CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MAY 23, 2018

Item 1, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on May 23, 2018.

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1 **INTERNAL AUDIT REPORT – 2017 ANNUAL REPORT**

The Finance, Administration and Audit Committee recommends:

1) **That the recommendation contained in the following report of the Director of Internal Audit, dated May 7, be approved; and**

2) **That Communication C3, presentation material entitled, *"Internal Audit Annual Report",* dated May 7, 2018, be received.**

Recommendations

1. That the attached report, Internal Audit Department 2017 Annual Report be received.

(A copy of the attachments referred to in the following report have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

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Finance, Administration and Audit Committee Report

DATE: Monday, May 07, 2018   **WARD(S):** ALL

TITLE: INTERNAL AUDIT REPORT – 2017 ANNUAL REPORT

FROM:
Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

This report outlines the activities of the Internal Audit Department for the period January 1 through December 31, 2017. It is not a report on the results of the audits conducted, as this information is presented separately throughout the year.

Recommendations

1. That the attached report, Internal Audit Department 2017 Annual Report be received.

Report Highlights

- The Internal Audit Department continues to be able to carry out its activities free from interference and remains organizationally independent.
- Based on existing resources, Internal Audit will be able to execute the remaining engagements on the Council approved 2015-2018 Internal Audit Risk Based Work Plan.

Background

In accordance with the City's Internal Audit Policy, an annual report shall be submitted to the Finance, Administration and Audit Committee outlining the annual activities of the Internal Audit Department.

Previous Reports/Authority

Not applicable.

Analysis and Options

The report covers several topics, including:

- An overview of the Internal Audit Department's purpose, governance structure and organizational interrelationships.

- An update on the Department's current status as it relates to completing the projects on the 2015 – 2018 Internal Audit Risk Based Work Plan, staffing, meeting deliverables and performance management.

- An analysis of common themes and issues from prior audit reports.

- The annual update on the status of completed and outstanding management action plans to address audit report recommendations.

- The Anonymous Reporting System annual update, including a summary of the issues raised, trend analysis and performance comparison against the NAVEX Global Benchmark.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The Internal Audit Department continues to be able to carry out its activities free from interference and remains organizationally independent.

Any threats to the Internal Audit Department's independence or objectivity, whether perceived or actual, will be managed at the individual auditor, engagement, functional, and organizational levels, and be brought to the attention of the FA&A Committee should it occur.

In 2018, Internal Audit will continue to conduct the scheduled engagements as per the Council approved 2015-2018 Internal Audit Risk Based Work Plan, which provides a combination of risk and control advice and assurance designed to add value and improve the City's operations.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

1. Internal Audit Report – 2017 Annual Report

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

Internal Audit Annual Report

FA&A Committee – Monday May 7th

VAUGHAN

Today's Presentation

- Internal Audit Governance Structure
- Measuring Internal Audit's Performance
- Common Themes and Issues
- Anonymous Reporting System Annual Update
- Questions

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Internal Audit's Purpose

- Provides independent, objective assurance and consulting activity designed to add value and improve the City's operations

- Systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes

- Term of Council Priority of "Continue to Advance a Culture of Excellence in Governance"

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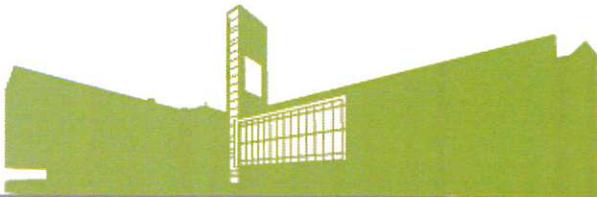
Functional Reporting To Council – Council Responsibilities

- Approving Audit Charter and Risk Based Work Plan
- Ensuring that Internal Audit has sufficient authority and standing to carry out its tasks effectively
- Making appropriate inquiries to determine whether there are inappropriate scope or resource limitations
- Providing direct access to the FA&A Chair and FA&A committee members

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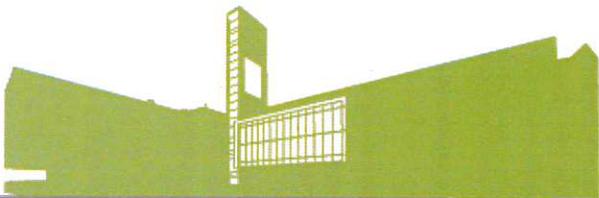
Functional Reporting To Council – Council Responsibilities

- Receiving communications from the Director of Internal Audit

- Reviewing and monitoring management's responsiveness to audit findings and recommendations

- Monitoring and assessing the quality and effectiveness of Internal Audit

- Appointment and removal of the Director of Internal Audit

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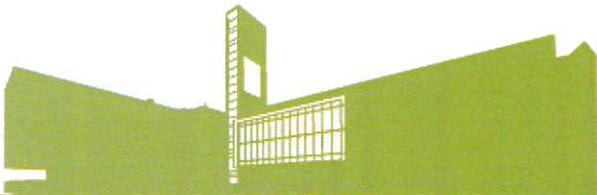
Director of IA assists Council by:

- Reviewing the Internal Audit governance structure
- Annual declaration of organizational independence
- Providing feedback on the sufficiency of internal audit resources
- Presenting reports related to the Department's activities through FA&A
- Providing annual updates on ARS, outstanding management action plans and Internal Audit Performance

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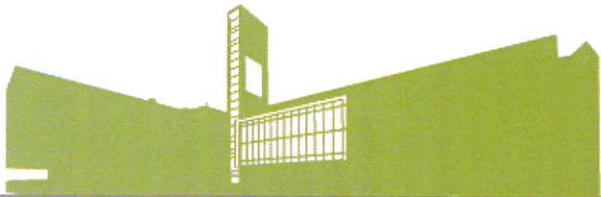
Administrative Reporting

- Helps facilitate day-to-day operations
  - Providing appropriate office space, supplies and equipment
  - Human Resources, Information Technology, and Purchasing support
  - Internal communications and information flow
  - Administration of the Internal Audit activity's policies and procedures

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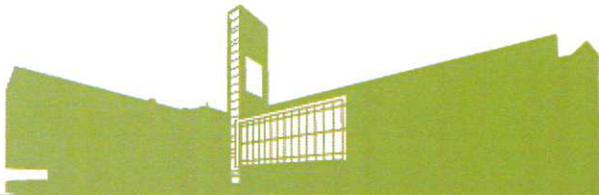
Annual Declaration of Independence

Internal Audit Department has been able to carry out its activities free from management interference and remains organizationally independent.

Any threats to the Internal Audit Department's independence or objectivity, whether perceived or actual, will be managed at the individual auditor, engagement, functional, and organizational levels, and be brought to the attention of the FA&A Committee should it occur.

2017 Performance Highlights

- Anonymous Reports were investigated and closed 34 days faster than the Global Benchmark
- 100% acceptance rate for all audit recommendations
- Internal Audit staff met their respective professional training requirements
- Positive audit quality survey results from Audit Clients, Corporate Management Team and FA&A Committee

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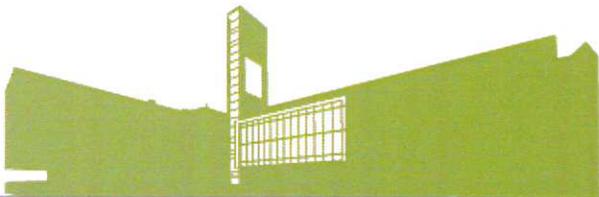
Common Themes and Issues

1. Developing processes to periodically evaluate direction, strategy, programs and service delivery to ensure efficient and effective deployment of resources to achieve the City's Term of Council Priorities and Strategic objectives.

2. Improving project management, contract administration and management oversight.

3. Updating the content of City policies, procedures and guidelines while providing more clarity on roles, responsibilities and expectations of stakeholders.

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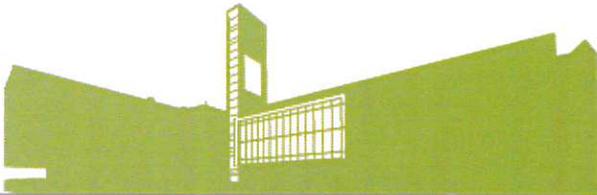
Anonymous Reporting System

- For Staff Use Only
- Fully functional as of April 15, 2014
- Outsourced Intake
- Internal Audit [Co-ordination and Reporting]
- Investigating Anonymous Reports
- Annual Reporting to Council
- 65 Total Reports (16 – 2014, 18 – 2015, 12 – 2016, 19 - 2017)

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ARS Results – Trends & Themes

1. _Substantiation Rates:_

- 16% of the 2017 reports were substantiated. The Global Benchmark substantiation rate was 44%. Our overall substantiation rate since the system was launched is 25%.

2. _Reporter Follow-up Rate:_

- In 2017, 89% of all reporters logged back in to follow-up on their report. The Global Benchmark Rate is 32%. This is also a significant increase over 2016, where only 17% of reporters followed-up on their reports.

3. _Anonymous vs Named Reporters_

- In 2017, all 19 reporters chose to remain anonymous. The Global Benchmark is 56%.

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Questions?

Item:

VAUGHAN

Finance, Administration and Audit Committee Report

DATE: Monday, May 07, 2018   **WARD(S):** ALL

TITLE: INTERNAL AUDIT REPORT – 2017 ANNUAL REPORT

FROM:
Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

This report outlines the activities of the Internal Audit Department for the period January 1 through December 31, 2017. It is not a report on the results of the audits conducted, as this information is presented separately throughout the year.

Recommendations

1. That the attached report, Internal Audit Department 2017 Annual Report be received.

Report Highlights

- The Internal Audit Department continues to be able to carry out its activities free from interference and remains organizationally independent.
- Based on existing resources, Internal Audit will be able to execute the remaining engagements on the Council approved 2015-2018 Internal Audit Risk Based Work Plan.

Background

In accordance with the City's Internal Audit Policy, an annual report shall be submitted to the Finance, Administration and Audit Committee outlining the annual activities of the Internal Audit Department.

Previous Reports/Authority

Not applicable.

Analysis and Options

The report covers several topics, including:

- An overview of the Internal Audit Department's purpose, governance structure and organizational interrelationships.

- An update on the Department's current status as it relates to completing the projects on the 2015 – 2018 Internal Audit Risk Based Work Plan, staffing, meeting deliverables and performance management.

- An analysis of common themes and issues from prior audit reports.

- The annual update on the status of completed and outstanding management action plans to address audit report recommendations.

