

CM11006 / AUD11028
Auditor General Model / Implementation of the Hybrid Auditor General
Model

**General Issues Committee (GIC) - February 1, 2012** 

**Presentation by Art Zuidema / Ann Pekaruk** 

### Context

# 1) Audit, Finance & Administration Committee - February 3, 2010

"That staff be directed to report back to the Audit, Finance and Administration Committee respecting the creation of an Auditor General position and investigate other jurisdictions relative to the efficiencies and the responsibilities of such a position."



## Context

# 2) Audit, Finance & Administration Committee - June 8, 2011

"That Report CM11006, respecting the Auditor General Model, be tabled, as amended, pending the Audit, Finance & Administration Committee's receipt of a report respecting the Implementation Plan for the hybrid Auditor General Model, which is to include a by-law and Terms of Reference."



### Context

# 3) Audit, Finance & Administration Committee - November 23, 2011

"That Report AUD11028, respecting the Implementation of the Hybrid Auditor General Model, be referred to the General Issues Committee for consideration."

"That Report CM11006, respecting the Auditor General Model, as amended, be referred to the General Issues Committee for consideration."



## Alternatives Considered

#### Recommended (CM11006)

- Enhanced Internal Auditor (Hybrid Auditor General Model)
  - AUD11028 outlines the implementation plan for this alternative

#### **Not Recommended**

- 2. Implement a Separate Auditor General
- Combining the roles of an Auditor General and Integrity Commissioner
- 4. Shared Auditor General service with another municipality/municipalities
- 5. Status Quo Leave things the way they are currently



## **Audit Models Reviewed**

All Ontario Municipalities that <u>HAVE</u> an Auditor General:

- Toronto\*
- Oshawa
- Markham
- Windsor
- Sudbury
- Ottawa

Ontario Municipalities that <u>DON'T HAVE</u> an Auditor General (but HAVE Internal Audit):

- Region of York
- Mississauga
- Brampton
- Kingston



City of London in regards to their <u>outsourced</u> Audit Model

\* Auditor General is mandated through legislation

## Audit Models Reviewed (con't)

Other Canadian comparator cities contacted:

- Calgary & Edmonton, Alberta City Auditor
- Winnipeg, Manitoba City Auditor/Chief
   Performance Officer
- Halifax, Nova Scotia Auditor General\*
- Vancouver, British Columbia Internal Audit Only



\* Auditor General is mandated through legislation

# Audit Model Review - Highlights

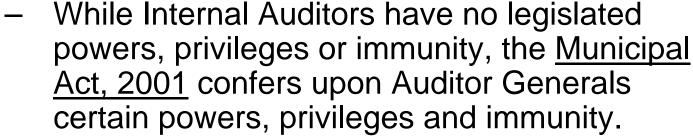
- In Ontario, municipalities have either an Auditor General or an Internal Auditor (they do not have both).
- The exception is the City of Toronto.
  - they have both an Auditor General (AG) position and Internal Audit. (AG is mandated, <u>City of Toronto Act</u>, 2006)
- Outside Ontario, the model is typically that of a City Auditor, except for Halifax where an Auditor General is mandated.
  - A City Auditor would be similar to the hybrid model that is recommended in CM11006.



Municipal legislation is slightly different across the Country.

## Auditor General (AG) vs. Internal Audit (IA)

- Preferred model is dependent upon the level of accountability and transparency desired.
- Ultimately, the Auditor General model provides the highest level of transparency and accountability.
- The <u>Municipal Act, 2001</u>, allows an Internal Auditor to conduct value for money audits.





# AG vs. IA (con't)

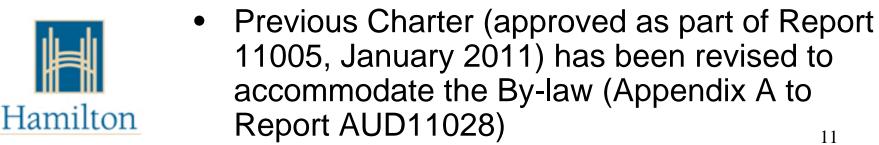
#### Comparators Included:

- Reporting & Tenure
- Workplan Practice & Approval
- Budget Setting & Approval
- Level of Authority
- Responsibility



# Hybrid AG - Implementation Highlights

- By-law Appendix A to Report AUD11028)
  - Provides the Director of Audit Services with various powers, duties and protections (Sections 223.19 – 223.23 of the Municipal Act) without the formal title change to Auditor General
- Audit Charter (Terms of Reference) Appendix B to Report AUD11028



# Hybrid AG – Highlights (con't)

#### Resources

 Requires the recruitment of two performance auditors at a cost of \$261,300 (salary, benefits, supplies, equipment and training) and a one-time cost of \$10,000 (workstations)

### Workplan

- Value-for-money audits would be added to the Audit Services Division workplan as a separate section of work
- Prepared annually and presented to the AF&A Committee



# Hybrid AG – Highlights (con't)

- Term
  - Three-year pilot for the value-for-money audit program is recommended
- Reporting Structure
  - Remain the same as it exists today



# Today

# **General Issues Committee - February 1, 2012 (Today)**

- Seeking endorsement for:
  - CM11006 recommendations (a), (b), (e) as amended June 8, 2011 and (f)
- Seeking endorsement for:
  - AUD11028 recommendations (a), (b), (c),
    (d) as revised and (e)



## CM11006 Recommendations

- (a) That report CM11006 respecting the Auditor General Model, be received.
- (b) That the establishment of a separate Auditor General Office not be pursued.
- (c) That the current staff complement in Audit Services be increased by 2 FTE's to accommodate value for money audits be referred to the 2012 budget process.



That any savings achieved, as a result of measures identified by Audit Services, be transferred back into the general levy.

### AUD11028 Recommendations

- (a) That Report AUD11028 respecting the implementation of the hybrid Auditor General model be received;
- (b) That the by-law appointing the Director of Audit Services as the Auditor General attached as Appendix "A" to Report AUD11028, which has been prepared in a form satisfactory to the City Solicitor, be passed;
- (c) That the Internal Audit Charter approved by Council on January 26, 2011 be repealed and replaced by the Audit Services Charter attached as Appendix "B" to Report AUD11028;



### AUD11028 Recommendations

- (d) That the Director of Audit Services be directed to carry out a three year pilot project conducting value-for-money audits as approved by Council in the annual work plan, such workplan to be submitted for approval firstly to the AF&A Committee in accordance with the Audit Services Charter, pending receipt of the appropriate resources; and
- (e) That the Director of Audit Services report back to the Audit, Finance and Administration Committee on the pilot during its third year.



# **QUESTIONS**

