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INTERNAL AUDIT

Supporting The City

Finance and Administration Committee
October 15, 2012

Agenda

- Internal Audit Approach
- Internal Audit Charter
- Internal Audit Work Plan
- Internal Audit Reporting
- Comments?

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Internal Audit Approach – Modern Internal Auditing

What is Modern Internal Auditing?

- Client-focused, value-added professional service to management and governing body, guided by international standards.
- Proactive and a blend between the advisory approach and the traditional compliance-based auditing approach. Identify root causes not conditions.
- Designed to assist clients in meeting their business objectives through risk identification, risk management advice, effective control systems, strong governance, and sound business practice.

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Fundamental Questions

- How Well Aligned is the Internal Audit Plan with the Critical Risks Facing the Organization?
- Does Internal Audit Provide a Point of View to Help the City Improve it's Responses to Risk?
- How Effectively does Internal Audit Communicate with Stakeholders?

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Audit Charter - Features

- More Defined Accountability
- Expanded Authority Criteria
- Clarification of Responsibility
- Glossary of Terms
- Added Principles Section

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Audit Charter - Principles

Five Core Principles

1. Independence and Objectivity
2. Risk Based and Client Focused
3. Management Supported
4. Continuous Improvement
5. Partnerships

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Partnerships - Working Agreement

What We Offer

- More Consultation
- No Surprises
- No Secrets
- Addressing Priority Issues

What We Need

- Access to Information and Staff
- Quick Responses to Potential Issues
- Fast(er) Turnaround on Reports

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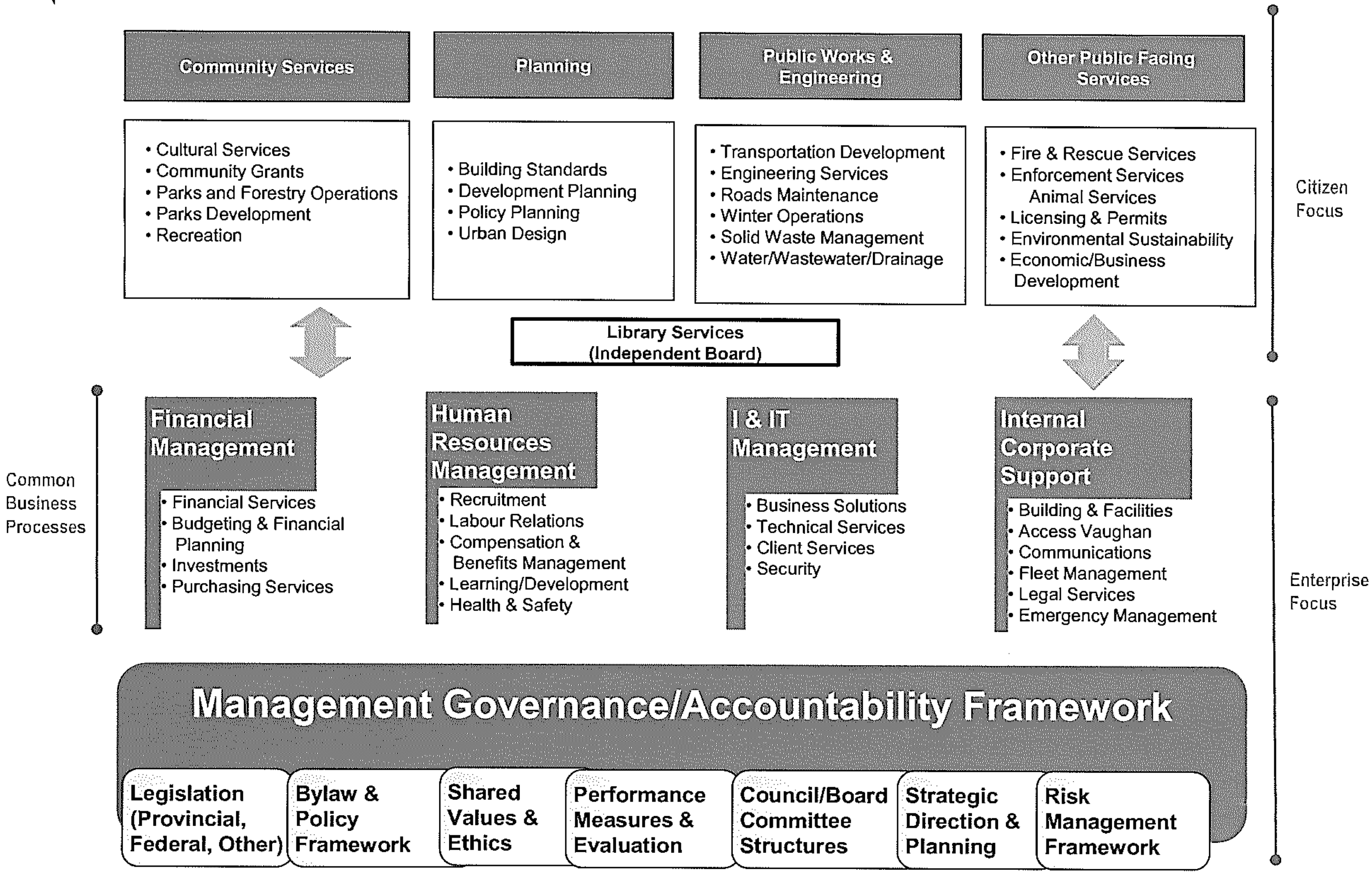
Audit Work Plan - Planning Framework



Note: Includes Payroll, Property Tax, Accounts Receivable, Accounts Payable and Financial Reporting

Flexible Audit Work Plan – 2012/2014

Components

The proposed Audit Work Plan is designed to be:

- ✓ Program Focused – Citizen Focused Services
- ✓ Enterprise Process Focused – Internal Client Services
- ✓ Address Foundational Governance/Accountability Topics
- ✓ 10 to 12 "Projects"
- ✓ Address Higher Risk Areas
- ✓ Room for Special Assignments

Audit Risk Criteria

Criteria used to assess risk to support plan development:

1. Program/Process Size
2. Financial Transaction Size
3. Public/Reputational Exposure
4. Citizen Focus
5. Strategic Initiatives
6. Compliance
7. Change
8. Last Audit Coverage

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Reporting Principles

- Revise Format and Reduce Length
- Consolidating Low Risk/Minor Issues or Providing Information Outside Audit Report
- Communicating More Frequently with Management to Facilitate Input, Discuss Issues and Avoid Surprises
- Collaborative, Less Aggressive Writing Style
- Suggest - Replacing "Recommendations" with Management Response and Proposed Action

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Reporting Format - Systemic Reporting

Purpose Achieved	Report Structure
Inform	Condition Criterion Cause [What is the Issue/Why is it an Issue]
Persuade	Consequence [So What]
Get Results [Recommendations & Action Plan]	Corrective Action [Fix Cause]

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COMMENTS?

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