- The Anonymous Reporting System annual update, including a summary of the issues raised, trend analysis and performance comparison against the NAVEX Global Benchmark.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

The Internal Audit Department continues to be able to carry out its activities free from interference and remains organizationally independent.

Any threats to the Internal Audit Department's independence or objectivity, whether perceived or actual, will be managed at the individual auditor, engagement, functional, and organizational levels, and be brought to the attention of the FA&A Committee should it occur.

In 2018, Internal Audit will continue to conduct the scheduled engagements as per the Council approved 2015-2018 Internal Audit Risk Based Work Plan, which provides a combination of risk and control advice and assurance designed to add value and improve the City's operations.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

1. Internal Audit Report – 2017 Annual Report

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

INTERNAL AUDIT

Annual Report:

January 2017 – December 2017

April 2018

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PURPOSE OF INTERNAL AUDIT

The Internal Audit Department provides independent, objective assurance and consulting activity designed to add value and improve the City's operations. The Department helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The department's core responsibilities are to conduct risk based operational and compliance audits and provide advisory services where requested.

The Internal Audit Department's activities support the City's Service Excellence Strategy Term of Council Priority of "Continue to Advance a Culture of Excellence in Governance".

INTERNAL AUDIT – GOVERNANCE STRUCTURE

Internal Audit reports functionally to Council through the Finance, Administration and Audit Committee (FA&A) of Council and administratively to the City Manager.

According to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Audit (Attribute Standards 1110 - Organizational Independence), the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. Appropriate reporting lines are critical to achieve the independence, objectivity, and organizational stature for an internal audit function necessary to effectively fulfill its obligations. Reporting lines are also critical to ensuring the appropriate flow of information and access to key executives and managers.

Functional Reporting Relationship:

The functional reporting relationship to Council through FA&A helps ensure that the Internal Audit Department is free to work independently and objectively, and is ultimately responsible for ensuring that Internal Audit has the resources and access to information to enable it to fulfil its mandate. These functional responsibilities include:

- Approving the Internal Audit Charter and Internal Audit Risk Based Work Plan.

- Ensuring that Internal Audit is appropriately resourced, and has sufficient authority and standing to carry out its tasks effectively.

- Making appropriate inquiries of management and the Director of Internal Audit to determine whether there are inappropriate scope or resource limitations.

- Ensuring that the Director of Internal Audit has direct access to the FA&A Chair and FA&A committee members, and is accountable to the Committee.

- Receiving communications from the Director of Internal Audit on the Department's activities relative to its risk based work plan and other related matters.

- Reviewing and monitoring management's responsiveness to audit findings and recommendations.

- Monitoring and assessing the quality and effectiveness of Internal Audit, and its role in the overall context of the City's governance framework.

- Approving decisions regarding the appointment and removal of the Director of Internal Audit.

- Approving the compensation of the Director of Internal Audit.

The Director of Internal Audit assists Council in fulfilling their functional responsibilities by:

- Reviewing the Internal Audit governance structure and attesting to the Department's organizational independence on an annual basis.

- Providing feedback on the sufficiency of internal audit resources through the Term of Council Risk Based Work Plan and through participation in the City's annual budgeting process.

- Providing briefing sessions to the Mayor and Members of Council on emerging risks.

- Presenting reports related to the Department's activities through FA&A.

- Providing an annual update on the status of all outstanding management action plans so that Council can review and monitor management's responsiveness.

- Providing an annual update on the effectiveness of the City's Anonymous Reporting System.

- Reporting annually on the Department's performance. This information can be used by Council to gauge the quality, efficiency and effectiveness of the Internal Audit Department and the Director of Internal Audit.

Administrative Reporting Relationship:

The administrative reporting relationship to the City Manager helps facilitate the day-to-day operations of the Internal Audit Department. This includes:

- Providing appropriate office space, supplies and equipment.

- Human Resources, Information Technology, and Purchasing support.

- Internal communications and information flow.

- Administration of the Internal Audit activity's policies and procedures.

Internal Audit Policy:

The Internal Audit Charter was developed and approved by FA&A on October 2012. The Charter was revised and renamed the Internal Audit Policy, and approved by Council in June 2014.

The Internal Audit Policy is a formal document that defines the Internal Audit Department's purpose, authority, and responsibility. It establishes the Internal Audit Department's position within the City, including the nature of the functional reporting relationship with Council; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The policy requires that it be reviewed at least once a year to ensure that it is up-to-date and effective. Based on the review Internal Audit conducted in December 2017, the policy remains effective. However, it should be updated to reflect Internal Audit's role with respect to administration of the City's Anonymous Reporting System. A revised Internal Audit Policy will be brought forward to a future FA&A meeting for consideration and approval.

Annual Declaration of Organizational Independence:

According to both the City's Internal Audit Policy and IIA Attribute Standards 1110 - Organizational Independence, the Director of Internal Audit must confirm to FA&A at least annually, the organizational independence of the internal audit activity. In addition, IIA standard 1110.A1 states that the "internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications."

This statement confirms that the Internal Audit Department has been able to carry out its activities free from management interference and remains organizationally independent.

Any threats to the Internal Audit Department's independence or objectivity, whether perceived or actual, will be managed at the individual auditor, engagement, functional, and organizational levels, and be brought to the attention of the FA&A Committee should it occur.

Three Lines of Defense Model:

The IIA's Three Lines of Defense model helps illustrate the interrelationships of organizational risk and control. While many of these elements are already in place at the City, opportunities exist to formally establish an entity wide risk management framework.

The Model distinguishes among three groups (or lines) involved in effective risk management:

- Functions that own and manage risks.
- Functions that oversee risks.
- Functions that provide independent assurance.
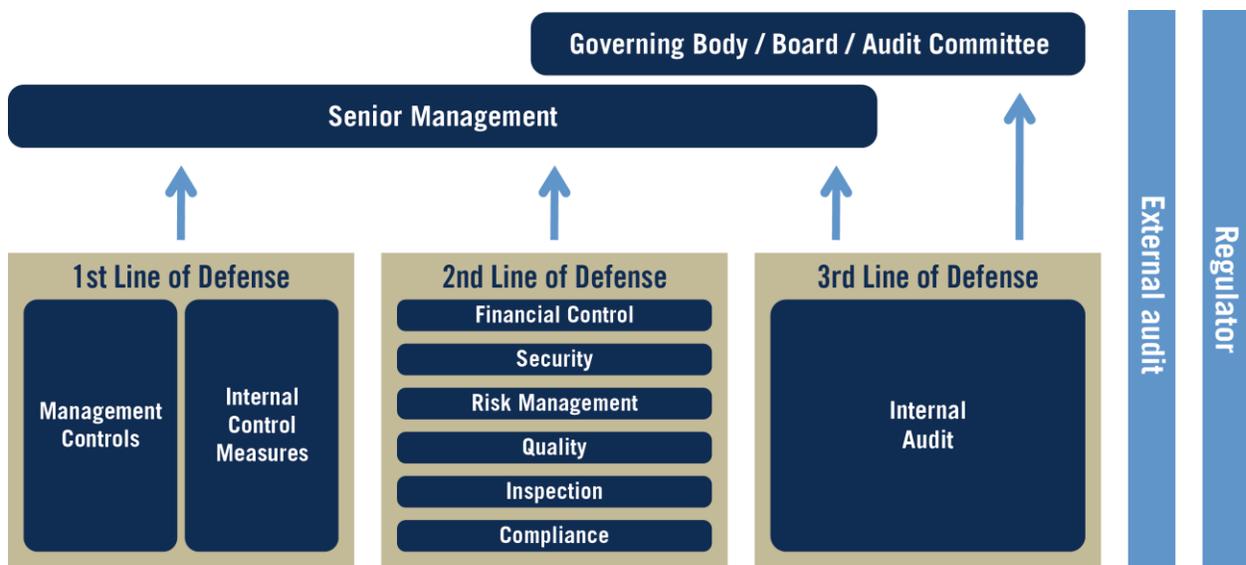
According to the model, Council is responsible for providing direction to management with respect to the City's risk appetite. Council would delegate to the City Manager primary ownership, accountability, and responsibility for operational risk management and control. It is management's responsibility to provide direction to staff with respect to risk management and ensure that the City's activities are in line with the City's overall risk appetite.

Under the first line of defense, management would have ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

The second line of defense consists of activities covered by several components of internal governance. This line of defense monitors and facilitates the implementation of effective risk management practices by assisting management in reporting adequate risk related information up and down the organization.

Internal audit forms the City's third line of defense. Through a risk-based approach, Internal Audit provides assurance on how effectively the City assesses and manages its risks and the efficiency and effectiveness of the first and second lines of defense. Internal Audit is also

well-placed and equipped to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements.

Governance Interrelationships:

The diagram below provides a high-level overview of the roles, responsibilities and the interrelationships of City Council, the Finance, Administration and Audit Committee, Management, the Internal Audit Function and the External Auditor. Each group, both individually and collectively supports the City in effectively meeting its goals while providing assurance that City operations are being managed under the principles of good governance, effective risk management, relevant and value-added controls and cost effectiveness.

City Council

- Provides highest level of governance.
- Ensures management accountability.
- Participates in developing and evaluating the City's Policies, Programs and Services.

Finance, Administration and Audit Committee

- Oversees Financial and Administration matters.
- Provides oversight and consideration of audit matters brought forward by the Director, Internal Audit and the External Auditor.

External Auditor

- Conducts audits of Financial Statements and other Financial Information as required.
- Provides guidance regarding emerging accounting and financial audit issues.

Internal Audit

- Provides independent, unbiased and informed opinions
- Evaluates the effectiveness of risk mitigation strategies & control
- Operates the City's Anonymous Reporting System.

Management

- Manages risk and develops/ maintains appropriate controls.
- Works with Auditors to Identify Resolutions and Action Plans.

ROLE AND EXPECTED OUTCOME OF A FULL SERVICE INTERNAL AUDIT FUNCTION

The following are the expected outcomes for a well-functioning internal audit function:

- Providing assurance that key risks that could harm the City are effectively managed.

- Providing assurance that key controls function as intended and support value to the City.

- Providing advice to City departments to help them develop risk mitigation strategies to better serve the public in service delivery.

- Providing education to support other departments in establishing and maintaining good governance, accountability and control.

- Supporting the City in its objective to maintain transparency and openness.

