

The Regional Municipality of York

Audit Committee
January 9, 2019

Report of the Director, Audit Services

2019 – 2022 Audit Plan

1. Recommendation

1. Regional Council approve the Four Year Audit Plan (Attachment 1).

2. Summary

This report informs Council of the risk assessment methodology used by the Region's Director, Audit Services to conduct a Region wide risk assessment. This risk assessment is the basis for developing the four year audit plan (Attachment 1).

3. Background

Internal Audit is defined as an independent and objective assurance and consulting activity designed to add value and improve an organization's operations

It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

To assist Regional Council, the Audit Committee, Senior Management and all Departments of York Region in the effective and efficient discharge of their responsibilities, Audit Services will provide objective advice on managing and controlling risk and independent appraisals on control, and participate in an advisory capacity in the identification of efficiencies and improvements in new and existing processes, programs and services.

The risk assessment methodology used by Audit Services follows the *International Standards for the Professional Practice of Internal Auditing (the Standards)* as published by the Institute of Internal Auditors (IIA)

The Region's Audit Services Branch follows the Standards as defined by the IIA. These Standards state that: "the chief audit executive must establish a risk-based plan to determine

priorities of the internal audit activity, consistent with the organization's goals" (Standard 2010 – revised October 2016).

All Audit Reports of the Region's Audit Services branch include a statement in the report confirming compliance with the IIA *International Standards for the Professional Practice of Internal Auditing*.

The Region's Audit Services Branch performs an IIA Quality Assurance Review (QAR) every five years to help ensure that the Audit Services Branch continues to adhere to the Standards

Every five years the Audit Services Branch performs a self-assessment with external validation QAR to help ensure that the Branch continues to adhere to the IIA Standards. The most current QAR was performed in 2017. Validation of Audit Services' continued adherence to the Standards was provided through an external consultant, who noted that the Audit Services Branch was in compliance with the IIA Standards.

The next QAR is scheduled to be performed in 2022.

4. Analysis

Risk criteria allows for a ranking of high, medium and low risk operations at the Region

The six criteria used by Audit Services to assess the overall risk at the Region are as follows: Complexity of Operations, Susceptibility to Fraud, Reputational Risk to the Region, Financial, Dependence on People and Personal / Sensitive Information maintained. Each criterion was equally weighted and given a ranking between 1 and 5, with 1 being the lowest risk and 5 being the highest risk.

Audit Services conducted over 60 interviews with Regional Commissioners, Directors and General Managers to discuss each of the risk criteria as they related to their areas of responsibility. Through these discussions with management, a numeric value between 1 and 5 was agreed upon and assigned to each risk type to reflect the level of risk perceived by management to be associated with their areas. These values were used to calculate the risk ranking.

Based on this ranking, Audit Services then prepared the audit plan, assigning resources to the highest risk areas. We then considered medium risk areas and management requests to allocate any remaining hours to the audit plan.

The audit plan has unallocated hours for management requests which happen during the course of the year, as well as for forensic audits. Audit Services is responsible for all forensic investigations under the Region's Code of Conduct.

Audit Risk Assessment Results

Table 1 summarizes the results of the Audit Services Branch’s risk assessment. The risk assessment is comprised of 131 Auditable Units. An Auditable Unit is a branch, functional unit or any stand-alone component that has identifiable and measurable business objectives.

Table 1
Risk Assessment Summary

	Low Risk	Medium Risk	High Risk
Unit Allocation	50 of 131	66 of 131	15 of 131
Percentage	38%	50%	12%

Audit Services’ scope includes York Region and all its subsidiaries

Subsidiaries included are Housing York Inc., York Telecom Network and York Region Rapid Transit Corporation.

The Audit Services Branch scope of responsibilities does not include Police Services.

Audit Services uses an enhanced consulting role through alternative funding model

Audit Services has, since its inception in 2001, used an alternative funding model that allows for increased audit participation in consulting and audit engagements through departmental funding of those activities. That is, the departments generating other consulting and audit engagements, in addition to the assurance type activities performed by Audit Services, fund them as part of the project specific budget. The practise of having audit as a cost line for major projects is quite common throughout large public sector and private sector organizations. This results in a more comprehensive plan, which takes a more proactive approach to risk management and control.

Audit Services Branch supports Vision 2051

The Audit Services Branch, through both audit and consulting engagements, assists the Region in achieving operational excellence and fiscal responsibility, which are two of the action areas in Vision 2051 under Open & Responsive Governance. The audit and consulting assignments assist management in ensuring processes are efficient, effective and economical.

5. Financial

Audit Services Branch will manage its workload within the Audit Services budget.

6. Local Impact

The Region's Audit Services Branch monitors the Region's effective and efficient discharge of its responsibilities and objectives. Increasing assurance over the Region's performance will indirectly benefit the local municipalities.

In addition, the Audit Services Branch provides audit services to seven of the local municipalities through an Audit Services Memorandum of Understanding, on a cost recovery basis. A similar exercise of risk assessment and audit planning is conducted at the local municipalities.

7. Conclusion

The Audit Services Branch is using a risk assessment methodology to determine how to best allocate audit and consulting resources across the Region to the areas of highest risk. The enhanced consulting role through alternate funding is a model that has worked well at the Region since the inception of Audit Services.

