

COMMITTEE AGENDA

CONSOLIDATED AS OF JULY 31, 2015



TO **Governance Committee**

DATE Tuesday August 4, 2015

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 3:00 p.m.

DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

CONFIRMATION OF MINUTES – June 30, 2015 open meeting minutes

PRESENTATIONS (Items with no accompanying report)

- a) None

CONSENT AGENDA

The following resolutions have been prepared to facilitate the Committee's consideration of the various matters and are suggested for consideration. If the Committee wishes to address a specific report in isolation of the Consent Agenda, please identify the item. The item will be extracted and dealt with separately. The balance of the Governance Committee Consent Agenda will be approved in one resolution.

ITEM	CITY PRESENTATION	DELEGATIONS	TO BE EXTRACTED
GOV-2015.6 Governance Committee Outstanding Motions			
GOV-2015.10 CAO Performance Appraisal Process	Connie Van Andel		√
GOV-2015.11 Capital Projects Risk Assessment	<ul style="list-style-type: none">• Michael Ingram, Deloitte• Ann Pappert, CAO (presentation)		√
GOV-2105.12 Revisions to Internal Audit Charter	<ul style="list-style-type: none">• Ann Pappert, CAO• Ruvani Shaubel, Internal Auditor		√
GOV-2015.13			

Financial Review of Urbacon Capital Project			
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Resolution to adopt the balance of the Governance Committee Consent Agenda.

ITEMS EXTRACTED FROM CONSENT AGENDA

Once extracted items are identified, they will be dealt with in the following order:

- 1) delegations (may include presentations)
- 2) staff presentations only
- 3) all others.

CLOSED MEETING

THAT the Governance Committee now hold a meeting that is closed to the public with respect to:

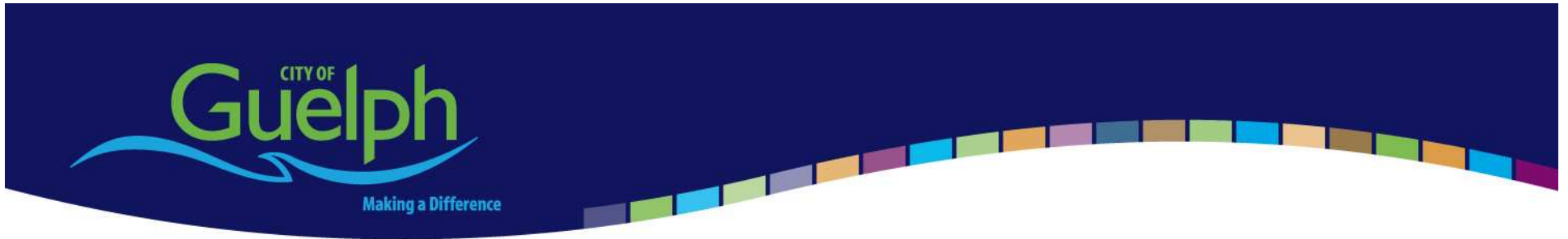
GOV-C-2015.1 CAO Performance Appraisal Process

S. 239 (2) (b) of the *Municipal Act* – personal matters about identifiable individuals

STAFF UPDATES AND ANNOUNCEMENTS

ADJOURN

NEXT MEETING – Tuesday October 6, 2015



Complex Capital Projects

Governance Committee

(August 4, 2015)

Complex Capital Project Risk Management Assessment

- Engagement with Deloitte
 - ❖ Timely to have an independent 3rd party assessment
 - ❖ Established relationship through Internal Audit
 - ❖ Significant experience in Constructions and Project Risk Management

Key Recommendations

1. Develop and implement a Capital project portfolio management framework that identifies projects as Tier #1, 2 or 3 based on their:
 - a. risk and complexity profile;
 - b. sponsor group or individual;
 - c. delivery method;
 - d. impact on continuity of operation;
 - e. reputational importance

Key Recommendations (cont'd)

