



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
- Follow-Up Audit Approach
- Q & A



With You Today



**Geoff
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Partner,
Enterprise Risk Services

Role – Auditor General



**Deepak
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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"/> | | | | |
| Reputational | 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"/> | | | | |
| | 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"/> | | | | |
| Reputational | 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. |

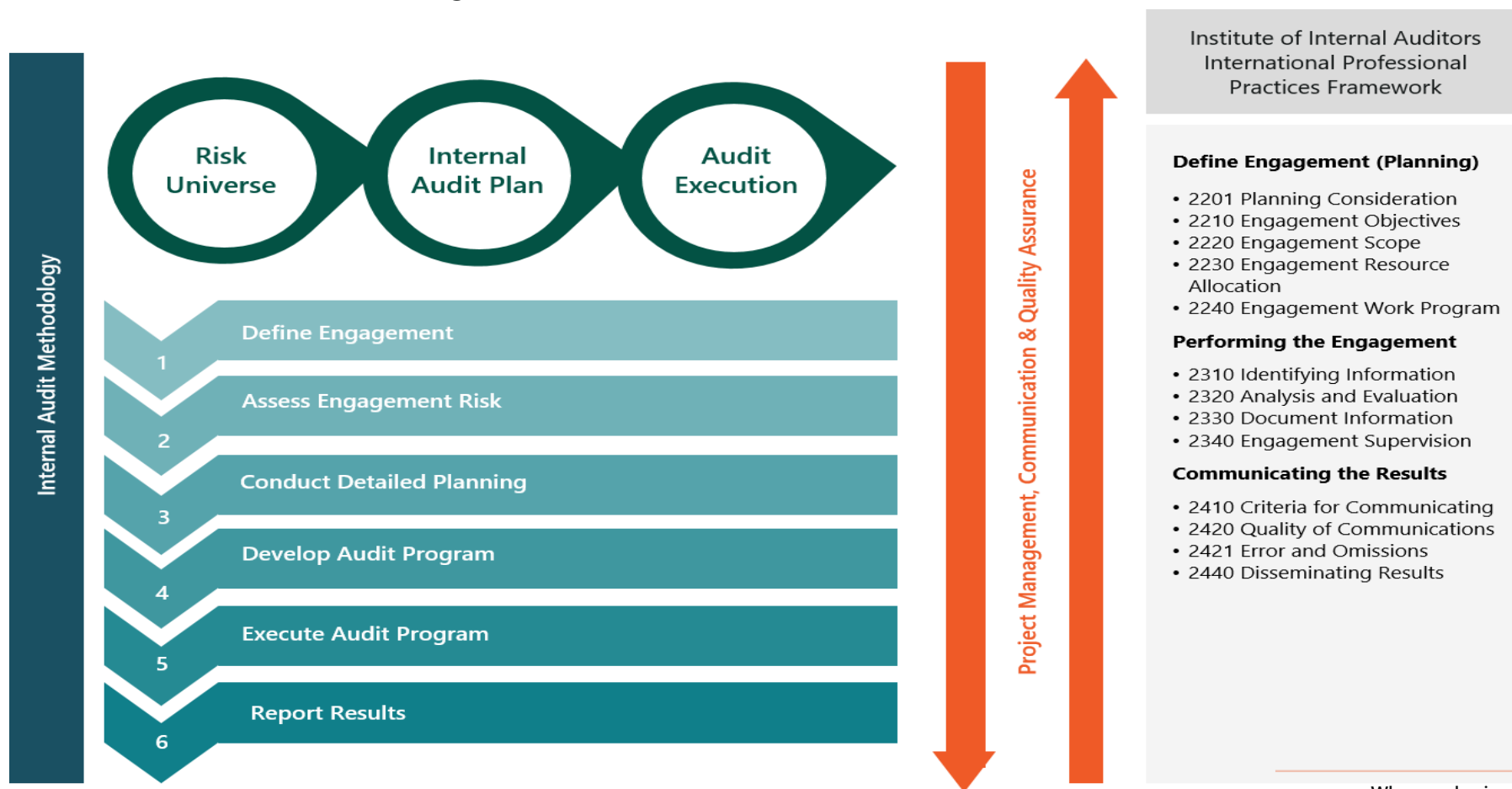
The Auditor General will bring forward the proposed audit plan for 2024 in late 2023 for review and endorsement by General Committee of Council.

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