Internal Audit achieves these outcomes through two primary roles:

1. **Stewardship Role** – These are engagements and projects designed to provide reasonable assurance, through review of existing operations and processes, that the City is managing resources effectively and efficiently, is in compliance with policies and legislation and that controls are properly functioning as intended.

2. **Agent of Change Role** – This role is proactive and forward thinking consisting of engagements and projects that focus on strategic and operational risk and control. These are primarily advisory assignments that offer a better opportunity to serve the changing needs of the City and help support better management of organizational risk.

MEASURING PERFORMANCE

The following table outlines the Internal Audit Efficiency and Effectiveness Performance Metrics:

Performance Measurement Category	Measures of Efficiency	Measures of Effectiveness	Measures of Efficiency and Effectiveness
Service to Stakeholders	• Number of internal audit reports issued vs. planned engagements (100% initiation rate) • Anonymous Reporting System annual median case closure time (equal to or less than the NAVEX Global median average) • Average actual hours vs. budgeted hours, by project (target within 10%)	• Percentage of audit recommendations accepted by management (100% target) • Review of Internal Audit governance structure (annual) • Acknowledgement of organizational independence (annual) • Successfully passing the Institute of Internal Auditors Quality Assurance and Improvement Program External Assessment (every 5 years)	• Client survey scores (positive average result) • Corporate management team survey scores (positive average result) • FA&A committee survey scores (positive average result)
Technical Development		• Number of hours spent in industry or other specialized training (minimum of 40 hours for Certified Internal Auditors and 20 hours for Certified Fraud Examiners) • Percent of auditors involved in professional organizations (100% target).	
Staff Development	• Tracking of development plan (plan vs. actual, on an annual basis)	• Percentage of auditors with professional certifications (100% target)	

Internal Audit should effectively demonstrate its value as a key component of the City's governance framework and lead by example with strong, relevant and reliable performance measures. To maintain and enhance Internal Audit's credibility, its effectiveness and efficiency should be evaluated.

Both qualitative and quantitative metrics are important in demonstrating Internal Audit's performance.

Quantitative performance metrics are often based on existing or obtainable data and are easily understood. They often require less effort to collect and are readily comparable, year over year.

Qualitative metrics are often based on the collection of unique information through more time intensive methods such as survey research or interviews. They offer a broad view of performance on a range of topics that can provide depth to quantitative metrics.

Service to Stakeholders:

There are ten metrics under the Service to Stakeholders Performance Measurement category. Three of them are efficiency measures, four are effectiveness measures and three measures both efficiency and effectiveness.

Number of Internal Audit Reports Issued vs. Planned Engagements (100% Initiation Rate)

The Term of Council Internal Audit Risk Based Work Plan for 2015 to 2018 was developed using a risk assessment process that combined financial, reputational, compliance and operational criteria.

Sources for determining risk and plan priorities included discussions with senior management, insight from Council, financial significance, current and emerging risks in the local government sector, high profile issues in other municipalities, staff requests, themes from previous audits and investigations and significant change initiatives.

Based on current staffing levels, the Risk Based Work Plan will typically include between six and ten projects a year. As internal auditing is a year-round activity, it is to be expected that some projects starting in the latter half of the year will extend into the next calendar year. However, it is expected that all projects will commence in the year that they are scheduled.

In 2017, all of the nine scheduled engagements were initiated. Four of them were completed, presented and approved by Council in 2017. The remaining five projects are the Governance and Accountability Survey, Winter Maintenance Audit, Forestry Operations Audit, Water, Wastewater and Stormwater Audit, and the Construction Audit of Fire Station #7-4. The Governance and Accountability Survey was presented to FA&A and approved by Council on February 21, 2018. The Winter Maintenance and Forestry Operations audits are scheduled to be presented to FA&A on June 6, 2018. The Construction Audit of Fire Station #7-4 will encompass the complete lifecycle of the project. It is anticipated that audit reports will be issued after the completion of the Planning and Design, and Bid and Procurement Phases, Construction Phase and the Close Out Phase. The timing of these reports is dependent on the actual construction project timing. The audit of the Planning and Design, and Bid and Procurement Phases is scheduled to be presented to FA&A on June 6, 2018. The Water,

Wastewater and Stormwater Audit commenced late in Q4 and is expected to be completed later this year.

Internal Audit's role in advisory/consulting engagements is typically reported on by the process owner who engaged the service. In 2017, Internal Audit provided Project Risk Management Training sessions as part of the Corporate Project Management Office's Project Management Training Program. Internal Audit also supported the City Manager's Office by providing risk based consulting services as it relates to the development and implementation of the City's Service Excellence Strategic Initiatives.

Anonymous Reporting System Annual Median Case Closure Time (Equal to or Less than the NAVEX Global Median Average)

Since the system was launched, there have been significant year over year improvements in the ability to address reporter's concerns in a timely manner. In 2017, reports were investigated and closed 34 days faster than the Global Benchmark. The ability to investigate and close cases in a timely fashion helps foster a culture where concerns are taken seriously and builds organizational trust in the system.

Actual Hours vs. Budgeted Hours, by Project (within 10% variance)

Budgeted project hours are based on best estimates and reflect historical experience. Risk based Internal Audits require significant client participation to identify risks, agree on issues and develop relevant and feasible management action plans.

In 2016, starting with the commencement of the Social Media Audit, Internal Audit implemented a time docketing process that effectively tracks engagement hours by project, by activity type.

In 2017, the average budgeted time allocated to a project was 525 hours. Actual average time allocated to a project was 544 hours, a difference of 3.62%.

Percentage of Audit Recommendations Accepted by Management (100% Target)

This metric helps demonstrate the collaborative nature of a risk based internal audit. Internal audit engagements can be deemed successful when management participates in the process, concurs with the observations and recommendations, and is committed to addressing them through management action plans.

In 2017, Internal Audit achieved a 100% acceptance rate for all audit recommendations.

Review of Internal Audit Governance Structure and Acknowledgement of Organizational Independence (Annual)

Ensuring that the Internal Audit Department can perform its duties independently is vital to the effectiveness of the function. Further information on this topic can be found on pages 3 – 8 of this report.

Successfully Passing the Institute of Internal Auditors Quality Assurance and Improvement Program External Assessment (Every 5 Years)

Internal Audit conforms to the International Standard for the Professional Practice of Internal Auditing and the Code of Ethics adopted by the IIA, as well as the City's Code of Conduct and the Internal Audit Procedure Manual.

As part of conformance, the Director of Internal Audit is responsible for developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity. It is designed to enable an evaluation of the internal audit activity's conformance with the IIA Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The quality assurance and improvement program must include both internal and external assessments.

Internal assessments are conducted by the Director of Internal Audit and are an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

From a performance, quality and effectiveness perspective, Internal Audit should take the necessary steps to initiate the external assessment process. The first step is to proceed with an internal readiness assessment.

Internal Audit allocated time in the 2017 work plan to perform this assessment and commenced working on it in Q3. While several aspects of the assessment have now been completed, further work will be required prior to the commencement of an external assessment. The following outline the internal readiness assessment activities conducted to date and the outstanding items:

- Developed standard tools, templates and a quality assurance checklist to conduct the assessment. This was completed in September 2017.

- Updated and revised the department's standards and practices manual to reflect changes in the IIA's IPPF framework. This was completed in December 2017.

- Starting with the Social Media Audit, three of the four audit reports have been assessed using the quality assurance checklist and are in conformance with the

International Standards for the Professional Practice of Internal Auditing. The last one will be assessed in Q2 2018. Once complete, the Annual Review Checklist will be completed to ensure Internal Audit is in conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

- Developing and implementing a formal Audit Committee Charter that sets out the authority of the FA&A committee with respect to audit related matters. A proposed Audit Committee Charter will be brought forward to a future FA&A meeting for consideration and approval.

- Updating the City's Audit Policy to reflect Internal Audit's role with respect to administration of the City's Anonymous Reporting System. A revised Internal Audit Policy will be brought forward to a future FA&A meeting for consideration and approval.

After completion of the internal readiness assessment, the next step would be to proceed with an external assessment in the next Term of Council.

Client, Corporate Management and FA&A Committee Survey Scores (Positive Average Result)

Surveys are an important tool that can be used to assess proficiency in certain skills, competencies, or knowledge exhibited by the Internal Audit Department staff. Survey feedback is an important element of our Quality Assurance and Improvement Program and helps measure satisfaction with the quality of services delivered and identify potential opportunities for improvement.

Starting with the Social Media audit and on a going forward basis after the completion of each audit project, members of the management team directly involved in the audit process have been asked to complete an Audit Client Survey. The 15-question survey asks for feedback on our performance and to identify areas where we can improve our operations. The survey focuses on how well we communicated throughout the audit, our understanding of the client's issues, the professionalism of our audit staff, and the quality of our findings. The survey results help Internal Audit determine whether the goals and objectives of the audit were met and measure client satisfaction with the quality of services delivered.

Internal Audit distributed a total of six audit client surveys for the four completed 2017 audits and received responses from all six respondents. All 15 statements received 100% positive scores. This is a very strong indicator that Internal Audit is effectively delivering value added services to the organization.

In 2017, Internal Audit also reintroduced the Corporate Management team and FA&A Committee member annual surveys. The 20-question survey asks for feedback on the effectiveness of the internal audit function with respect to:

- The City's Audit Policy, structure and organizational positioning
- Skills and experience
- Relationships with the Corporate Management team and FA&A members
- Performance and audit plan

Internal Audit distributed the survey to all 9 members of the Corporate Management Team and all 9 members of FA&A and received a 100% participation rate from both groups. All 20 statements received positive scores from both groups. This is a very strong indicator that Internal Audit is valued and viewed as a strategic partner within the organization.

The detailed results of the three surveys are summarized in Appendix A – C which can be found at the end of the report.

Technical Development:

There are two effectiveness metrics under the Technical Development Performance Measurement category.

Number of Hours Spent in Industry or Other Specialized Training (Minimum of 40 Hours for Certified Internal Auditors and 20 hours for Certified Fraud Examiners)

Currently, Internal Audit staff possess one or more of the following professional certifications:

- Certified Internal Auditor (CIA)
- Certification in Risk Management Assurance (CRMA)
- Certified Fraud Examiner (CFE)
- Chartered Professional Accountant (CPA)

The IIA oversees several well-respected auditing certifications including the CIA designation. The CIA designation is the only globally accepted certification for internal auditors and remains the standard by which individuals demonstrate their professionalism in the internal audit field.