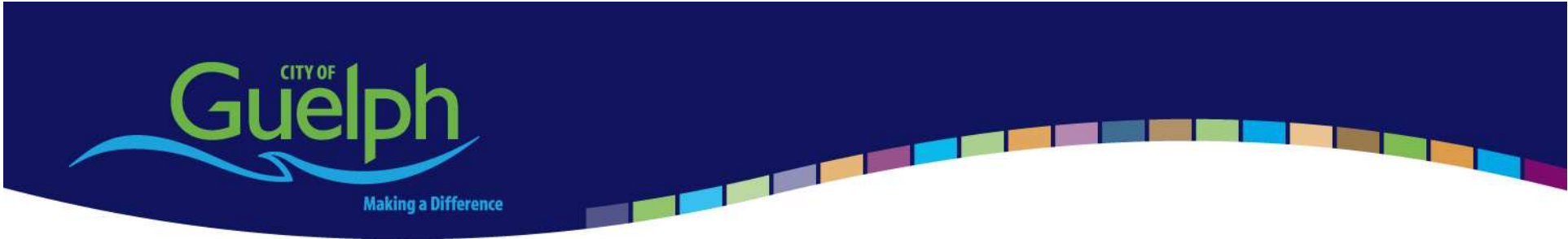
2. Establish a Project Management Office that will specify standards, guidelines and principles for the delivery of Capital projects, along with implementing governance and decision support requirements for each category of project Tier at each stage in the project lifecycle.

Key Recommendations (cont'd)

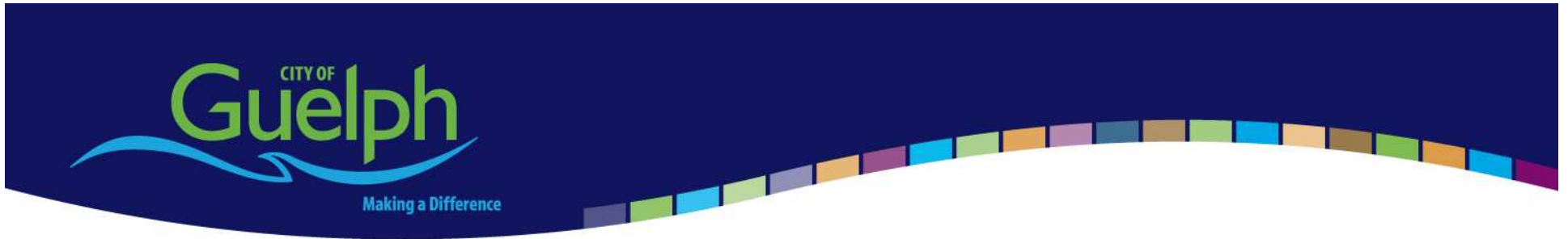
3. Develop and implement a formal risk management approach that is scalable to project Tier and aligned with:
 - a. key milestone / multiple decision point framework (known as stage-gates)
 - b. business case requirements
 - c. corporate enterprise risk management program.

Management Response

- “Go Forward” position
- Management agrees with all recommendations
- Work is underway: focus on top 3 actions
- Annual progress reported through Corporate Services

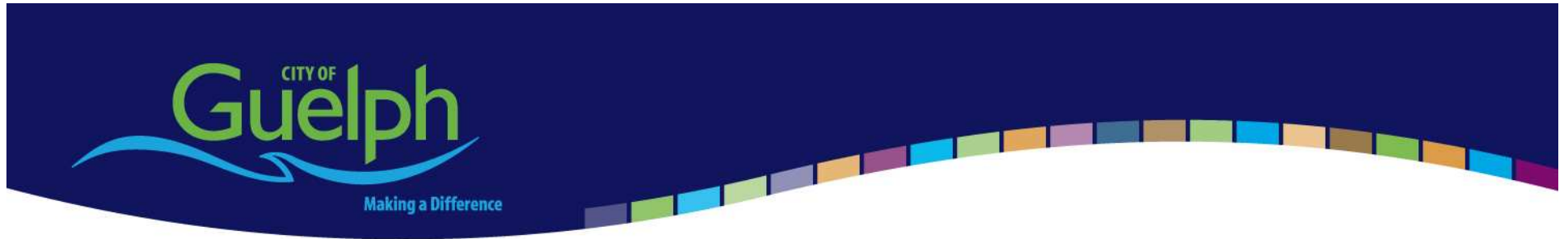


Q&A



Recommendations

- That the staff report CAO-C-1507 including attachment #1 (Executive Summary of assessment results by Deloitte) be received.



