

COMMITTEE AGENDA



TO **Audit Committee**

DATE February 13, 2013

LOCATION Council Chambers, Guelph City Hall, 1 Carden Street

TIME 5:00 p.m.

DISCLOSURE OF PECUNIARY INTEREST AND GENERAL NATURE THEREOF

CONFIRMATION OF MINUTES – November 14, 2012 Open And Closed 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 Audit Committee Consent Agenda will be approved in one resolution.

| ITEM | CITY PRESENTATION | DELEGATIONS | TO BE EXTRACTED |
|--|-------------------|-------------|-----------------|
| AUD-2013.1 2012 Audit Committee Final Work Plan Report | | | |
| AUD-2013.2 2013 Audit Committee Work Plan | | | |
| AUD-2013.3 Internal Audit 2013 Work Plan | | | |
| AUD-2013.4 Auditable Entities-2013 Selections for Audit | | | |

Resolution to adopt the balance of the Audit 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 Audit Committee now hold a meeting that is closed to the public with respect to:

1. **Status Update – Implementation of the 2011 Audit Recommendations**
S. 239 (2) (a) *of the Municipal Act* - security of the property of the municipality

NEXT MEETING – April 17, 2013

**The Corporation of the City of Guelph
Audit Committee
November 14, 2012 6:00 p.m.**

A meeting of the Audit Committee was held on Wednesday, November 14, 2012 in the Council Chambers at 6:00 p.m.

Present: Councillors Guthrie, Kovach, and Mayor Farbridge

Absent: Councillors Furfaro and Wettstein

Also Present: Councillors Bell, Dennis, Hofland and Van Hellemond

Staff Present: Mr. A. Horsman, Executive Director, Finance & Enterprise/Chief Financial Officer; Ms. L. Alonzo, Internal Auditor; Ms. K. Power, General Manager of Finance/Deputy Treasurer; Ms. T. Agnello, Deputy City Clerk; and Ms. D. Black, Council Committee Co-ordinator

Disclosure of Pecuniary Interest and General Nature Thereof

There were no disclosures.

1. Moved by Councillor Kovach
Seconded by Mayor Farbridge

THAT the open and closed meeting minutes of the Audit Committee meeting held on October 16, 2012 be confirmed as recorded and without being read.

VOTING IN FAVOUR: Councillors Guthrie, Kovach and Mayor Farbridge (3)

VOTING AGAINST: (0)

Carried

Consent Agenda

The following items were extracted from the Consent Agenda to be dealt with separately:

AUD-2012 A.12 **Deloitte Audit Plan – Year Ended December 31, 2012**

Deloitte Audit Plan – Year Ended December 31, 2012

Mr. Evan McDade, Audit Partner, Deloitte & Touche, provided an overview of the Audit Service Plan. He outlined the scope, key elements, audit team composition, communication requirements; and their communication calendar.

Ms. Jennifer Gruber, Manager, Deloitte & Touche, explained the group audit portion of the presentation.

There was discussion regarding communication and collaboration between the internal and external auditors.

2. Moved by Councillor Kovach
Seconded by Mayor Farbridge

THAT the Audit Service Plan for the Year Ended December 31, 2012 attached in Appendix A to Report FIN-12-47 be received for information.

VOTING IN FAVOUR: Councillors Guthrie, Kovach and Mayor Farbridge (3)

VOTING AGAINST: (0)

Carried

3. Moved by Councillor Kovach
Seconded by Mayor Farbridge

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

1. **Deloitte Audit Plan – Year Ended December 31, 2012**
S. 239 (2) (a) Security of the Property of the Municipality
2. **Status Update – Implementation of the 2011 Audit Recommendations**
S. 239 (2) (a) Security of the Property of the Municipality

Carried

Closed Meeting

Deloitte Audit Plan – Year Ended December 31, 2012

There was no discussion regarding the Deloitte Audit Plan – Year Ended December 31, 2012

Status Update – Implementation of the 2011 Audit Recommendations

There was discussion regarding the status update of the implementation of the 2011 audit recommendations.

4. Moved by Mayor Farbridge
Seconded by Councillor Kovach
THAT staff be given direction with respect to the status update –
implementation of the 2011 Audit recommendations.

Carried

The Committee reconvened in public session at 6:42 p.m.

5. Moved by Mayor Farbridge
Seconded by Councillor Kovach
THAT the Audit Committee meeting of November 14, 2012 be
adjourned.

Carried

The meeting adjourned at 6:44 p.m.

.....
Chairperson

**AUDIT COMMITTEE
CONSENT AGENDA**

February 13, 2013

Members of the Audit Committee.

