



City of Markham Presentation to the General Committee

Auditor General Services

January 18, 2016

Presented by: **Geoff Rodrigues & Veronica Bila**

Table of Contents

- Introductions
- About MNP
- Resources
- Role of the Auditor General
- Audit Charter
- Audit Plan Approach
- Q & A
- Appendix A – Draft Audit Charter

Introductions

- Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP
 - Partner, National Leader of Internal Audit Services
 - Acting in the role of the Auditor General
- Veronica Bila, CPA, CA, CIA
 - Senior Manager
 - Acting in the role of 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 675 partners and more than 3,800 team members.
- MNP has been recognized as one of the 50 best employers in Canada by AON Hewitt by remaining true to our values.



Member of Praxity, AISBL
Global Alliance of Independent Firms

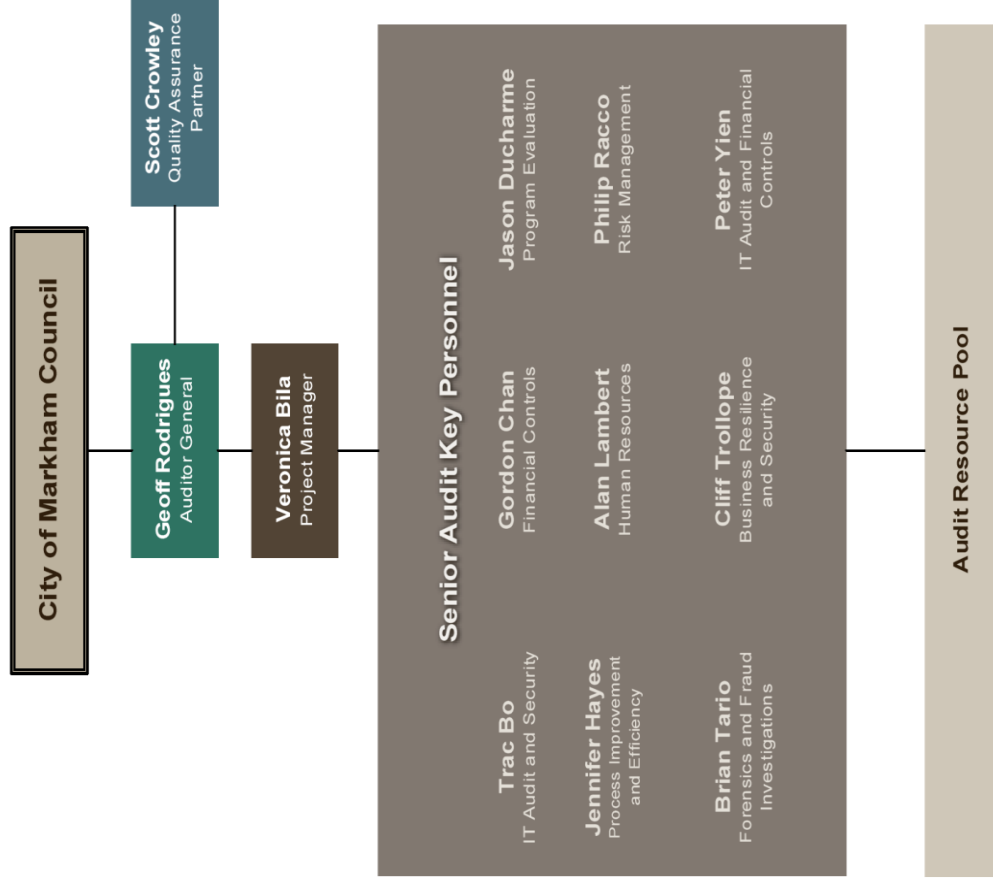


BESTEMPLOYER

PLATINUM | CANADA

MNP

Resources



Role of the Auditor General

- 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.

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.
- Refer to Appendix A for the draft Audit Charter for review.

Audit Plan Approach

A strong system of internal control is essential to effective enterprise risk management....

- 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 an audit plan, the first step is to conduct an (or update an already existing) enterprise wide risk assessment.

Audit Plan Approach, cont.

- To conduct an (or update an existing) enterprise wide risk assessment, we perform the following:
 1. Conduct one-on-one interviews or small workshops to gather information from each departmental area of the City to understand the risks to ensure adequate coverage of all known significant risks.
 - Mayor and Councillors
 - Chief Administrative Officer (“CAO”)
 - Executive Leadership Team
 - Senior Management and staff
 2. Compile a listing of the risks identified during the interviews/meetings. Each risk is known as an “auditable unit” which forms the “Audit Universe” .

Audit Plan Approach, cont.

3. Each of the auditable units identified in the Audit Universe will be risk ranked in accordance with identified risk criteria. This will be completed through risk workshops where each auditable unit will be discussed and assessed.
 - Workshops will include the Executive Leadership Team, Senior Management, CAO and Mayor/Councillors and will utilize voting and reporting technology.
 - There typically are three risk criteria identified, which include:
 - Strategic
 - Financial
 - Operational
4. After the risks have been assessed and ranked, the four year Audit Plan will be prepared:
 - High risk areas are normally selected to be audited, however, medium or low risk areas could be selected based on other criteria (i.e. new emerging area or technology, never been reviewed before, etc.)
 - Not all risks identified in the risk assessment will be considered an auditable unit or selected for an audit, given the nature of the risk and whether an audit can effectively audit controls against the risk, or whether an audit would deliver value for money.
 - The Auditor General will work with all key stakeholders to determine the organization's priorities, and initiatives to select projects for the Audit Plan.

Audit Plan Approach, cont.

- Risk ranking and inclusion of the auditable units is based on **risk criteria scores** in the risk assessment and the inherent risks identified.
- When prioritizing which risks to audit and timing of the audit, consideration is given to both **inherent** as well as residual 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 and capacity.

Risk Score	Level of Assessment
16 - 25	High/Critical
11 - 15	Moderate
1 - 10	Insignificant/Low

Effort	Scope of Work
Major	Detailed Testing
Moderate	Limited Testing
Minor	Review

	Current Year Audit Planned
	Future Year Audit Planned

Audit Plan Approach, cont.

- Overall, the proposed audit projects and their priority (i.e. timing) are selected based on the following considerations:

1. High inherent risk in accordance with risk ranked Audit Universe.
2. Strategic relevance to the organization.
3. Which areas have been audited in the past three years.
4. Where there has been a history of errors/issues.
5. Timing of audits include addressing legacy audit issues.
6. Include recurring audits to ensure continued compliance in certain areas given sensitivity in the public sector.
7. Areas, functions, or processes where there has been significant change in the past year or expected change over the next year.
8. Input from key stakeholders.

Q&A

Contact Information



Geoff Rodrigues

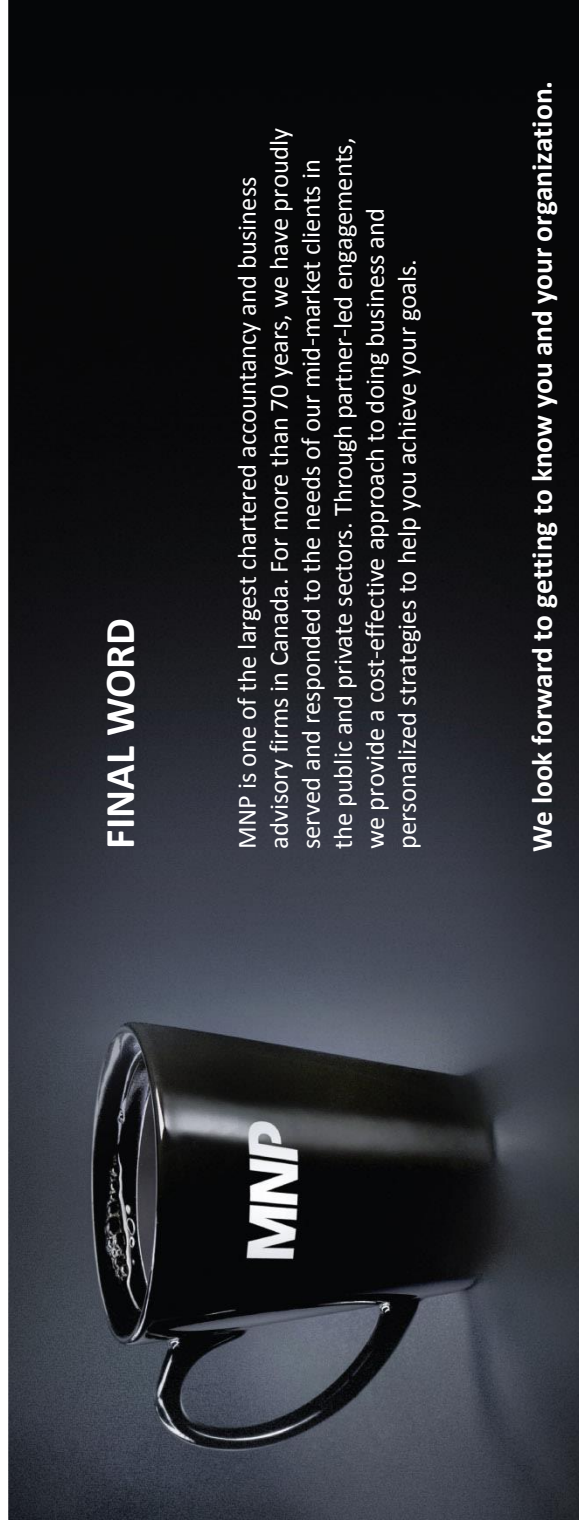
National Internal Audit Leader,
Enterprise Risk Services
416-515-3800
Geoff.Rodrigues@mnp.ca

Scott Crowley

Regional Managing
Partner, Advisory Services
416-260-3277
Scott.Crowley@mnp.ca

Veronica Bila

Senior Manager,
Enterprise Risk Services
416-515-3843
Veronica.Bila@mnp.ca



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.

Appendix A – Draft Audit Charter