Internal Audit function at the City of Guelph



THREE STREAMS OF ASSURANCE

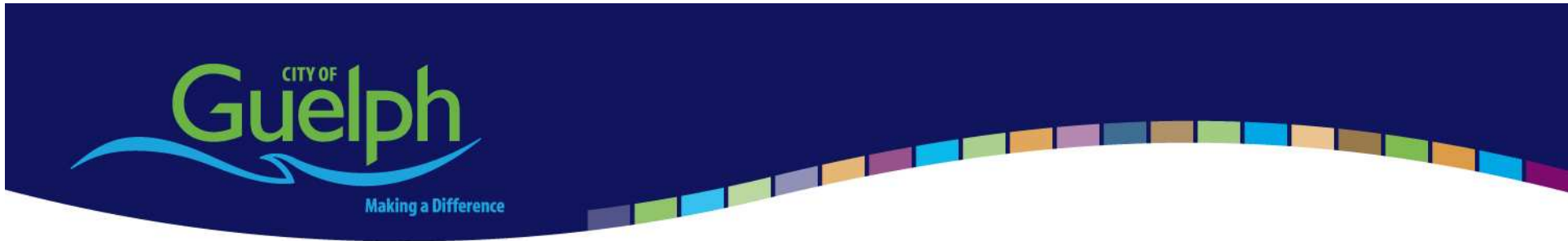
INTERNAL AUDIT	AUDITOR GENERAL	INTEGRITY COMMISSIONER
<p>MANDATE Responsibility to both Council and Administration to assist senior management meet their responsibilities to maintain proper systems of internal controls identify and evaluate significant risk exposures and strengthen risk management throughout the City.</p>	<p>MANDATE Responsibility to Council to audit government operations and provide Council with independent information, advice, and assurance regarding stewardship of public funds.</p>	<p>MANDATE Responsibility to Council to provide advisory and investigation results to ensure compliance with standards of conduct expected of elected and appointed government officials.</p>
<p>MANDATE MET THROUGH Assurance services including the conduct of audits including:</p> <ul style="list-style-type: none"> ○ Compliance ○ Operational ○ Financial ○ Forensic ○ value for money ○ internal controls ● Business Performance/Optimization ● Enterprise Risk Management ● Special Investigations ● Consulting/Advice 	<p>MANDATE MET THROUGH Assurance services including the conduct of audits including:</p> <ul style="list-style-type: none"> ○ Financial ○ Performance (value-for-money) ○ Special Investigations 	<p>MANDATE MET THROUGH Conducting inquiries into requests made by members of the public, Council, or members of Council, as to whether or not an elected or appointed government has contravened the Code of Conduct.</p>
<p>REPORT TIMELINE August 4, 2015 Governance Committee</p> <ul style="list-style-type: none"> ● Internal Audit Charter/Terms of Reference <p>September 8, 2015 Audit Committee</p> <ul style="list-style-type: none"> ● Internal Audit Charter/Terms of Reference <p>October 6, 2015 Governance Committee</p> <ul style="list-style-type: none"> ● Internal Audit Charter/Terms of Reference 	<p>REPORT TIMELINE October 6, 2015 Governance Committee</p>	<p>REPORT TIMELINE October 6, 2015 Governance Committee</p>

