



City of Markham: Audit Plan Update

Presentation to the General Committee

23 May, 2023



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Agenda

- Introductions
- Role of the Auditor General
- Audit Charter
- Auditor General Work Performed To Date
- Audit Plan Development Approach
- Risk Assessment Approach
- 2023 Audit Plan
- Audit Execution Approach
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With You Today



**Geoff
Rodrigues**

Partner,
Enterprise Risk Services

Role – Auditor General



**Deepak
Jaswal**

Senior Manager,
Enterprise Risk Services

Role – Client Account
Manager

Role of the Auditor General

- MNP has served as Auditor General for the City of Markham since 2016.
- In this capacity, MNP reports directly to Council through General Committee.
- Council relies on the Auditor General to provide independent assurance that activities are carried out, efficiently and effectively, and accounted for, consistent with Council's intentions.
- 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.
- These areas of high risk are determined through the conduct of a risk assessment.

Auditor General Term

- MNP has served as the Auditor General for the City of Markham since January, 2016.
- This contract between MNP and the City was most recently extended on January 1, 2020 for a five year term until December 31, 2024.
- The roles and responsibilities of the Auditor General and the scope of the Auditor General function are outlined in the contract as well as a formal document that has been approved by the General Committee of Council in the form of an Audit Charter.

Audit Charter

- MNP has an approved Audit Charter in place. The purpose of the audit charter is to serve as a formal document outlining the scope of the Auditor General function, including:
 - Accountability;
 - Authority, Access and Support;
 - Responsibility;
 - Independence and Objectivity;
 - Reporting and Monitoring; and,
 - Standards.

Auditor General Work Performed To Date

- MNP have performed a number of activities over the course of their tenure as the Auditor General to date, including the conduct of risk assessments, development and update of audit plans, compliance audits across key corporate functions; presentations to General Committee of Council, discussions with City Leadership through workshops and interviews, facilitating training and awareness sessions and the conduct of audits/reviews including:

Information Management Audit	Cyber Security Audit
Accessibility Audit	Vendor Management Audit
Asset Management Audit	Cash Handling Audit
Water Revenue Review	Payment Card Industry Standards Audit
Property Tax Billing Audit	Development Charges Audit
Human Resource Information Systems Audit	Payroll Audit
East Markham Operations Yard Lessons Learned Review	Various Follow-Up Audits

Audit Plan Development Approach

- 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 is to conduct an enterprise-wide risk assessment. This leads to the development of a proposed risk based one-year audit plan.
- When prioritizing which risks to audit and timing of the audit, consideration is given to inherent risk, given that residual risk is based on management's assessment of the strength of mitigating controls, and the role of the Auditor General continues to be an objective assessment of management's controls.
- Consideration is also given to the level of effort required for each audit project and resourcing needs. This will allow the Auditor General to determine the scope of the planned audits per year to be based on priority, capacity, and skills required to conduct the audit.
- As we progress with the Auditor General services and based on subsequent updates to the risk assessment, the plan is subject to change.

Risk Assessment Approach

The Internal Audit plan development is driven by MNP's risk assessment methodology which emphasizes collaboration with key City process owners and stakeholders, including all key service areas and any related organizations in order to develop a comprehensive picture of the City's operating environment, risks, and upcoming challenges.

Audits planned in response to the risk assessment are be prioritized based on a range of factors relevant to the operations of the City, including:

- If the area is auditable or not.
- Management and Council priorities.
- The results of previously conducted internal audits or reviews within each risk area/unit.
- Major changes expected within the next few years, such as IT and systems, or process changes.
- Historical issues within each risk area/unit
- Emerging Risks and Trends