The CRMA is designed for internal auditors and risk management professionals with responsibility for and experience in providing risk assurance, governance processes, quality assurance, or control self-assessment. It demonstrates an individual's ability to evaluate the dynamic components that comprise an organization's governance and enterprise risk management program and provide advice and assurance around these issues.

Individuals who have achieved the CIA and/or any other IIA designation are required to complete a minimum of 40 hours of Continuing Professional Education (CPE) every year.

The CFE credential denotes proven expertise in fraud prevention, detection and deterrence. CFEs are trained to identify the warning signs and red flags that indicate evidence of fraud and fraud risk. CFEs around the world help protect the global economy by uncovering fraud and implementing processes to prevent fraud from occurring in the first place. On an annual basis, CFE's must obtain a minimum of 20 credit hours of CPE; at least 10 of these must relate directly to the detection and deterrence of fraud and 2 must relate directly to ethics.

The CPA designation was created by the unification of Canada's three independent legacy accounting professions (CA, CGA and CMA) into the CPA, now Canada's only business and accounting profession. Working in collaboration with its provincial member organizations, the CPA supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and develops and delivers education programs. It also provides a range of member services and professional literature; undertakes research and development of intellectual property; issues guidance on risk management and

governance; and fosters relationships with key stakeholders nationally and internationally. CPA and its provincial member organizations mandate is to protect the public interest by setting and enforcing the highest professional and ethical standards, to ensure that members are recognized as Canada's preferred financial leaders and advisors, and to support its members in their efforts to enhance their capabilities.

CPA's are required to complete a minimum of 20 hours of Continuing Professional Development (CPD) a year. The CIA CPE requirements fulfil the CPA CPD requirements.

Percent of Auditors Involved in Professional Organizations (100% Target)

In addition to the professional organizations mentioned above, all members of the City of Vaughan's Internal Audit Department are members of the Municipal Internal Auditors Association (MIAA). The purpose of MIAA is to provide a professional forum for the purposes of networking, continuing education and exchanging ideas and best practices with other municipal internal auditors. MIAA hosts educational events twice a year.

The completion of the yearly CPE requirements and maintaining active membership in the associated professional organizations helps ensure that the City's Internal Audit Department staff remain up to date on the latest municipal, business, auditing, risk management, fraud prevention and detection techniques and trends.

In 2017, all Internal Audit staff met their respective CPE/CPD requirements and all members are in good standing with their respective professional organizations.

Staff Development:

There are two metrics under the Staff Development Performance Measurement category. One is an efficiency measures and one is an effectiveness measure.

Tracking of Development Plan (Plan vs Actual, Annual Basis)

The Director of Internal Audit is responsible for evaluating staff performance on an annual basis, using the City's existing Talent Management Program. The City's Talent Management System integrates employee goals, competencies, performance feedback, appraisal, and learning and development. It provides integrated and timely information, feedback, communication and reporting.

Through the performance planning and evaluation process, Internal Audit aligns work activities to the Department's Risk Based Work Plan while developing and monitoring individual performance, achievements, competencies and opportunities for development.

Percent of Auditors with Professional Certifications (100% Target)

All Internal Audit staff are required to possess at least one certification. Through the City's Talent Management Program, staff are encouraged to continue to explore development opportunities and additional certifications.

COMMON THEMES AND ISSUES – ANALYSIS OF 2017 INTERNAL AUDIT REPORTS

Individual internal audit reports can be useful in advising management and Council on risk and control issues that may affect the successful operation of a program, process or department. Individual reports, however, do not always address broader risk and control themes. Similar issues may arise over a series of reports that could point to a more systemic or reoccurring set of issues requiring a more organizational or holistic perspective of risk and control. Identifying themes and addressing them holistically helps better address systemic causes.

Four Internal Audit reports were presented and approved by Council in 2017.

The top themes that emerged are:

1. Developing processes to periodically evaluate direction, strategy, programs and service delivery to ensure efficient and effective deployment of resources to achieve the City's Term of Council Priorities and Strategic objectives.

2. Improving project management, contract administration and management oversight.

3. Updating the content of City policies, procedures and guidelines while providing more clarity on roles, responsibilities and expectations of stakeholders.

Internal Audit will continue to report on reoccurring themes on an annual basis, as per the City's Internal Audit Policy.

ANONYMOUS REPORTING SYSTEM – ANNUAL UPDATE

Background and Purpose:

The City's Anonymous Reporting System was implemented on April 15, 2014 as an additional mechanism for employees to confidentially and anonymously report suspected fraud and code of conduct violations.

Report intake is operated independently by a third party and is accessible by internet and toll-free phone number. It is available 24 hours a day, 7 days a week.

An employee who chooses to file a report is asked to create a password and is provided with a unique case tracking number so that they can log back into the system to follow the progress of their report, provide further details and to answer any questions posed by the investigator, a member of the City's Internal Audit team. Depending on the nature of the issue, management may be required to assist Internal Audit with an investigation.

The City's service provider, NAVEX Global, maintains a Global Database of performance metrics based on all the clients they serve. NAVEX issues an annual report that compares data from its participating clients against the industry benchmarks. For their 2017 report, this includes data from 2,479 clients that had a minimum of 10 or more reports. Comparing the City's anonymous reporting use to the NAVEX Global Database is a good indicator to help gauge the success of the City's program and opportunities for improvement.

Performance Criteria:

Overall, staff use of the Anonymous Reporting System continues to meet expectations based on the measurement criteria used to benchmark the City's use to the Global Database.

The criteria include:

- Report Volume per 100 Employees

- Report Allegation Categories and Substantiation Rates

- Reporter Follow-up Rate

- Anonymous vs Named Reporters

- Case Closure Time

Report Volume per 100 Employees

Report volume per 100 employees is a measurement that enables the City to estimate the number of potential reports it will receive in a given year.

In 2017, the Global Database median reports per 100 employees remained unchanged at 1.4. Based on this statistic and the number of full time employees in the City of Vaughan and Vaughan Public Libraries [approximately 1500], we would have required 21 reports in 2017 to be at the median.

The City received a total of 19 reports in 2017, up from 12 in 2016. Since the system was introduced, we have received a total of 65 reports, which averages to approximately 16.25 reports a year.

Due to the dynamic nature of a hotline program, it is expected that there may be report volume fluctuations from year to year. Therefore, the year over year increase in reporting activity and being slightly below the median in overall report volume should not be viewed as a concern.

Report Allegation Categories and Substantiation Rates

Allegation category reporting helps identify themes and trends. In addition, comparing the results to those of the Global Database helps determine if the City has different themes that might point to specific issues. Substantiation Rate is a measurement that reflects the rate of allegations made which could be determined to have at least some merit. At the City, all allegations are initially considered to have merit until they have been concluded. During the investigation process, some reporters may not have provided enough information or not responded to questions posed by the investigator. This may shift the allegation to the unsubstantiated category. In addition, if the conclusion does not support the allegation, then the case is considered unsubstantiated.

Based on the 19 reports received:

- One case (or 5%) related to accounting, auditing and financial reporting issues such as financial misconduct, internal controls and expense reporting. The 2017 Global Database median comparison for this category is 3%. This report was not substantiated. The 2017 Global Database substantiation rate for this category is 50%.

- One case (or 5%) related to business integrity issues such as conflict of interest and vendor/customer issues. The 2017 Global Database median comparison for this category is 17%. This report was not substantiated. The 2017 Global Database substantiation rate for this category is 50%.

- Twelve cases (or 63%) related to human resources issues such as hiring irregularities, discrimination, harassment and favouritism. The 2017 Global Database median comparison for this category is 72%. One (or 8%) of these reports was substantiated. The 2017 Global Database substantiation rate for this category is 44%.

- Three cases (or 16%) related to environmental, health and safety. The 2017 Global Database median comparison for this category is 7%. One (or 33%) of these reports was substantiated. The 2017 Global Database substantiation rate for this category is 50%.

- Two cases (or 11%) related to the misuse or misappropriation of corporate assets including theft and time abuse. The 2017 Global Database median comparison for this category is 5%. One (or 50%) of these reports was substantiated. The 2017 Global Database substantiation rate for this category is 56%.

In 2017, three (or 16%) of the nineteen reports received were substantiated. The 2017 Global Database overall substantiation rate comparison is 44%. Our overall substantiate rate since the system was implemented is 25%.

It should be noted that not all substantiated reports reflect unethical conduct. It may reflect the absence of or non-enforcement of policy/procedure or improper application of a business process. In addition, an unsubstantiated report does not necessarily mean that the report was without merit. For a majority of the unsubstantiated cases, we were unable to substantiate the report due to insufficient details or evidence. An unsubstantiated report can still highlight potential risks and control weaknesses that may need to be addressed.

Reporter Follow-up Rate

Another measurement that has a direct impact on Substantiation Rates is the Reporter Follow-up Rate. This rate indicates the percentage of reporters who followed-up on their report submission. There is a greater risk that cases will be deemed unsubstantiated when reporters do not follow up on their reports, as specific detail that may be required to conduct a thorough investigation may inadvertently be withheld.

In 2017, 89% of all reporters logged back in to follow-up on their report. This compares favorably to the 2017 Global Benchmark Rate of 32%. This is also a significant increase over 2016, where only 17% of reporters followed-up on their reports. The need for reporters to follow-up on their reports was a significant point of emphasis in the anonymous reporting system e-learning module that was rolled out in 2017 as a mandatory training program for all staff. This significant increase in follow-up rate is a strong indicator that the e-learning module was successful at communicating this message.

Anonymous vs Named Reporters

The Anonymous vs Named Reporters rate shows the percentage of all reports submitted by individuals who chose to withhold their identity.

The trend of reporters choosing to remain anonymous continues as all 19 reporters chose to remain anonymous. The 2017 Global Benchmark Rate is 56%. Factors influencing anonymity include the level of trust participants have that their information will remain confidential, the significance of the issue being reported and the confidence that the report will be acted on. The preference for anonymity illustrates that without access to an Anonymous Reporting System, there is increased risk that staff may not report important issues such as code of conduct violations, suspected fraud or misappropriation, privacy issues and inappropriate relationships between employees and contractors/vendors.

Case Closure Times

Case Closure Time is the number of calendar days it takes an organization to complete an investigation and close a case. Since the system was launched, there have been significant year over year improvements in the ability to address reporter's concerns in a timely manner. In 2017, our median case closure time was 10 days. This compares favourably to the 2017 Global Benchmark median case closure time of 44 days. The ability to investigate and close cases in a timely fashion helps foster a culture where concerns are taken seriously and builds organizational trust in the system.