THREE STREAMS OF ASSURANCE

INTERNAL AUDIT DEPARTMENT

SERVICES PROVIDED

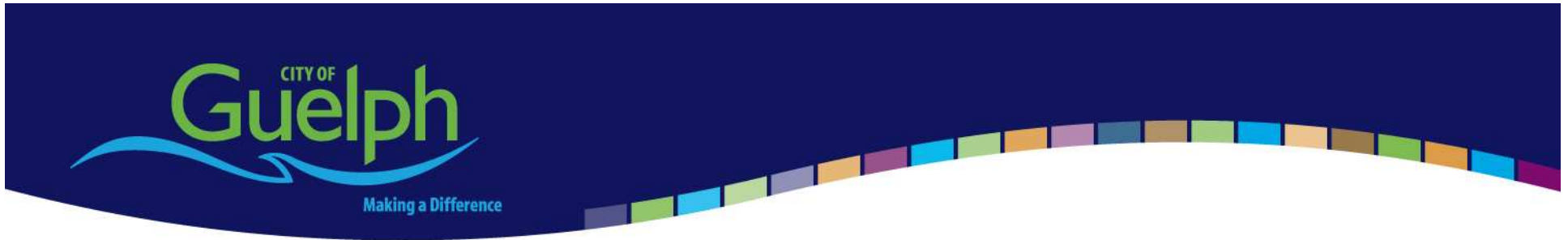




Internal Audit Charter Revisions

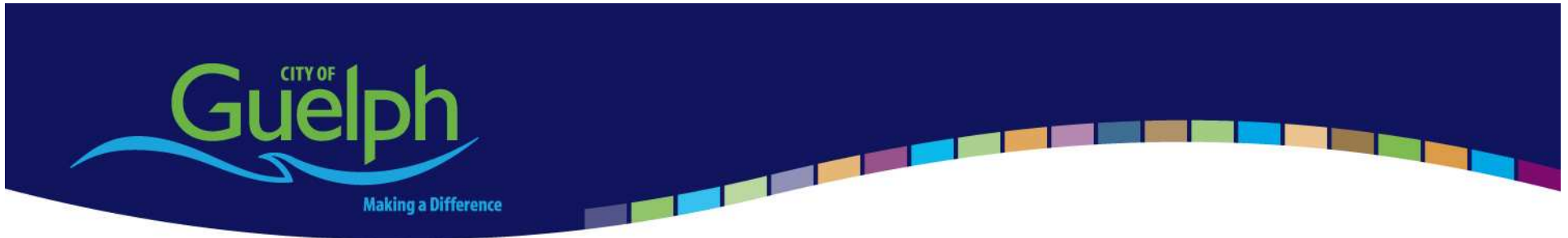
Agenda

- Purpose
- Background
- Accountability and Reporting Relationships
- Services Provided
- Work Plan Process



Purpose

- Respond to Council direction (March 2015) to refine the processes and terms for functional and administrative reporting of the internal audit function as outlined in current Charter
- Report recommended amendments to the Charter in 2015 to the Governance Committee.



Background

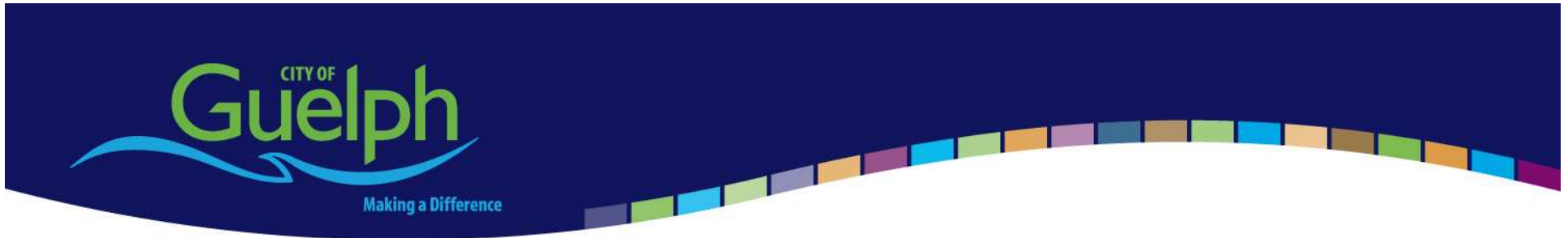
- Internal Audit function was established in July 2012 and the current Charter formulated soon thereafter;
- The *Internal Audit Charter* is to be reviewed at least once during each term of Council
- On May 26, 2014 Council passed a resolution to temporarily change the reporting structure of the internal audit function.
 - Recommendations included:
 - *That management continue to refine the processes and terms for functional and administrative reporting by the internal audit function and report back on any recommended amendments to the Internal Audit Charter, in 2015, to the Governance Committee.*
- This report addresses the recommendation 2 of the report CAO-A-1502 noted above.

Accountability & Reporting Relationships

Current Practice

Internal Auditor will:

- Report significant issues related to the adequacy and effectiveness of the City's processes for controlling its activities and managing its risks, including recommendations for improvements to those processes and managements' response for implementing corrective action.
- Annually provide information on the status of the annual audit plan, performance against benchmarks and the sufficiency of Internal Audit resources.