SUMMARY OF REPORTS:

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 immediately. The balance of the Audit Committee Consent Agenda will be approved in one resolution.

A Reports from Administrative Staff

| REPORT | DIRECTION |
|--|------------------|
| AUD-2013.1 2012 AUDIT COMMITTEE FINAL WORK PLAN REPORT 1. That Report FIN-13-02 "2012 Audit Committee Final Work Plan Report" be received. | Receive |
| AUD-2013.2 2013 AUDIT COMMITTEE WORK PLAN 1. That Report FIN-13-03 2013 Audit Committee Work Plan be approved. | Approve |
| AUD-2013.3 INTERNAL AUDIT 2013 WORK PLAN 1. That the Internal Audit 2013 Work Plan as presented in Appendix A, be approved. | Approve |
| AUD-2013.4 AUDITABLE ENTITIES-2013 SELECTIONS FOR AUDIT 1. That the Auditable Entities 2013 Recommendations as described in Appendix A, be received. | Receive |

attach.

STAFF REPORT



TO Audit Committee

SERVICE AREA Finance and Enterprise

DATE February 13, 2013

SUBJECT 2012 Audit Committee Final Work Plan Report

REPORT NUMBER FIN-13-02

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide Council members with a final report on the work that the Audit Committee has performed through 2012. A mid-year status report for 2012 was received by Committee in September 2012.

KEY FINDINGS

Audit Committee has addressed and satisfied all items on their work plan for 2012.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report.

ACTION REQUIRED

That Audit Committee receives Report FIN-13-02 and it then be forwarded to Council for receipt.

RECOMMENDATION

1. That Report FIN-13-02 "2012 Audit Committee Final Work Plan Report" be received.

BACKGROUND

Audit Committee approved a 2012 Annual Work Plan at the May 14, 2012 meeting in report FIN-12-06. This current information report is a final year end summary report on the work completed by Audit Committee through 2012 with respect to this work plan.

In accordance with the Audit Committee Charter this reporting is required semi-annually.

STAFF REPORT



REPORT

Attached to this report in Appendix A is the 2012 Final Work Plan Status Report to provide Council with information on the work Audit Committee has completed during 2012.

Highlights since June 30, 2012 include:

- The Committee has approved an Internal Audit Charter that will guide Audit Committee in their role for the management and oversight relating to the internal audit function
- Audit Committee received a report and heard a presentation from the internal audit team that outlined the results of the legal representation service review. This report was well received by Committee members who fully endorsed the recommendations that staff had identified.
- The Committee completed their annual performance review of the performance of the external auditor in accordance with the audit committee charter and work plan. The external auditor was presented with this information and will work alongside staff to address the items identified. Overall there was an improvement year over year in the satisfaction of the external auditor's performance.
- The Committee received the external auditor's 2012 financial statement audit plan as delivered in a presentation by Evan McDade from our external auditing firm Deloitte.
- The Committee reviewed the status of the implementation of the 2011 audit recommendations and a follow up report will be coming back to Audit Committee in February 2013 with respect to the direction given by the Committee.

CORPORATE STRATEGIC PLAN

2.3 Ensure accountability, transparency and engagement

DEPARTMENTAL CONSULTATION

Internal Audit was consulted in the preparation of this report.

COMMUNICATIONS

No communication approach is necessary.

ATTACHMENTS

ATT-1 - 2012 Audit Committee Final Work Plan Status Report

STAFF REPORT



original signed by Tara Johnston

Report Author

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original signed by Katrina Power

Approved By

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Recommended By

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REPORT FIN 13-02 DATED February 13, 2013