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL UPDATE

Background and Purpose:

Follow up of Internal Audit recommendations through Management Action Plans (MAPs) is performed to ensure that management actions have been effectively implemented and appropriate controls and processes have been put in place to mitigate risks identified during the audit.

For every recommendation, management provides Internal Audit with the name of the individual who is accountable and responsible for implementing the MAPs and an estimated completion date. Internal Audit assesses the estimated completion date for reasonableness and timeliness of the action, based on the assessed risk.

The individual who is accountable for implementing the MAPs provides Internal Audit with a written update on their progress shortly before the implementation deadline approaches. The update includes whether each MAP has been completed, is still in progress, or is not yet started. If a MAP has been completed, Internal Audit will verify that the action plan addresses the risk outlined in the report.

Management provides a detailed explanation if an action plan is still in progress or not yet started and provides a new estimated completion date. Internal Audit assesses the new estimated completion date for reasonableness and timeliness, based on the assessed risk.

Council requested that Internal Audit provide an annual report on the status of completed and outstanding management action plans to address audit report recommendations.

Scope:

The scope of this update includes 13 audit reports containing 69 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December 2017. As of April 13, 2018, management has fully implemented 39 of those MAPs, or 57%. A total of 30 MAPs, or 43% are in progress. A table summarizing the number of audits completed and recommendations issued by report is included as Appendix D, which can be found at the end of the report.

The following are comments regarding those MAPs that are in progress:

PARKS AND FORESTRY OPERATIONS AUDIT

The Parks and Forestry Operations Audit report was presented to FA&A on October 15, 2012. The report contained five recommendations.

One (or 20%) of the audit recommendations remain outstanding.

According to the Acting Manager, Corporate Asset Management, staff have created an inventory of horticulture assets, including flower beds, shrub beds, planters, and hanging baskets, as well as their locations. An inventory of street trees began in 2016. The inventory, including tree species, height, age, and geo-location, is expected to be completed by the end of Q1 2018. The second phase for tree asset data collection will include an inventory of

woodlots and open space trees. The preliminary work, including on-ground data assessments has been completed. The overall data is expected to be delivered by the end of Q3 2018.

ACCOUNTS PAYABLE AUDIT

The Accounts Payable Audit report was presented to FA&A on February 11, 2013. The report contained four recommendations.

One (or 25%) of the audit recommendations remains outstanding.

As part of the procurement modernization project, Procurement Services and Financial Services have undertaken a review of the Vendor Master File to determine an action plan for cleanup and maintenance of the file. In conjunction with the OCIO, Procurement and Financial Services identified and deactivated all vendors which had no activity since January 1, 2015. Further, a report was generated identifying vendors with duplicate names and addresses. Financial Services has been reviewing this report, is approximately 25% complete, and continues to review the listing, identifying the appropriate vendor and deactivating those which are deemed incorrect.

WATER, WASTEWATER AND DRAINAGE AUDIT

The Water, Wastewater and Drainage Audit report was presented to FA&A on June 10, 2013. The report contained four recommendations. All recommendations have now been fully implemented.

EMPLOYEE BUSINESS EXPENSES AUDIT

The Employee Business Expense Audit report was presented to FA&A on May 26, 2014. The report contained seven recommendations. All recommendations have now been fully implemented.

RECREATION AND CULTURE REVENUE AUDIT

The Recreation and Culture Revenue Audit report was presented to FA&A on March 9, 2015. The report contained twelve recommendations.

One (or 8%) of the audit recommendations remain outstanding.

According to the Director of Financial Services and Deputy Treasurer, the CLASS system does not interface with the JDE financial system. As a result, Financial Services does not have visibility into the detailed financial data in CLASS, as only G/L balances are uploaded from CLASS into JDE. Until a technology solution becomes available, Financial Services and Recreation Services have agreed to layer in Recreation's receivables with the corporate receivables on an annual basis and apply the same corporate methodology with respect to write-offs and bad debts. Further, Financial Services meets with Recreation Services on a quarterly basis to determine if any receivables should be put into collections. Collections for this area are minimal. Any accounts deemed to require a collections effort are put through Financial Services to ensure that a reduced and consistent fee is paid for any collections required.

In 2016, Financial Services began efforts to consolidate collections for By-law and Taxation to streamline collections and set a foundation for entering into Inter-Municipal agreements with respect to bad debts that can be placed on the tax roll. Expansion into additional Inter-Municipal agreements and a comprehensive collections strategy will be a key activity over the next term of Council.

ROAD OPERATIONS AUDIT

The Road Operations Audit report was presented to FA&A on September 8, 2015. The report contained seven recommendations.

Five (or 71%) of the audit recommendations remain outstanding.

According to the Director of Transportation Services, Parks and Forestry Operations, the Occupational Health and Safety Training draft training matrix has been completed and are in the process of proceeding with the implementation phase which will include:

- Benchmarking all staff and management on their trained competencies and legal compliances.

- Establishing a training schedule to ensure legal compliance and minimum level competency.

- Develop a succession and minimum capacity training plan/schedule.

It is anticipated that the implementation phase will be complete by the end of Q2, 2018.

The Road Patrol Management System is currently in place, which is in accordance with O.Reg 239/02 s.3 from MMS (Miniumum Maintenane Standards). The feasibility of integrating this software with the Computerized Maintenance Management System (CMMS) project is still in the works. Since the beginning of 2017, staff have been working on various recommendations in connection with Asset Management. Similar to the Road Patrol Management System, the Work Order Administration recommendation is a project between TSPFO and Asset Management with the anticipated roll out in 2019.

The recommendations associated with Policies and Procedures have been reviewed and updated but will require more time as TSPFO will be developing standard operating procedures (SOPs) for each task. The SOPs will go forward in June 2018 for approval.

According to the Director of Fleet Management Services, the tool for evaluating leasing versus purchasing of assets has been completed, pending final review. Procurement Services will be engaged to determine how the tool outputs can be incorporated in future procurement activities. The resolution for recommended action will be in place by the end of 2018.

IT SECURITY CONTROLS AUDIT

The Information Technology Security Controls Audit report was presented to FA&A on December 8, 2015. The report contained three recommendations.

Two (or 67%) of the audit recommendations remain outstanding.

According to the Chief Information Officer, since the completion of the audit, the Office of the Chief Information Officer has implemented several improvements to address the recommendations, including:

- Deployed unauthorized device detection technology.

- Developed corporate software standards, IT security standards and key security performance measures.

- Performed inventory and cleanup of obsolete software on corporate systems.

- Implemented the vulnerability assessment and remediation program.

- Developed and implemented IT security incident response process.

- Delivered IT security awareness training for project managers and other staff.

- Developed a formal user off-boarding process.

- Deployed mobile device encryption.

- Performed administrative password randomization on all client systems.

Network Access Control delivery was delayed due to technical challenges. It is scheduled to re-start in Q3 of 2018 and estimated to be completed by Q3 of 2019.   Additional resource request for IT Security Program funding has been approved for 2018, which will allow IT to address Unauthorized Software Control and Annual Penetration Testing recommendations by the end of 2018.

CORPORATE OVERTIME AUDIT

The Corporate Overtime Audit report was presented to FA&A on February 1, 2016. The report contained five recommendations.

Four (or 80%) of the audit recommendations remain outstanding.

According to the Chief Human Resources Officer, the implementation of these recommendations is progressing as planned. A business case has been completed that provides the cost benefit analysis of procuring and implementing a time and attendance system. The business case will be presented to senior management in the month of April and then a decision will be made as to whether to submit a capital funding request as part of the 2019 budget submission. The estimated costs for this technology can range from a low end of $300,000 to the high end of the range at $700,000. Any decisions with regard to funding this type of technology will be reviewed by the senior management team and submitted to Council for consideration as part of the annual operating and capital budget submission process.

ANONYMOUS REPORTING SYSTEM ANNUAL REPORT - 2016

The Anonymous Reporting System annual report was presented to FA&A on May 30, 2016. The report contained three recommendations.

Two (or 66%) of the audit recommendations remain outstanding.

According to the Chief Human Resources Officer, over the past few months staff have worked through a policy committee to develop a high-level policy development framework that was recently reviewed and approved by Council. The new framework provides guidance to staff in terms of how the new policies should be crafted including templates, guidelines and whether they fall within the administrative side of the corporation or whether they should be approved by Council. A number of policies will be reviewed by the committee for consideration and approval under the new framework over the coming months. Included in these policies will be a Fraud Prevention Policy and procedures including provisions to protect individuals from retaliation for bringing forward issues of ethics and/or compliance. As part of the Corporate Policies refresh (Respectful Workplace Policy, Violence in the Workplace Policy, Code of Conduct), the Code of Conduct has been revised with stronger language referencing matters of ethics and fraud/fraudulent behavior. The revised policy will be submitted to the Policy Committee for consideration and approval. The OCHRO will work with Internal Audit on the development on an Anonymous Reporting Policy which would include matters on whistleblower protection and anti-reprisal/retaliation.

Providing an anonymous reporting mechanism to the general public, including Vaughan residents, vendors and visitors, is an approach that may help mitigate the risk of unethical behaviour and would reiterate the City's commitment to corporate governance, accountability and transparency. The Director of Internal Audit has been tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the public and, in consultation with senior management, will report back during the next Term of Council on the best practices in other jurisdictions and a recommended approach.

SOCIAL MEDIA AUDIT

The Social Media Audit report was presented to FA&A on March 6, 2017. The report contained four recommendations.

Three (or 75%) of the audit recommendations remain outstanding.

According to the Director, Corporate Communications, the department continues to work toward completing the recommendations identified in the audit. At present, there is a draft Social Media Policy and Governance Framework that has been developed by Corporate Communications staff in collaboration with other departments.

The Social Media Policy and Governance Framework will address the recommendations by establishing service standards and actions relating to overall guiding principles and day-to-day operations of Social Media sites in order to:

- Provide accurate, timely and clear information about City services, programs and public safety to City of Vaughan residents, businesses, visitors and other stakeholders through proactive posts and responses to public inquiries.

- Increase accessibility to local government to encourage greater interest and participation in local affairs.

- Promote greater transparency in government.

The primary purpose of the Policy is to:

- Assist City departments and employee Site Administrators to implement best practices on a consistent basis across the corporation, and mitigate risks relating to Social Media usage.

- Outline procedures for creating new City Social Media accounts.

- Provide parameters for how City staff should handle their personal Social Media accounts.