Accountability & Reporting Relationships

Functional Reporting to Audit Committee

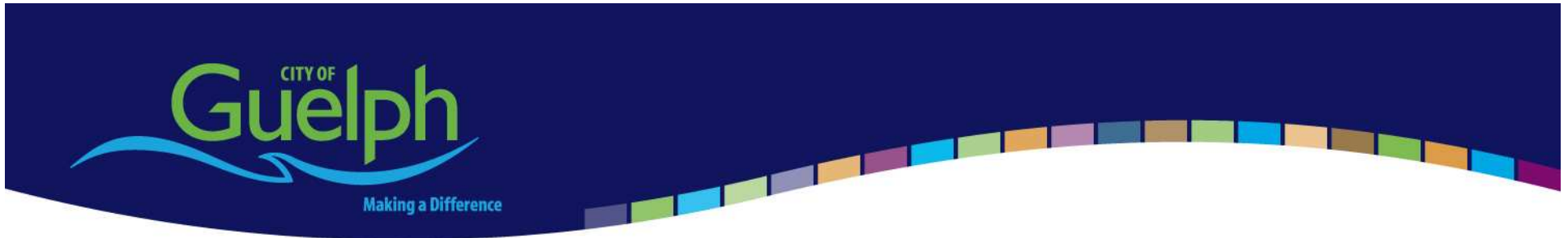
- Internal Auditor has direct reporting access to the Chair of the Audit Committee – this provides organizational independence for the Internal Auditor; (current practice)
- Committee is responsible to review and approve changes to the Internal Audit Charter (purpose, authority and responsibilities of the internal audit activity); (current practice)
- Committee is responsible for reviewing Internal Audit Work plan and forwarding it to Council for approval; (revised) and
- Committee receives audit reports and findings.(current practice)

Accountability & Reporting Relationships

Current Practice

Functional Reporting to Executive Team (including CAO)

- Internal Auditor has direct reporting access to the Executive Team – this provides necessary authority to perform and report on work done;
- Discusses changes to the Internal Audit Charter with the Executive Team;
- Discusses draft Work plan with the Executive Team who provide input on operational constraints and timing re conduct of audit projects;
- The Executive Team receives and reviews audit reports brought forward by the Internal Auditor.



Accountability & Reporting Relationships

Current Practice

Administrative Reporting to CAO

- The Chief Administrative Officer:
- Completes the Internal Auditor's Performance Evaluation – with input from the Executive Team and the Audit Committee;
- Reviews budget needs and ensures adequate resourcing of the Department;
- Approves time off, training submissions and expenses of the Internal Auditor; and
- Makes decisions relating to the hiring, discipline and termination of the Internal Auditor – with input from the Executive Team and Chair of Audit Committee.

