

Internal Audit Annual Report

FA&A Committee – Monday May 7th



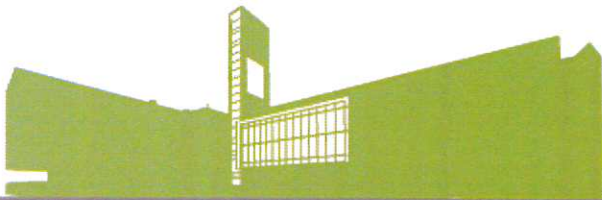
Today's Presentation

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



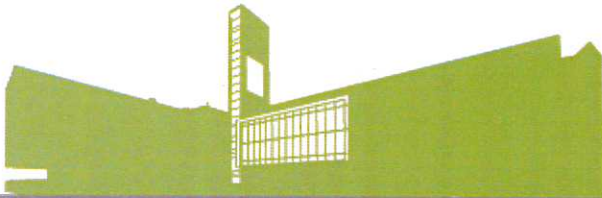
Internal Audit's Purpose

- 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"



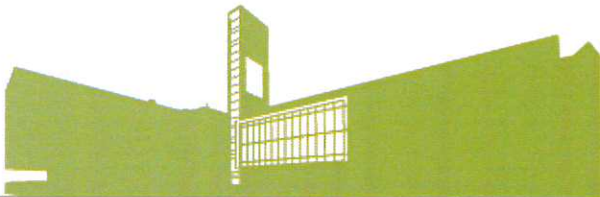
Functional Reporting To Council – Council Responsibilities

- 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



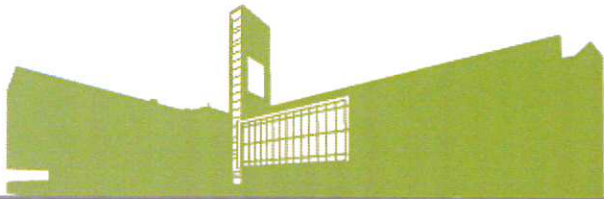
Functional Reporting To Council – Council Responsibilities

- 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



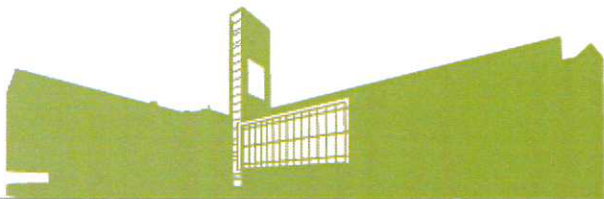
Director of IA assists Council by:

- 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

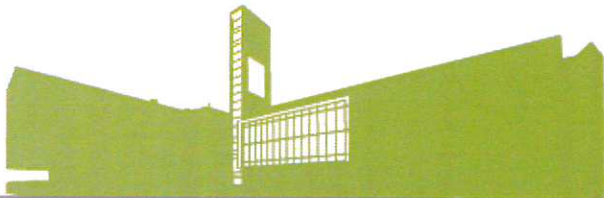
- Helps facilitate day-to-day operations
 - Providing appropriate office space, supplies and equipment
 - Human Resources, Information Technology, and Purchasing support
 - Internal communications and information flow
 - Administration of the Internal Audit activity's policies and procedures



Annual Declaration of Independence

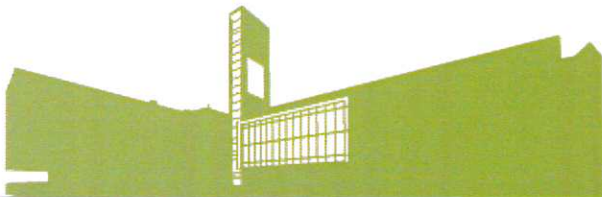
Internal Audit Department has been able to carry out its activities free from management interference and remains organizationally independent.

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.



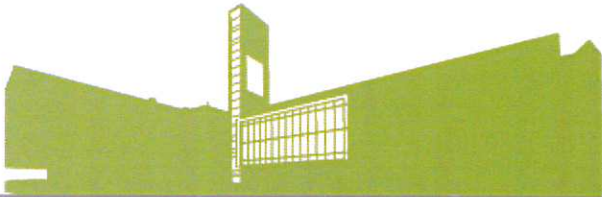
2017 Performance Highlights

- 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



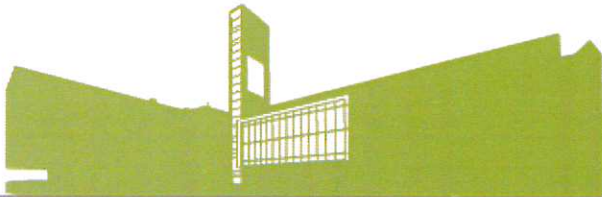
Common Themes and Issues

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.



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)



ARS Results – Trends & Themes

1. Substantiation Rates:

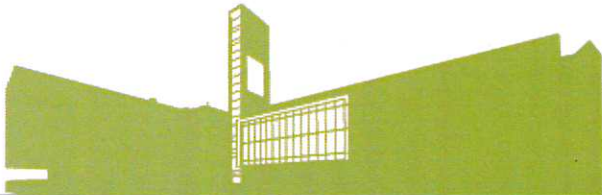
- 16% of the 2017 reports were substantiated. The Global Benchmark substantiation rate was 44%. Our overall substantiation rate since the system was launched is 25%.

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%.



Questions?