- Clarify the application of the Employee Code of Conduct and the Code of Ethical Conduct for Members of Council to the use of Social Media.

Corporate Communications continues to undertake efforts to have City of Vaughan social media sites verified on different social channels including, but not limited to: Facebook, Instagram and Twitter.

The arrival of a new Director, Corporate Communications, in February 2018, led to a reorganization of the department including refocused effort on the staffing and oversite of social media responsibilities. The reorganization of Corporate Communications into the Office of Corporate and Strategic Communications, will see an expedited effort to bring forward the Social Media Policy Governance Framework for Council approval and the completion of the Management Plan recommendations outlined in the Social Media Audit Report.

EVENT MANAGEMENT AUDIT

The Event Management Audit report was presented to FA&A on June 6, 2017. The report contained nine recommendations.

Six (or 67%) of the audit recommendations remain outstanding. The outstanding recommendations are on target for completion based on the timelines provided in the audit.

According to the Director of Recreation Services, several improvements to address the recommendations have been implemented, including:

- Recreation Services has made the necessary process changes to ensure that there is a segregation of duties with respect to the solicitation and receipt of sponsorship dollars.

- As per section 19.4 (Exemptions) section of the Procurement Policy, Special Services (such as fundraising and performers) are exempt from the application of this Policy, subject to such expenditures being approved by the appropriate staff and being within the annual approved budget. However, when appropriate, this exemption does not preclude the division from seeking quotations for these named services.

- The department's sponsorship agreement was revised to incorporate the key guiding principles from the Corporate Partnership Policy.

- The sponsorship agreements are retained on file and a checklist has been established to ensure compliance.

EMERGENCY, SOLE AND SINGLE SOURCE PROCUREMENT AUDIT

The Emergency, Sole and Single Source Procurement Audit report was presented to FA&A on June 6, 2017. The report contained four recommendations.

Three (or 75%) of the audit recommendations remain outstanding. The outstanding recommendations are on target for completion based on the timelines provided in the audit.

According to the Director of Procurement Services, several improvements to address the recommendations have been implemented, including:

- Monthly Procurement Activity Reports have been generated and posted on the Procurement VOL site by Portfolio/Office and Department for Competitive and Non-Competitive bids, including Sole & Single Source activities.

- Sole source, single source and emergency purchases are now being captured separately and shared with the departments.

- New procurement procedures have been developed to provide guidelines and clarity to staff, including:
    - Procurement Procedure PP-05 Vendor of Record Arrangements provides procedures and guidelines regarding the establishment, use and analysis of VORs, including key roles, accountabilities and responsibilities.
    - Procurement Procedure PP-11 Cooperative and Intergovernmental Arrangements was developed to provide procedures and guidelines regarding the process for the procurement of goods, services and/or construction in cooperation with another government entity, agency or procurement cooperative.
    - Section 4 of the new Corporate Procurement Policy PS-003 provides greater clarity and stronger criteria for client departments to determine if a purchase qualifies as a single source, sole source or emergency purchase.

- As of April 1, 2017, LVP's were replaced with the new JD Edwards LDM Purchase Order system. LDM purchase orders provide flexibility in use and enhance visibility and analytic capability for low dollar transactions.

- According to the Acting Director of Financial Planning and Development Finance, staff have been monitoring sundry expense account activity and have been reallocating expenses to the appropriate categories. In addition, staff have been actively working with departments on eliminating and reallocating budget from sundry expense accounts to other appropriate expense accounts. Since beginning this work in 2017,

approximately 85% of the budget in sundry expense accounts has been reallocated and is on track for completion in Q2 2018.

PURCHASING CARD AUDIT

The Purchasing Card Audit report was presented to FA&A on November 6, 2017. The report contained two recommendations.

Both recommendations remain outstanding and will be addressed by Q4 2018.

According to the Director of Procurement Services, since the completion of the audit, the department has implemented several improvements to address the recommendations, including:

- Developed and communicated roles, responsibilities and accountability for following up on missing receipts and documentation.

- Implemented monitoring of inactive P-cards.

- Enhanced P-card application to provide justification for requiring a card.

CONCLUSION

Internal Audit will continue to contact management as their action plans come due to determine if they have been implemented, and will continue to partner with management in their efforts to address audit observations as planned. When plans cannot be completed as originally intended, audit staff will work with management to obtain updated achievable implementation dates.

2015 – 2018 INTERNAL AUDIT WORK PLAN STATUS AND SCHEDULE

The 2015 – 2018 Internal Audit Risk Based Work Plan was developed using a risk assessment process that combined financial, reputational, compliance and operational criteria.

Internal Audit has a professional responsibility to develop an audit work plan that focuses on the key risks in the City. The work plan should be dynamic and flexible. Changes to the work plan may be required occasionally to reflect emerging risks and changes in strategic objectives.

Based on a request from the Deputy City Manager, Public Works and the Director of Transportation Services, Parks and Forestry Operations, Internal Audit agreed to add an audit of the City's Winter Maintenance Program to the Internal Audit Work Plan. To accommodate this new project, the Facility Maintenance Audit, scheduled for 2017, was deferred to 2018 and the Fire Department Administration Audit was deferred to the next Term of Council.

Based on existing resources, Internal Audit will be able to execute the remaining engagements on the Council approved 2015-2018 Internal Audit Risk Based Work Plan. Two versions were presented with the original work plan. One version listed priority projects that could be achieved with the existing staff over a four-year period. The second version included all identifiable projects. Three additional resources would have been required at that time to complete them. These projects were left on the work plan as "Off Plan Hours", and may be used to substitute other planned projects in case of delays or changes in the City's risk environment.

The table below provides a high-level summary of all the work plan engagements that were scheduled for this Term of Council and their current status.