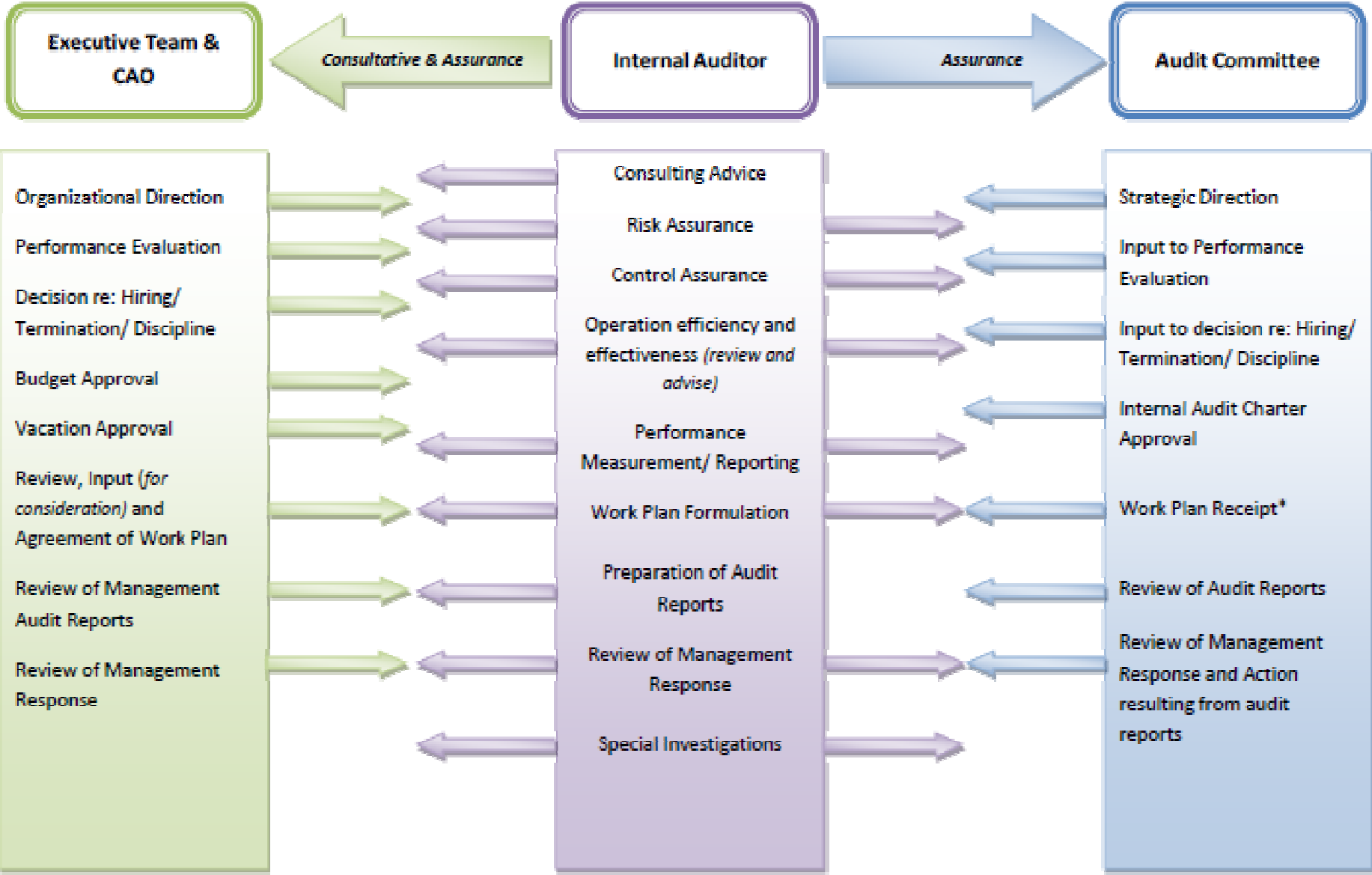
Accountability & Reporting Relationships

Current Practice

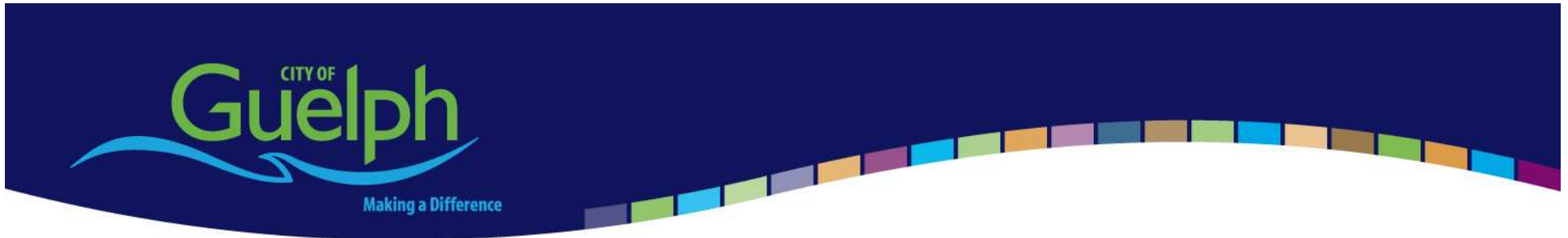
What are the Changes?

- Council as a whole is responsible for the approval of the Internal Audit Work plan forwarded by the Audit Committee; and
- No other changes in practice but the revised charter clearly outlines the current practices relating to functional reporting and administrative reporting.

