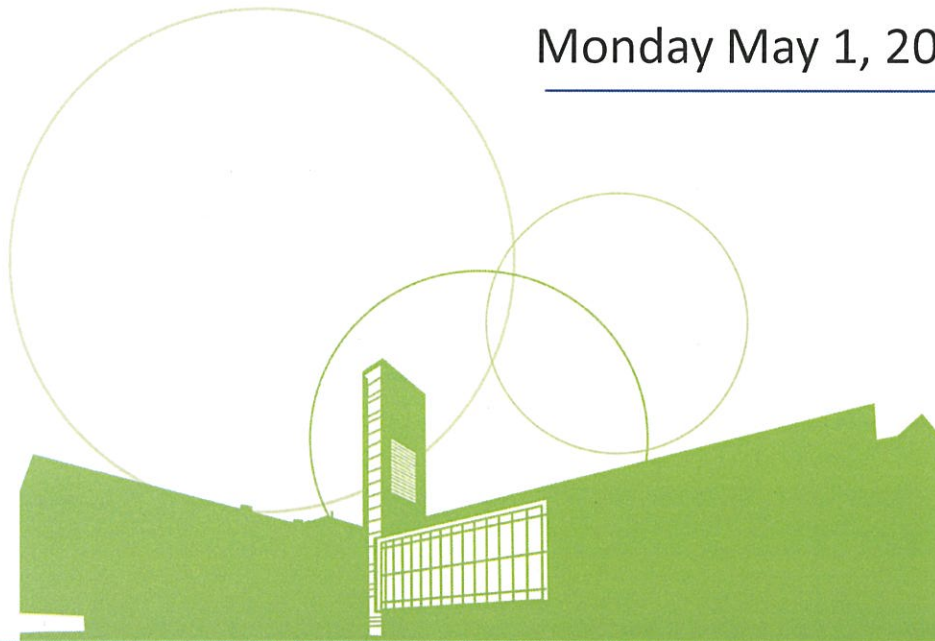


Internal Audit Annual Report

Monday May 1, 2017



Today's Presentation

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

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"

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

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

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

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

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.

2016 Performance Highlights

- Anonymous Reports were investigated and closed three weeks faster than the Global Benchmark
- 100% acceptance rate for all audit recommendations
- Internal Audit staff met their respective professional training requirements

Common Themes and Issues

1. Technology
2. Data Capture and Analytics
3. Strategic Procurement
4. Project Management, Contract administration and Management Oversight
5. Providing more clarity on roles, responsibilities and expectations of stakeholders

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
- 46 Total Reports (16 – 2014, 18 – 2015, 12 – 2016)

E-Learning Module

- Educational training tool designed to increase employee trust, confidence and awareness of the system
- Reinforces the City's commitment to effective governance and accountability
- Launched in November 2016
- Mandatory Course

COV ARS Results vs Benchmark Criteria

1. Substantiation Rates
2. Reporter Follow-up Rate
3. Anonymous vs Named Reporters

ARS Results – Trends & Themes

1. Substantiation Rates

City of Vaughan vs Global Benchmark	Substantiation Rates		
	2014	2015	2016
City of Vaughan	31%	28%	25%
Global Benchmark	40%	41%	40%

ARS Results – Trends & Themes

2. Reporter Follow-up Rate

Year	Benchmark Survey	Vaughan
2014	33%	79%
2015	30%	28%
2016	30%	17%

ARS Results vs Benchmark Criteria

3. Anonymous vs Named Reporters

Year	Anonymous		Named	
	Benchmark Survey	Vaughan	Benchmark Survey	Vaughan
2014	61%	94%	39%	6%
2015	59%	100%	41%	0%
2016	58%	92%	42%	8%

Questions?