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Recreation and Culture Revenue Audit	**Rationale:** Recreation and Culture represents the City's third highest expenditure (approximately $20M). Recreational and Culture programs are largely fee supported, contributing approximately $18M in revenue. These services have high citizen focus. **Risk:** If services are not delivered up to public expectation there could be increased public dissatisfaction. In addition, there is some financial risk as there are significant revenues.	**Complete**	**Presented to FA&A on March 9, 2015**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Road Operations Audit	**Rationale:** The City has a responsibility to maintain safe roads and sidewalks. This has a high citizen focus and could have a potential reputational risk. Maintenance standards are set by City Council but must, at least, meet legislated standards set by the province. **Risk:** The absence of an effective maintenance program can result in serious injury. Not maintaining complete or accurate records could result in the inability of the City to demonstrate compliance resulting in fines, penalties or potential litigation.	**Complete**	**Presented to FA&A on September 8, 2015**
Hiring Practices Audit	**Rationale:** This project was added to the work plan as a direct result of the number of anonymous reports received related to hiring irregularities during the first year of the system's operation. **Risk:** The absence of an effective recruitment process can result in not hiring the best available talent, damage staff morale and cause reputational damage to the City.	**Complete**	**Presented to FA&A on September 8, 2015**
Information Technology General Controls Review	**Rationale**: Information and the technology supporting information are vital for the City to operate effectively. Critical applications such as the JDE system reside on servers within City facilities and are required to be protected from unauthorized access or loss. **Risk**: The absence of effective physical and logical access controls could result in data loss, privacy issues and manipulation of data. This could result in fines and penalties related to compliance legislation and reputational damage to the City.	**Complete**	**Presented to FA&A on December 8, 2015**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Corporate Overtime Audit	**Rationale:** Hourly paid employees are entitled to overtime as per legislation and negotiated labour agreements. Tracking and paying overtime is supported by timekeeping systems to help ensure the right amount is paid based on entitlement. **Risk:** If time keeping systems are not effective there is the risk that incorrect overtime payments can be made resulting in financial loss and non-compliance with agreements.	**Complete**	**Presented to FA&A on February 1, 2016**
Driver Certification Process [DCP] **[MTO Compliance]**	**Rationale:** Prior to 2014, participating organizations, including municipalities, were subject to periodic limited-scope compliance inspections conducted by the Ministry. As of January 2, 2014, all participating organizations are required to arrange for an independent, comprehensive audit using an audit program and reporting form prepared by the Ministry. Internal Audit received approval from the MTO to do the audit and, going forward, will perform all DCP related audit work. **Risk:** The risk of not performing the audit is non-compliance with Driver Certification Program requirements and the City's agreement with the MTO. This in turn may result in the removal of the City from the Program and additional costs and time for driver training and testing by the MTO before drivers' licenses can be renewed and/or upgraded.	**Complete**	**VFRS Audits presented March 9 and June 15 2015 FA&A** **VFRS and Fleet Services DCP Audits presented on September 6, 2016 FA&A**
VBEC	**Rationale:** The City established the Vaughan Business Enterprise Centre (VBEC) in 2001, through a partnership agreement with the Ministry of Research and Innovation (MRI). VBEC's core responsibility is to support local entrepreneurs and small businesses. This is accomplished through the provision of advice and education for entrepreneurs in the early stages of business start-up and growth through one-on-one consultations, business plan development and review, business registrations, business events, and the delivery of business seminars/workshops. **Risk:** VBEC's services, programs and events should be tied to the needs of the business community. The absence of effective administration, stewardship and metrics to track initiatives can result in lost economic opportunities and reputational damage to the City.	**Complete**	**Presented to CW (CS) on December 5, 2016**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Social Media	**Rationale:** Social media is defined as using Internet based applications to send and/or collaborate on information. Public sector transparency and accountability is supported by electronic social media, the use of which has grown significantly in the City of Vaughan. **Risk:** Anyone with an Internet based device can, with near anonymity and without accountability, participate in public or private information or disinformation. The absence of effective social media communication protocol combined with the potential misuse of social media can result in data privacy issues, reputational damage to the City and erosion of trust.	**Complete**	**Presented to FA&A on March 6, 2017**
Event Management	**Rationale:** The City sponsors events that help promote various charities and related City-wide initiatives. Good administration and stewardship of related funds is vital in maintaining event integrity. **Risk:** Events supported by Council have high media and citizen visibility. The absence of effective administration and stewardship controls can result in financial loss and negative public perception.	**Complete**	**Presented to FA&A on June 6, 2017**
Emergency, Single and Sole Source Procurement Audit	**Rationale:** The City's Corporate Procurement Policy establishes the guiding principles for procuring goods, services and construction. It is expected that the City should receive best value for money spent while demonstrating the public procurement principles of fairness, openness, transparency and accountability. Competitive procurement processes should be used wherever possible while ensuring that non-competitive procurement is used only in narrowly defined circumstances. Consequently, the audit of Emergency, Single and Sole Source Procurement was requested and approved by Council on November 15, 2016. **Risk:** Deficient emergency, single and sole source procurement practices can lead to financial loss, reputational risk and citizen and vendor dissatisfaction.	**Complete**	**Presented to FA&A on June 6, 2017**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
P-Card Compliance Review	**Rationale:** P-Cards allow for the purchase of low value goods in a timely and cost-effective manner. When properly issued and used, they support the purchase of low value goods more efficiently with the capability of improving control and accountability. **Risk:** If P-Cards are not used properly or in compliance with policy, the City could face some degree of financial loss, as well as public exposure or reputational risk leading to citizen and vendor dissatisfaction.	**Complete**	**Presented to FA&A on November 6, 2017**
Governance and Accountability - Follow-Up Survey	**Rationale:** Governance and Accountability are key foundation components vital in building a City that shares the trust of both citizens and staff. One of the more important roles of Internal Audit is to evaluate the effectiveness of the City's Governance and Accountability framework. One tool being used is a survey. This survey has been done in 2013 and 2015 and will be redone in 2017 to track any changes and further develop trending information. **Risk:** The absence of good governance and accountability can affect the credibility and reputation of the City.	**Completed in 2015 and 2017**	**Presented to FA&A on April 13, 2015 and February 5, 2018**
Winter Maintenance Audit	**Rationale:** The Winter Maintenance Program keeps roads and sidewalks safe and passable for pedestrians, cyclists and motorists. Ontario Regulation 239/02 sets out the Minimum Maintenance Standards for Municipal Highways and, among other items, defines when a road can be deemed to be in a state of repair with respect to snow accumulation and ice formation. Driving and walking conditions in winter can deteriorate and vary dramatically due to snowfall and ice formation, causing significant reduction in pavement friction and increasing the risk of accidents. **Risk:** The absence of an effective winter maintenance program could result in serious injury, reduced emergency services response time and increased liability to the City. Winter maintenance operations also incur significant monetary costs and can result in negative environmental impacts.	**Complete**	**Scheduled to be presented to FA&A on June 6, 2018**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Forestry Operations	**Rationale:** Re-establishing the urban tree canopy is a Service Excellence Term of Council Priority. Maintaining city trees is a significant part of promoting community health and environmental sustainability. **Risk:** If trees are not properly maintained, this could lead to citizen dissatisfaction and damage the City's reputation. In addition, there is a financial risk if the delivery of services by contractors and other service providers is not properly managed.	**Complete**	**Scheduled to be presented to FA&A on June 6, 2018**
Water, Wastewater and Stormwater Audit	**Rationale:** Water supply for all municipalities is closely regulated by the Province of Ontario which provides assurance to citizens that drinking water is safe. An audit done in 2012 concluded that the City of Vaughan has processes in place that meet and, in some cases, exceed the Ontario regulations. The audit did, however, identify issues related to service contract acquisition and administration. **Risk:** Ineffective administration controls could result in overpayments or the inability to monitor contract performance. A follow-up audit was originally scheduled to determine if processes have been improved. However, due to changes in management and time elapsed, the project will change from a Follow-up Audit to a brand new audit of Water, Wastewater and Stormwater Operations.	**In Progress**	**TBD**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Construction Audit of Fire Station #7-4	**Rationale:** Individual Capital Projects can represent a significant investment for the City. Large projects are managed from a variety of aspects including financial, timeliness and meeting deliverables. Audits of individual projects can provide assurance that risks are properly managed. **Risk:** If projects are not properly managed the greatest risk is they do not meet their deliverables either by not being on time or on budget. Projects that are late or over budget can lead to financial loss, quality reduction and erosion of public trust.	**The Construction Audit of Fire Station #7-4 will encompass the complete lifecycle of the project. It is anticipated that audit reports will be issued after the completion of the Planning and Design, and Bid and Procurement Phases, Construction Phase and the Close Out Phase. The timing of these reports is dependent on the actual construction project timing.**	**Phase 1 is scheduled to be presented to FA&A on June 6, 2018**
Facility Maintenance Services	**Rationale**: The City's buildings and facilities have a high operating budget and high public exposure. The operation and maintenance of these assets are vital in supporting the City's vision of demonstrating service delivery excellence and community safety. Significant organizational changes were made in 2014 and an audit will determine if previously identified issues have been resolved. **Risk**: If buildings and facilities are not adequately maintained citizen dissatisfaction would increase. In addition, there could be health and safety issues resulting in possible legal exposure.	**In Progress**	**TBD**
Legal Services	**Rationale:** The Office of the City Solicitor provides a range of legal services that supports the City's corporate objectives through strategic legal advice and real estate services. As the City continues to grow and work expands, it is important to ensure that the services provided continue to meet the City's objectives. **Risk:** Legal processes positively contribute to the City's business objectives. However, if not managed properly, there may be increased risk of liabilities, increased costs/expenses and damage to the City's reputation.	**2018**	**TBD**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Corporate Security	**Rationale:** Facility Maintenance Services maintains and manages the security of all City of Vaughan owned buildings and is responsible for developing, implementing and maintaining a security strategy throughout the organization as it relates to the Criminal Code of Canada, Trespass to Property Act and the Public Works Protection Act. **Risk:** Not having an effective corporate security strategy can result in increased risk to public safety, damage to City property and increased liability and reputational risk.	**2018**	**TBD**
Consulting and Professional Services	**Rationale:** As the City continues to grow and work expands, additional resources are needed to provide services. Consulting and professional services are used to either backfill for extra work or perform work where additional skills are needed. Consulting and professional services represent a significant expenditure to the City. **Risk:** Not having effective controls over the use and administration of consulting and professional services can result in work not meeting expectations, increased costs and reputational damage to the City.	**2018**	**TBD**
Fire Department Administration	**Rationale:** Fire and Rescue Services represents over 25% of the City's total staff and is the largest annual expenditure at $41M. In addition, these services have high citizen focus and public visibility. **Risk:** If administrative services do not properly support fire operations there is the risk of non-compliance with legislation and possible unnecessary spending.	**Deferred to the next Term of Council**	**TBD**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Ethics/Code of Conduct Review **[Consulting]**	**Rationale:** Good corporate ethics and a Code of Conduct are a foundation of good governance and accountability in the City. Review of the Code helps provide assurance that the Code remains relevant and effective for the City. **Risk:** An out-of-date Code of Conduct may not reflect the current values of the City or may not be clear on expected employee behavior. This could result in employee actions unbecoming of those expected possibly leading to negative employee morale, perceived unfairness and/or public embarrassment.	**In Progress**	**Ongoing** **Management may wish to report how Internal Audit has been consulted within their reports.**
Fraud Risk Assessment and Education **[Consulting / Policy Support]**	**Rationale:** From a global perspective, fraud is a rapidly emerging risk having significant impact on a lot of organizations both public and private. Better practice suggests organizations do Fraud Risk Assessments, Policy Reviews and Organizational Education. **Risk:** Absence of a Policy, education or a proper assessment could result in any aspect of fraud not being properly mitigated.	**In Progress**	**Ongoing** **Management may wish to report how Internal Audit has been consulted within their reports.**
General Internal Audit Follow-up Program	**Rationale:** As part of the Internal Audit reporting process, Internal Audit and clients agree on action plans to address issues identified in the report. Follow-up is done to determine if the action plans have been implemented. **Risk:** If action plans are not followed up there is the risk they may not be implemented. Risk and control exposures could still be outstanding and have a negative impact on the City. There is also the risk that initial action plans may not have been suitable. Internal audit can work with clients to develop more suitable plans if warranted.	**Ongoing**	**Ongoing activity with annual report to FA&A.**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Anonymous Reporting System Administration	**Rationale:** The City adopted an Anonymous Reporting System in 2014. The purpose of the system is to allow for staff and management to have an alternative method to raise concerns or issues that may negatively impact the City. **Risk:** The risk of not properly administering the Anonymous Reporting System is that staff may not be forthcoming in communicating bad news or wrongdoing. This could lead to missed opportunities to identify risk areas and to improve processes and controls which could lead to increased operational and reputational risk.	**Ongoing**	**Ongoing activity with annual report to FA&A.**
Service Excellence Strategy **[Consulting]**	**Rationale:** On September 30, 2015 City Council approved the Service Excellence Strategy Map that identifies Council's priorities for 2014-2018 and the strategic initiatives the City will undertake to build capacity, focus and deliver on these priorities. The Map was developed to align our priorities, people, processes and technology so that we can deliver our commitments for this term of Council. **Risk:** The risk of not administering the strategy efficiently and effectively may negatively impact the projects, anticipated benefits, investment and timelines for improving citizen engagement, operational performance and employee engagement. This could lead to missed opportunities to improve processes and controls which could lead to increased operational and reputational risk.	**Ongoing**	**Ongoing** **Management may wish to report how Internal Audit has been consulted within their reports.**

2017 Audit Client Survey Results

#	Statement	Positive	Negative	Don't Know	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1	Internal Audit explained the audit process steps (i.e. audit planning stage to presentation at FA&A) at the commencement of the audit.	100%	0%	0%	50%	50%	0%	0%	0%
2	The audit took an acceptable amount of time to complete.	100%	0%	0%	33%	67%	0%	0%	0%
3	The disruption of daily activities was minimized as much as possible during the audit.	100%	0%	0%	83%	17%	0%	0%	0%
4	Internal Audit exhibited a good understanding of the goals, objectives, strategy, and processes to effectively plan the audit.	100%	0%	0%	50%	50%	0%	0%	0%
5	Internal Audit demonstrated the technical proficiencies required to perform this audit.	100%	0%	0%	33%	67%	0%	0%	0%
6	My business concerns and perspective on key business risks were adequately considered.	100%	0%	0%	67%	33%	0%	0%	0%
7	The audit objectives and scope were clearly communicated to me.	100%	0%	0%	67%	33%	0%	0%	0%
8	Internal Audit staff were:								
	Professional	100%	0%	0%	100%	0%	0%	0%	0%
	Objective	100%	0%	0%	67%	33%	0%	0%	0%
	Positive	100%	0%	0%	67%	33%	0%	0%	0%
	Willing to Listen	100%	0%	0%	83%	17%	0%	0%	0%
	Determined to Build Rapport	100%	0%	0%	83%	17%	0%	0%	0%
	Courteous	100%	0%	0%	83%	17%	0%	0%	0%
	Constructive	100%	0%	0%	83%	17%	0%	0%	0%
9	Status updates and communication while the audit was ongoing was:								
	Timely	100%	0%	0%	33%	67%	0%	0%	0%
	Adequate	100%	0%	0%	50%	50%	0%	0%	0%
	Useful	100%	0%	0%	50%	50%	0%	0%	0%
10	I was provided opportunities to provide feedback while the audit was ongoing.	100%	0%	0%	83%	17%	0%	0%	0%
11	The audit report observations were:								
	Accurate	100%	0%	0%	67%	33%	0%	0%	0%
	Clearly Written	100%	0%	0%	67%	33%	0%	0%	0%
	Presented with Appropriate Context	100%	0%	0%	67%	33%	0%	0%	0%
12	I was given the opportunity to provide explanations and responses to the audit observations contained in the draft report.	100%	0%	0%	50%	50%	0%	0%	0%
13	Internal Audit's recommendations:								
	Were Constructive	100%	0%	0%	50%	50%	0%	0%	0%
	Were Feasible	100%	0%	0%	33%	67%	0%	0%	0%
	Will Improve Operations/Processes	100%	0%	0%	67%	33%	0%	0%	0%
	Will Provide Value to the City	100%	0%	0%	67%	33%	0%	0%	0%
14	From my perspective, the audit objectives were achieved.	100%	0%	0%	67%	33%	0%	0%	0%
15	Overall, the audit added value to the City by enhancing our understanding of risks and/or improving our approach to managing key risks.	100%	0%	0%	67%	33%	0%	0%	0%