Accountability & Reporting Relationships

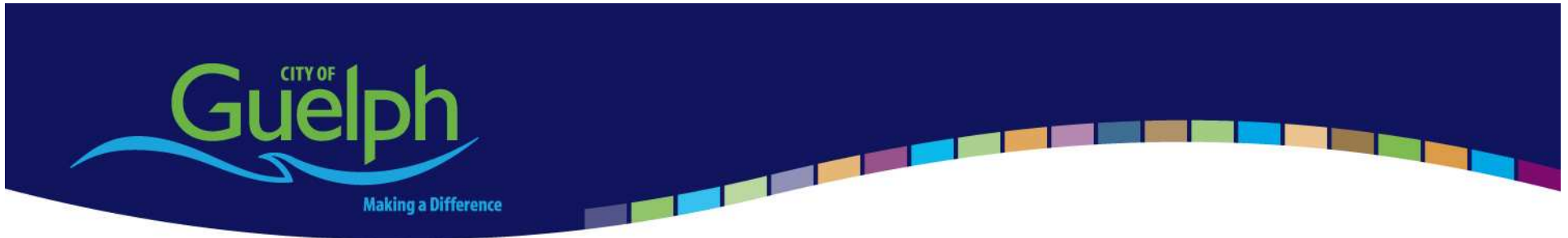


*Audit Committee refers the work plan to Council for approval



Services Offered

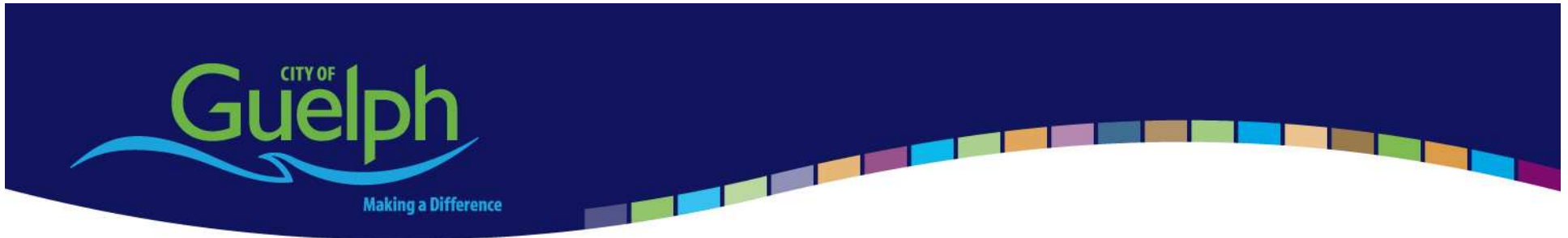
- Assurance services including the conduct of compliance, operational, financial, forensic, value for money and internal control audits;
- Business performance and risk assessment;
- Information sessions on Internal Audit services re Enterprise Risk Management;
- Monitoring and reporting to senior management of the City's risk status and mitigation plans;
- Special investigations; and
- Consulting and advice upon request.



Services NOT Offered

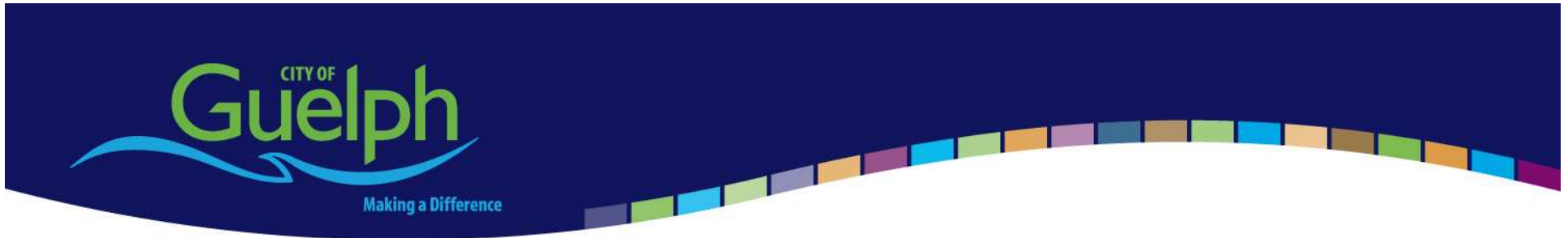
In general, any type of activity that Internal Audit may be later called upon to audit.

- Operational services for the City;
- Initiate or approve accounting transactions external to the Department;
- Service Rationalization studies;
- Service Reviews; and
- Cannot direct the activities of any employee in the City not assigned to work in the Internal Audit Department.