Risk Category	Risk Name	Risk		Considerations					Year			
		Risk Register #	Residual Risk Score	Not Auditable	Previously Audited	Major Change Expected (Next 5 Years)	History of Issues	Priority for Mgmt. and/or Council	2022			
									Q1	Q2	Q3	Q4
Strategic	Enterprise Risk Management	1	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Corporate Culture	2	M	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Growth & Sustainment	3	M	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Strategic Planning	4	L	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
Operational	Governance	5	L	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Staffing Levels	6	H	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Succession Planning	7	H	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Cyber Security	8	H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>		Audit #2		
	Operational Resilience (Business Continuity and Disaster Recovery)	9	H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>			Audit #3	
	Physical Infrastructure & Assets	10	H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Information Management	11	M	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Physical Security	12	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Accountability & Empowerment	13	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Compensation & Benefits	14	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Analytics & Reporting	15	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	IT System Effectiveness	16	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>			Audit #6	
	Project Management	17	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Building & Development Review Process	18	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Budgeting & Business Planning	19	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>			Audit #4	
	Communications	20	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	IT System Design	21	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Supervision	22	M	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	IT Reliability & Availability	23	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Policies & Procedures	24	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Audit #1			
Financial	Assessment of Assets & Programs	25	M	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Performance Management	26	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Service Delivery	27	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Fee Structures	28	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Compliance	30	L	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Vendors & Partners	31	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	By-Laws	32	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Labour Relations	33	L	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Procurement / Vendor Management	34	H	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				Audit #5
	Tax / Water Revenue	35	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
Financial	Other Services Revenue	36	M	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Payroll	37	M	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Development Charges	38	M	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>				
	Investment Holdings	39	M	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Financial Reserves	40	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Financial Reporting	41	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Cash Management	42	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Foreign Currency	43	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
Reputational	Employee Expenses	44	L	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Staff Conduct	45	M	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Council Conduct	46	M	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				
	Fraud	47	M	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>				
	Transparency	48	M	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

Risk Score

H	High
M	Moderate
L	Low

Legend

	Compliance Audit
	Value for Money Audit
	Follow-Up Audit Activities

Please Note - This risk assessment has not been tailored to the City's risk environment/register and is an illustrative example only.

City of Markham – 2023 Audit Plan

Based on the outcomes of our risk assessment process, we believe the following audits are best positioned to drive value for the City for the Year 2023

#	Proposed Time	Audit Type	Audit Name	High Level Audit Scope
1	Q1/2 January - May	Compliance Follow-Up	Asset Management and Information Management Audit Follow-Up	The overall objective of this audit will be to perform follow up procedures to report back to Council on the implementation and remediation of recommendations related to the Asset Management (2019) and the Information Management (2020) Audits.
2	Q2/3 May - July	Value for Money	Contact Centre Operations Audit	The overall audit objective will be to determine if the City is obtaining value from its current use of its contact centre and evaluate opportunities for additional operations, changes to operating models and streamlining of efficiencies.
3	Q3/Q4 July - October	Value for Money	Facilities Management Audit	The overall audit objective will be to determine if the City effectively manages and operates facilities throughout their life cycle.
4	Q4 October - December	Advisory	Vendor Contract Management	The overall audit objective will be to determine if the City effectively manages and obtains value from its vendor contracts.