ATTACHMENT 1

Audit Committee - 2012 Final Work Plan Status Report

| External Audit | Frequency | | | Comments |
|---|---------------|-------------|-------------|--|
| | Annual | Term | Need | |
| Review the external auditors' proposed audit scope and approach, including coordination of audit effort with City staff | • | | | Completed in November 2011 for the 2011 audit and expected to be completed in November 2012 for the 2012 audit. |
| Review with management and the external auditors the result of the audit including any difficulties encountered and all other matters required to be communicated to the Committee under Generally Accepted Auditing standards | • | | | Completed June 11, 2012 |
| Resolve any disagreements between management and the external auditors regarding financial reporting | | | • | None noted. |
| At the conclusion of the audit, consult with the external auditors, without the presence of management, regarding internal financial controls, compliance and the fullness and accuracy of the City's financial statements | • | | | Completed June 11, 2012 |
| Ensure the timely presentation of the external auditor's annual audit report to Council | • | | | Completed June 11, 2012 and approved by Council on June 25, 2012 |
| Financial Statements | Annual | Term | Need | Comments |
| Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional and regulatory pronouncements and understand their impact on the financial statements | • | | | Completed June 11, 2012 and received a presentation on the future changes in accounting standards and the resulting impact on the financial statements on May 14, 2012 |
| Review the representation letter provided by management to the external auditors | • | | | Completed June 11, 2012 |
| Prior to the presentation of the annual financial statements to Council, review the financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles | • | | | Completed June 11, 2012 |
| Recommend to Council the approval and distribution of the annual financial statements | • | | | Completed June 11, 2012 and approved by Council on June 25, 2012 |
| External Auditor Performance and Review | Annual | Term | Need | Comments |
| Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the city, including non-audit services, and discussing the relationships with the auditors | • | | | Completed June 11, 2012 |
| Direct and review the performance evaluation process for the external auditor | • | | | Completed September 16, 2012 |
| Recommend changes to the external auditor's compensation for Council approval | | | • | Not required in 2012 - Previous RFP has established Deloitte for term from 2010 - 2014 |
| Periodically determine whether a RFP should be issued to select an external auditing firm. As per the Ontario Municipal Act 2001 section 296(3), the external auditor shall not be appointed for a term exceeding five years | | | • | Not required in 2012 - Previous RFP has established Deloitte for term from 2010 - 2014 |
| Participate in the selection of an external auditing firm by reviewing the RFPs and bids received, interviewing potential auditing firms and recommending the external auditor for final approval to the Council | | | • | Not required in 2012 - Previous RFP has established Deloitte for term from 2010 - 2014 |

| Compliance | Annual | Term | Need | Comments |
|---|---------------|-------------|-------------|--|
| Obtain regular updates from management and others (legal counsel, external auditors) regarding compliance with laws and regulations having a material impact on the financial statements including: tax and financial reporting, legal withholding requirements & environmental protection laws and regulations | • | | | Completed June 11, 2012 |
| Review by-laws and policies specifically regulating the conduct of members of council, staff and suppliers | | | • | Not identified as a need in 2012 |
| Review the findings of any examinations by regulatory agencies and any auditor observations | | | • | Not identified as a need in 2012 |
| Discuss with the City Solicitor, any significant legal, compliance, or regulatory matters that may have a material effect on the financial statements or the business of the City, or on the compliance policies of the City. | | | • | Not identified as a need in 2012 by Audit Committee - Council receives semi-annual legal updates from the City Solicitor |
| Review the results of management's investigation and follow-up for any instances of non-compliance | | | • | Not identified as a need in 2012 |
| Review the effectiveness of the system established to ensure compliance | | | • | Not identified as a need in 2012 |
| | | | | |
| Risk Management & Internal Control | Annual | Term | Need | Comments |
| Understand the scope of the external auditor's review of internal financial control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses and the timing of the disposition of significant findings. | • | | | Completed June 11, 2012 |
| Through the use of a risk management framework, assess the financial risks to be managed by the City and any change in significant financial risks. | • | | | In the Fall of 2012, Audit Committee members attended a Council workshop on developing an enterprise risk management (ERM) framework for the City and that further development of this framework will continue in 2013-2014. Phase 1 of the ERM was approved in Oct 2012 and implementation will occur during 2013. Phase 2 will be implemented in 2014. Further, the audit committee assesses changes in significant financial risks of the corporation through the external financial statement audit process. |
| Consider the effectiveness of the City's internal control system for the safeguarding of assets, including information technology security and control and the adequacy of policies and procedures | | | • | Considered by audit committee as part of the external audit process. The external audit for 2011 identified areas of improvement that were reported to committee In June 2012. Staff have brought back a report to audit committee in November 2012 and February 2013 regarding the status of the implementation of recommendations resulting from this audit. |
| Review management and program performance regarding efficiency, effectiveness and economy in the use of resources | | | • | Audit Committee received a report in September 2012 with the results of a Legal Services Review. Additional program audits are schedule for 2013. |
| Review the effectiveness of management reporting systems regarding administrative and program performance. | | | • | Not identified as a need in 2012 |
| Direct other risk management and internal control projects as identified and referred by Council | | | • | Not identified as a need in 2012 |
| | | | | |

| Internal Audit | Annual | Term | Need | Comments |
|--|---------------|-------------|-------------|--|
| Establish and review regularly the Internal Auditor Charter | • | | | Completed |
| Review and approve the internal auditor annual work plan | • | | | This will start in 2013 - no annual work plan for 2012 as this new service just started mid 2012. |
| Monitor progress of the approved internal audit work plan | • | | | This will start in 2013 - no annual work plan for 2012 as this new service just started mid 2012. |
| Reporting | | | | |
| Reporting | Annual | