OAG's planned future work.

Changes to the Audit Work Plan

The current Audit Charter requires that Council indicate its approval of the work plan. Once approved, a majority of at least two-thirds the total members of Council present are required to make any changes to the work plan. Any significant changes resulting in increased time commitments may require a reallocation of staff resources. In addition, circumstances may require the substitution of a planned audit project with a new project which is at the discretion of the Auditor General. However, these requirements do not preclude Council from directing, through motion passed, a special audit or investigation.

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 AUD23012 - Office of the Auditor General Work Plan 2023 to 2026

Appendix "B" to Report AUD23012- Proposed Projects for Subsequent Years