



City of Markham Presentation to General Committee of Council

Auditor General Services

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Introductions

- Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP
 - Partner, National Leader of Internal Audit Services
 - City of Markham's Auditor General
- Veronica Bila, CPA, CA, CIA
 - Partner, Enterprise Risk Services
 - AG Audit Partner / Project Manager

About MNP

- MNP was founded in 1945 and has expanded to over 80 offices across Canada.
- MNP is the fifth largest chartered accountancy and business advisory services firm in Canada, with approximately 790 partners and more than 4,600 team members.
- MNP has been recognized as one of the 50 best employers in Canada by AON Hewitt by remaining true to our values.



Role of the Auditor General

- In November 2015, Council appointed MNP to serve as the City's Auditor General for a four year term with a budget of \$600,000. The Auditor General reports to Council.
- The public relies on the Auditor General to provide independent assurance that governmental activities are carried out, and accounted for, consistent with Council's intentions.
- The Auditor General is to provide independent, objective assurance and advice designed to add value and improve the City's operations.
- This is accomplished by conducting audits on the areas (i.e. programs, departments, processes, operations) that are regarded as high risk (i.e. financial, reputational, operational, etc.) to the City.
- The responsibilities of the Auditor General does not include those of the municipal external auditor.

Audit Charter

- The purpose of the Auditor General's audit charter is to serve as the formal document outlining the following:
 - Scope of Auditor General Audit function;
 - Accountability;
 - Authority, Access and Support;
 - Responsibility;
 - Independence and Objectivity;
 - Reporting and Monitoring; and,
 - Standards.

Audit Charter, cont.

- The scope of the Auditor General and audit function is defined annually through the approved Audit Plan and audit activities to ensure:
 - Risks are appropriately identified and managed.
 - Interaction with various governance groups occurs as needed.
 - Significant financial, managerial, and operating information is accurate, reliable, and timely.
 - Employees' actions and interactions, and arrangements with third parties, are in compliance with policies, standards, procedures and applicable laws and regulations.
 - Resources are acquired economically, used efficiently, and adequately protected.
 - Programs, plans, and objectives are achieved.
 - Quality and continuous improvement are fostered in the organization's control processes.
 - Legislative or regulatory compliance issues impacting the organization are recognized and addressed appropriately.

Audit Charter, cont.

- The Auditor General's and the audit function's responsibilities, among other things, are to:
 - Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified, and submit that plan along with any subsequent periodic changes to the General Committee for review and approval.
 - Implement the audit plan, and any special projects requested by the General Committee.
 - Maintain professional audit resources with sufficient knowledge, skills, experience, and professional certifications.
 - Issue periodic reports to the General Committee summarizing the results of audit activities.
 - Keep the Executive Leadership Team and General Committee informed of emerging trends and successful practices in auditing.
 - Execute a quality assurance program for the effective operation of audit activities and annually report the results of the program to the General Committee.

Audit Plan Development Approach

- In 2016, the first year of our appointment, MNP's first task was to develop the four year Audit Plan.
- Enterprise Risk Management ("ERM") plays an important role in the Auditor General's audit function.
- The application of risk-based concepts and techniques in both the selection and execution of audit projects is crucial in supporting the strategic vision and mission of the City of Markham.
- When preparing the Audit Plan, our first step was to conduct an enterprise wide risk assessment.

Audit Plan Development Approach, cont.

- To conduct the enterprise wide risk assessment, we performed the following:
 1. Conducted one-on-one interviews and risk identification workshops to gather information and to understand the risks at the departmental level.
 - a) One-on-one interviews held with Councillors, the Chief Administrative Officer (“CAO”) and Commissioners.
 - b) Workshops held with Senior Management and City staff.
 - c) Risk voting sessions conducted with all of the above.
 - d) In total, the AG had over 90 touchpoints between Council and City Staff.
 2. Compiled a prioritized listing of the 46 risks identified during the interviews and workshops, which formed the “Audit Universe”.

Audit Plan Development Approach, cont.

3. Independently assessed the audit universe and built the four year Audit Plan and timing of audits, considering:

1. **Severity of each inherent risk (in the absence of mitigating controls).**
2. **Strategic relevance to the organization.**
3. **Areas, functions, or processes where there has been significant change in the past year or expected change in the coming years.**
4. **Emerging issues or trends.**
5. **Areas of particular complexity.**
6. **Functional areas that are core to the City's operations.**

Audit Plan Execution

- Each individual audit is separately planned, and commences with the completion of an audit planning memo, that outlines: Objective, Scope, Risks, Approach, Deliverables.
- The audit planning memo is shared with Council in advance of the scheduled audit.
- Throughout the conduct of the audit, information is gathered from City staff through interviews, review of relevant documentation, and independent testing.
- Observations are discussed with senior staff to ensure facts are correct.
- Draft audit report is prepared and submitted to the CAO and Commissioners for review and to obtain management responses.
- Audit report is finalized and presented to General Committee of Council.

Status of Four Year Audit Plan

- The four year audit plan includes completion of 10 audits and corresponding follow up audits, as follows:

Audit Name	Completion Date	Follow Up Completed
Property Tax & Water Billing	Property Tax – October 2016 Water Billing – February 2017	Property Tax – October 2017 Water Billing – June 2018
Cash Handling	April 2017	November 2018
Vendor Management	October 2017	March 2019
Cyber Security	March 2018	Planned for 2019
HRIS Implementation	June 2018	Planned for 2019
Development Charges	September 2018	Planned for 2019
Payroll	November 2018	N/A – no recommendations
Asset Management	Currently in progress	To be determined

Status of Four Year Audit Plan, cont.

- Upcoming audits on the four year audit plan include the following:

Audit Name	Completion Date	Follow Up Completed
Information Management	2019	To be determined
Building and Development Review Process	2019	To be determined

Q&A

Contact Information

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FINAL WORD

MNP is one of the largest chartered accountancy and business advisory firms in Canada. For more than 70 years, we have proudly served and responded to the needs of our mid-market clients in the public and private sectors. Through partner-led engagements, we provide a cost-effective approach to doing business and personalized strategies to help you achieve your goals.

We look forward to getting to know you and your organization.