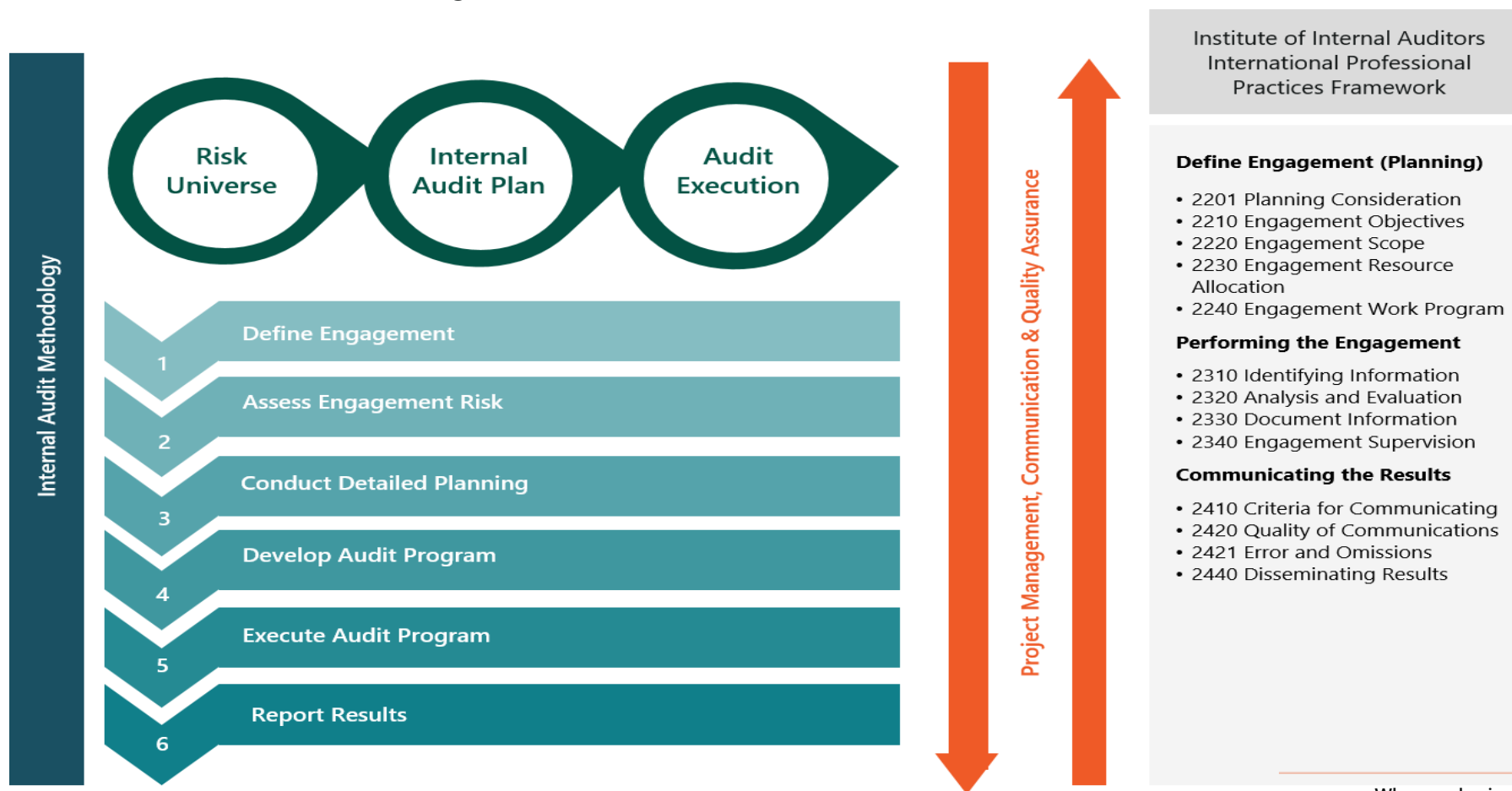
The Auditor General will bring forward the proposed audit plan for 2024 in late 2023 for review and endorsement by General Committee of Council.

Audit Execution Approach

- Each individual audit will be separately planned, and commence with the completion of an audit planning memo (“APM”) will outline an audits objective, scope, risks, approach, timeline and key deliverables.
- The APM will be signed by the key business stakeholder in advance of the commencement of an audit.
- Throughout the conduct of the audit, information will be gathered from City staff through interviews, review of relevant documentation, and independent testing.
- Findings will be validated for factual accuracy with relevant staff and management.
- Once the audit has been completed, a formal audit report will be issued and presented to Council.

Audit Execution Approach (Cont.)

MNP's IA methodologies are geared toward identifying opportunities for improvement to existing functions and processes by first evaluating the design of internal controls and their effectiveness to promote operational effectiveness, compliance with policies, compliance with relevant regulations, and efficient use of management resources.



Follow-Up Audit Execution

- A strong indicator of an effective internal control environment is the timeliness with which City management addresses reported control deficiencies. On a quarterly basis, MNP will conduct an audit follow-up process to ensure high and medium rated internal audit findings have been effectively remediated through the implementation of related management action plans on a timely basis.
- This process will include quarterly meetings with relevant management and staff in order to determine progress made in achieving targeted outcomes and a review of supporting evidence to evaluate if management action items have been adequately remediated prior to their closure. This information will be presented to Council each quarter and key categories which will be presented are outlined below in an example.

#	Audit Recommendation	Management Action Plan	Risk Rating	Due Date	Time Open	Quarterly Update	Times Retargeted
1	Update policy and procedures to reflect current leading practices.	Management will update the policy to reflect leading practices as referenced.	Medium	August 2023	2 months	Management have identified key areas where updates are required and are on track to implement these by the targeted due date.	N/A

Recommendation

- The presentation by the Auditor General titled City of Markham: Audit Plan Update be received:
- The recommended Audit Plan for 2023 be approved.
- Staff be directed and authorized to do all things necessary to give effect to this resolution.

Q&A