Work Plan Process Changes - Highlights

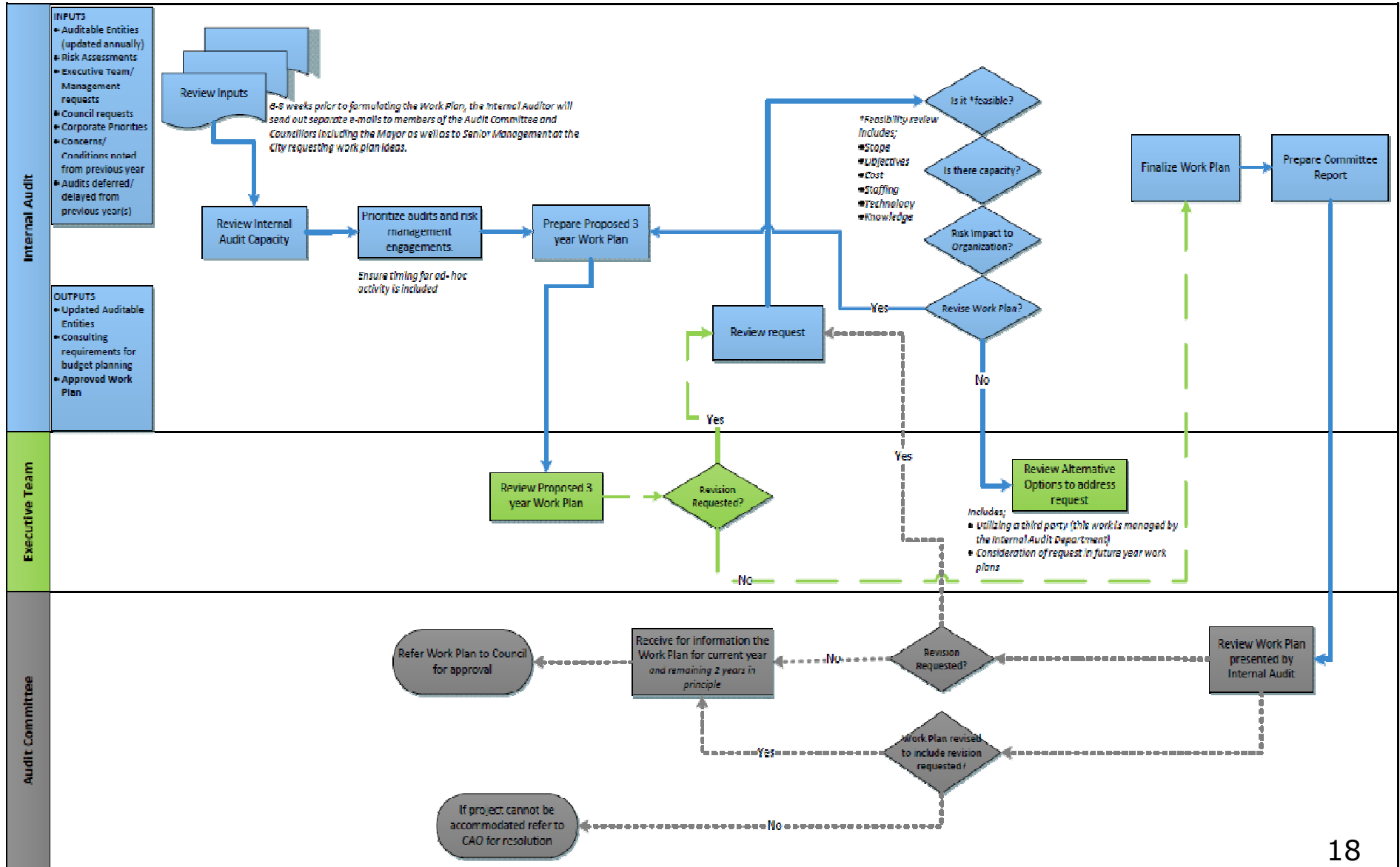
- 3-year Work plan
- All councillors (and Mayor) informed by e-mail 6-8 weeks prior to the initiation of Work plan process requesting suggestions for consideration;
- All senior management (including ET) informed by e-mail 6-8 weeks prior to the initiation of Work plan process requesting suggestions for consideration; and
- Finalized Audit Work plan submitted to Audit Committee who in turn forwards it to Council for approval



Why were changes to the Work Plan Process Made?

- A 3-year Work plan is in line with best practice adopted by other municipal audit entities and allows for more strategic decisions;
- Final approval of the work plan takes into consideration all individuals who had input into the process;
- All suggested projects risk prioritized at the same time and within the same process which results in a more efficient and objective process;
- Considers resource availability up front; and
- Simpler and saves times.

Internal Audit Work Plan Process



THANK YOU!

Q&A