2017 Internal Audit Quality Survey (CMT) Results

#	Statement	Positive	Negative	Don't Know	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1	The Corporate Management team has an adequate understanding of the purpose of the Internal Audit function.	89%	0%	11%	11%	78%	0%	0%	11%
2	Internal audit's mandate meets the City's current needs.	100%	0%	0%	33%	67%	0%	0%	0%
3	Internal audit is perceived as adding value and helping the City accomplish its objectives.	89%	0%	11%	22%	67%	0%	0%	11%
4	Internal audit is (and is perceived to be) independent from management.	100%	0%	0%	44%	56%	0%	0%	0%
5	The integrity of Internal Audit establishes confidence, providing the basis for their roles as a trusted advisor within our organization.	100%	0%	0%	44%	56%	0%	0%	0%
6	Internal Audit effectively promotes appropriate ethics and values within our organization.	100%	0%	0%	11%	89%	0%	0%	0%
7	Internal audit understands the City's:								
	Governance Processes	89%	0%	11%	33%	56%	0%	0%	11%
	Risk Environment	78%	0%	22%	11%	67%	0%	0%	22%
	Control Framework	100%	0%	0%	0%	100%	0%	0%	0%
	Emerging Opportunities	67%	11%	22%	0%	67%	11%	0%	22%
8	Internal audit consistently demonstrates objectivity in all its deliberations and findings.	100%	0%	0%	56%	44%	0%	0%	0%
9	Internal audit appears to have the right staff mix and competencies to fulfill it's mandate.	78%	0%	22%	11%	67%	0%	0%	22%
10	Internal audit delivers the services as outlined in the City's risk based work plan.	78%	0%	22%	0%	78%	0%	0%	22%
11	Internal audit evaluates the City's governance processes, including ethics and provides a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.	89%	0%	11%	22%	67%	0%	0%	11%
12	Internal audit provides a systematic analysis and evaluates business processes and associated controls.	89%	0%	11%	11%	78%	0%	0%	11%
13	Internal audit suggests practical, realistic ideas on how effective controls may be established.	100%	0%	0%	33%	67%	0%	0%	0%
14	Internal Audit results are provided on a timely basis.	100%	0%	0%	22%	78%	0%	0%	0%
15	Internal audit's process to monitor the status of open matters/recommendations reported is adequate.	89%	0%	11%	11%	78%	0%	0%	11%
16	There is sufficient interaction between internal audit and the Senior Management Team.	78%	22%	0%	11%	67%	22%	0%	0%
17	Internal audit is responsive to requests from the Senior Management Team, including requests for special investigations.	89%	0%	11%	11%	78%	0%	0%	11%
18	Internal Audit communicates issues in an open and effective manner to the Senior Management Team.	100%	0%	0%	11%	89%	0%	0%	0%
19	Internal Audit is able to handle difficult or contentious issues.	100%	0%	0%	33%	67%	0%	0%	0%
20	Internal audit reports are of high quality and are relevant and useful to the Senior Management Team.	100%	0%	0%	0%	100%	0%	0%	0%

2017 Internal Audit Quality Survey (FA&A) Results

#	Statement	Positive	Negative	Don't Know	Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know
1	The Finance, Administration and Audit Committee has an adequate understanding of the purpose of the Internal Audit function.	100%	0%	0%	44%	56%	0%	0%	0%
2	Internal audit's mandate meets the City's current needs.	89%	0%	11%	11%	78%	0%	0%	11%
3	Internal audit is perceived as adding value and helping the City accomplish its objectives.	100%	0%	0%	56%	44%	0%	0%	0%
4	Internal audit is (and is perceived to be) independent from management.	100%	0%	0%	44%	56%	0%	0%	0%
5	The integrity of Internal Audit establishes confidence, providing the basis for their roles as a trusted advisor within our organization.	100%	0%	0%	44%	56%	0%	0%	0%
6	Internal Audit effectively promotes appropriate ethics and values within our organization.	100%	0%	0%	44%	56%	0%	0%	0%
7	Internal audit understands the City's:								
	Governance Processes	89%	0%	11%	56%	33%	0%	0%	11%
	Risk Environment	100%	0%	0%	89%	11%	0%	0%	0%
	Control Framework	100%	0%	0%	44%	56%	0%	0%	0%
	Emerging Opportunities	89%	0%	11%	33%	56%	0%	0%	11%
8	Internal audit consistently demonstrates objectivity in all its deliberations and findings.	100%	0%	0%	33%	67%	0%	0%	0%
9	Internal audit appears to have the right staff mix and competencies to fulfill it's mandate.	78%	0%	22%	11%	67%	0%	0%	22%
10	Internal audit delivers the services as outlined in the City's risk based work plan.	100%	0%	0%	33%	67%	0%	0%	0%
11	Internal audit evaluates the City's governance processes, including ethics and provides a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.	89%	0%	11%	44%	44%	0%	0%	11%
12	Internal audit provides a systematic analysis and evaluates business processes and associated controls.	100%	0%	0%	56%	44%	0%	0%	0%
13	Internal audit suggests practical, realistic ideas on how effective controls may be established.	100%	0%	0%	22%	78%	0%	0%	0%
14	Internal Audit results are provided on a timely basis.	100%	0%	0%	33%	67%	0%	0%	0%
15	Internal audit's process to monitor the status of open matters/recommendations reported is adequate.	100%	0%	0%	33%	67%	0%	0%	0%
16	There is sufficient interaction between internal audit and the Finance, Administration and Audit Committee members.	78%	0%	22%	33%	44%	0%	0%	22%
17	Internal audit is responsive to requests from the Finance, Administration and Audit Committee, including requests for special investigations.	100%	0%	0%	33%	67%	0%	0%	0%
18	Internal Audit communicates issues in an open and effective manner to the Finance, Administration and Audit Committee.	100%	0%	0%	33%	67%	0%	0%	0%
19	Internal Audit is able to handle difficult or contentious issues.	89%	0%	11%	11%	78%	0%	0%	11%
20	Internal audit reports are of high quality and are relevant and useful to the Finance, Administration and Audit Committee.	100%	0%	0%	22%	78%	0%	0%	0%

List of Completed Audit Projects and Status of Management Action Plans (MAPs)

FA&A Presentation Date	Audit Report	Year	Outstanding Recommendations	# of Recommendations in the Audit Report	# of Recommendations Completed	# of Recommendations In Progress
15-Oct-12	Parks & Forestry Operations	2012	Tree and Shrub Inventory	5	4	1
11-Feb-13	Accounts Payable	2013	Vendor Master File Maintenance	4	3	1
10-Jun-13	Water, Wastewater and Drainage	2013	All Recommendations actioned and vetted, as of December 14, 2017	4	4	0
26-May-14	Employee Business Expenses	2014	All Recommendations actioned and vetted, as of March 21, 2018	7	7	0
09-Mar-15	Recreation & Culture Revenue	2015	Accounts Receivable - Collections & Write-offs	12	11	1
08-Sep-15	Road Operations	2015	Occupational Health and Safety Training Implementation of the Route Patrol Manager System Work Order Administration Vehicles, Motorized Equipment and Inventory Use Policies & Procedures	7	2	5
08-Dec-15	IT Security Controls	2015	Network Access Control Establish IT Infrastructure Penetration Testing Program	3	1	2
01-Feb-16	Corporate Overtime	2016	Define Supporting Documentation Requirements For Overtime Payments Automate the Time and Labour Management Process Understand What Drives Overtime Costs & Impact on Service Delivery Examine the Impact of Overtime on Employee Wellness	5	1	4
30-May-16	Anonymous Reporting System Annual Report	2016	Enhance the City's corporate governance, accountability and transparency framework by developing a comprehensive ethics and compliance program designed to prevent, detect and respond to fraud and misconduct. Internal Audit be tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the general public and, in consultation with senior management, report back to Council on the best practices in other jurisdictions and a recommended approach.	3	1	2
06-Mar-17	Social Media Audit	2017	Develop a Comprehensive Social Media Governance Framework Social Media Sites Should be Identifiable as Official Communication Platforms Complying with Accessibility Standards	4	1	3
06-Jun-17	Event Management Audit	2017	Develop a Formal Event Strategy for the City Develop a Clearly Defined Special Events Permit Process and Mechanism to Monitor Compliance with Permits Issued Determine Which Events Require an Emergency Management Plan Ensure Certificates of Insurance Comply With City Requirements Event Budgets Should be More Closely Aligned with Historical Performance Leverage Technology to Assist with Event Fundraising	9	3	6
06-Jun-17	Emeregency, Sole and Single Source Procurement Audit	2017	The City Should Focus on Strategic Procurement Activities Provide Greater Oversight over Emergency, Sole and Single Source Transactions Charges to the Sundry Expense Account Should be Monitored More Closely	4	1	3
06-Nov-17	P-Card Audit	2017	Further Leverage Technology to Optimize Savings Improvements are Required to Ensure P-Card Controls Remain Effective	2	0	2
Total	13 Reports	-		69	39	30