For more information on this report, please contact Paul Duggan, Director Audit Services at 1-877-464-9675 ext. 71205. Accessible formats or communication supports are available upon request.

Recommended by:

Paul Duggan
Director, Audit Services

December 17, 2018
Attachments (1)
Private Attachments (0)
eDOCS # 9023885

Process / Project	Nature of Work	Year				Total Hours Per Project	% of Total Hours per Year
		2019	2020	2021	2022		
Legal and Court Services							
Court Services Revenue Management	Audit			350		350	1.3%
<i>Total Hours Spent in Department</i>		-	-	350	-	350	1.3%
Finance							
Procurement and Accounts Payable	Audit				700	700	2.6%
Network Security	Audit	350		350		700	2.6%
Expense Reporting & Reimbursement	Audit			350		350	1.3%
Procurement Card	Audit			350		350	1.3%
ITS Strategy & Architecture	Audit		350			350	1.3%
Payroll	Audit		350			350	1.3%
Cellular	Audit		350			350	1.3%
ITS Departmental Chargebacks	Audit				350	350	1.3%
ITS Solutions Delivery	Audit				350	350	1.3%
Payment Card Industry Compliance	Consulting	350				350	1.3%
Payment Card Industry Compliance	Audit			350		350	1.3%
<i>Total Hours Spent in Department</i>		700	1,050	1,400	1,400	4,550	16.9%
Community & Health Services							
Medic Safe Drug Dispensing (Paramedical Services)	Audit		350			350	1.3%
Medication Management Audit Follow-up & Privacy (LTC)	Audit			500		500	1.9%
Sexual Health	Audit	700				700	2.6%
Ontario Works - Fictitious Clients	Audit	105	105	105	105	420	1.6%
Infectious Diseases Control Division Follow-up	Audit		350			350	1.3%
Ontario Works	Audit			700		700	2.6%
Children's Services	Audit				350	350	1.3%
Housing Stability / Homelessness Program	Audit		350			350	1.3%
Housing Operations	Audit	350				350	1.3%
Paramedical Services Fleet Management	Audit	350				350	1.3%
Housing York Inc. - Contract Management	Audit	350				350	1.3%
<i>Total Hours Spent in Department</i>		1,855	1,155	1,305	455	4,770	17.7%
Environmental Services							
Asset Commissioning	Audit				350	350	1.3%
Capital Project Warranty Administration	Audit	350				350	1.3%
Health & Safety on Capital Projects	Audit			350		350	1.3%
Forestry Contract Management	Audit	350				350	1.3%
Solid Waste Contract Management	Audit		700			700	2.6%
Review of emergency purchases process	Audit	350				350	1.3%
Capital Assets Tagging	Audit				350	350	1.3%
Operations Maintenance & Monitoring	Audit		350			350	1.3%
Capital Project Delivery Program	Audit			700		700	2.6%
<i>Total Hours Spent in Department</i>		1,050	1,050	1,050	700	3,850	14.3%
Transportation Services							
Capital Project Delivery Program	Audit				700	700	2.6%
YRT Capital Assets	Audit	350				350	1.3%
Road Operations	Audit				350	350	1.3%
YRT Mobility Plus Contract Management	Audit			350		350	1.3%
YRT Bus Operations Contract Management	Audit		350			350	1.3%
Roads Traffic Lights Maintenance Contracts	Audit	350				350	1.3%
Fleet Management	Audit				350	350	1.3%
Roads Permits System & Enforcement & Corridor Safety	Audit		350			350	1.3%
<i>Total Hours Spent in Department</i>		700	700	350	1,400	3,150	11.7%

Process / Project	Nature of Work	Year				Total Hours Per Project	% of Total Hours per Year
		2019	2020	2021	2022		
Corporate Services							
Human Resources - Benefits Administration	Audit				350	350	1.3%
Property Services - Capital Project Delivery Program	Audit		700			700	2.6%
Human Resources - Workplace Health, Safety & Wellness	Audit	350				350	1.3%
York Telecom Network - Capital Program Delivery	Audit			350		350	1.3%
<i>Total Hours Spent in Department</i>		350	700	350	350	1,750	6.5%
Unallocated Time							
Management Requests	Various	750	750	750	750	3,000	11.2%
Forensic Reviews	Various	750	750	750	750	3,000	11.2%
<i>Total Hours Spent in Department</i>		1,500	1,500	1,500	1,500	6,000	22.3%
Audit Services - Administrative Projects							
Audit Committee Charter Update / IIA QAR	Consulting	-	105	-	175	280	1.0%
Continuous Controls Monitoring	Audit	335	230	185	255	1,005	3.7%
Outstanding Audit Recommendations Follow-up	Audit	210	210	210	210	840	3.1%
2023 to 2026 Audit Plan	Audit	20	20	20	275	335	1.2%
<i>Total Hours Spent in Department</i>		565	565	415	915	2,460	9.2%
Total Hours per Year		6,720	6,720	6,720	6,720	26,880	100.0%
Total Hours Available per Year		6,720	6,720	6,720	6,720	26,880	
overage / (shortage)		-	-	-	-	-	