

**CITY OF VAUGHAN**

**EXTRACT FROM COUNCIL MEETING MINUTES OF OCTOBER 30, 2012**

Item 1, Report No. 10, of the Finance and Administration Committee, which was adopted without amendment by the Council of the City of Vaughan on October 30, 2012.

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**INTERNAL AUDIT – SUPPORTING THE CITY**

The Finance and Administration Committee recommends that the presentation by the Director of Internal Audit entitled “Internal Audit – Supporting the City”, dated October 15, 2012, and C1, presentation material, be received.



# INTERNAL AUDIT

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## Supporting The City

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COMMUNICATION	
F&A -	<u>Oct 15/12</u>
ITEM -	<u>1</u>

Finance and Administration Committee  
October 15, 2012

# Agenda

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

# 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.

# 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?

# Audit Charter - Features

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

# Audit Charter - Principles

## Five Core Principles

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

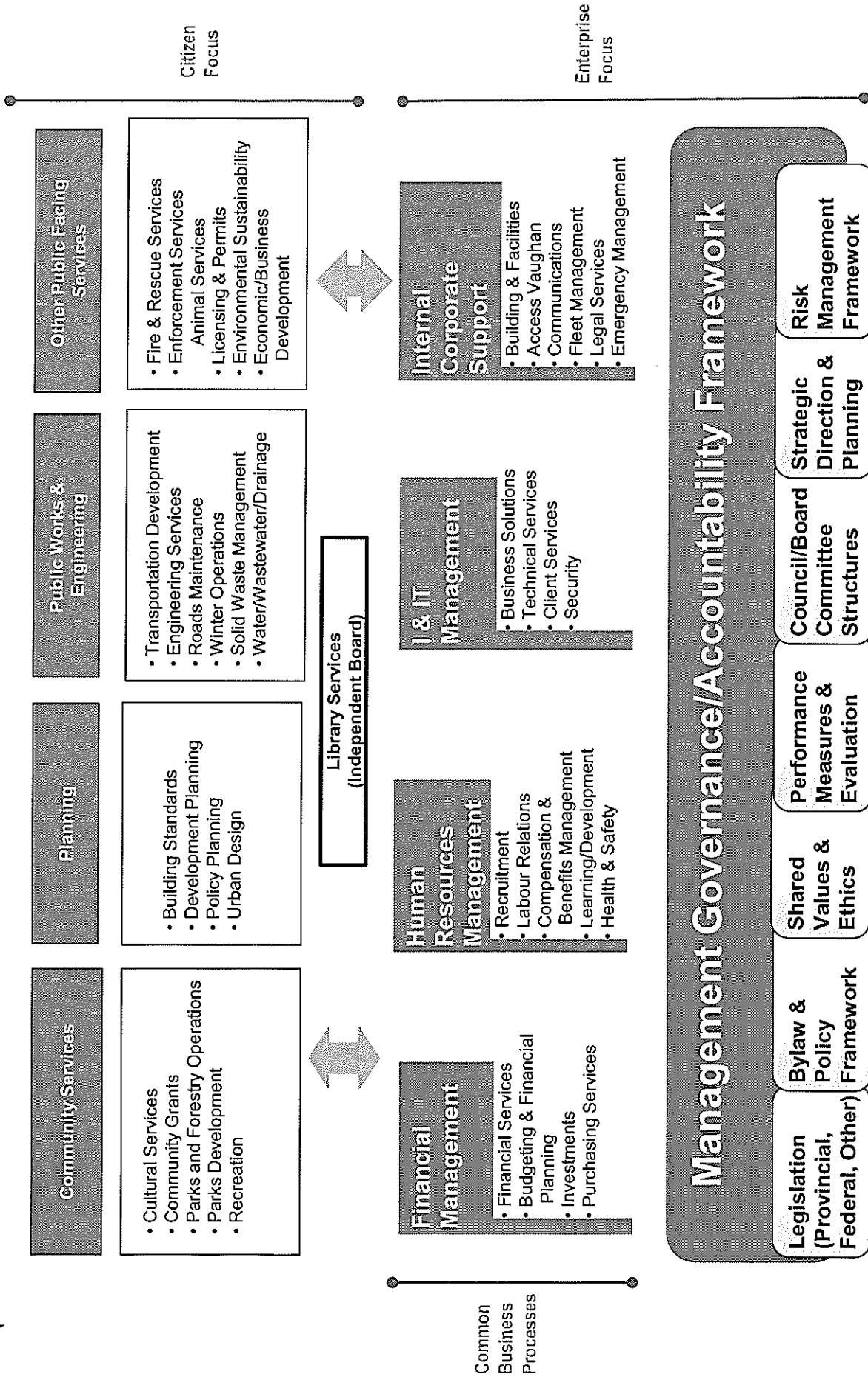
# Partnerships - Working Agreement

What We Offer	What We Need
<ul style="list-style-type: none"><li>• More Consultation</li><li>• No Surprises</li><li>• No Secrets</li><li>• Addressing Priority Issues</li></ul>	<ul style="list-style-type: none"><li>• Access to Information and Staff</li><li>• Quick Responses to Potential Issues</li><li>• Fast(er) Turnaround on Reports</li></ul>





# 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

# 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

# Reporting Format - Systemic Reporting

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

# COMMENTS?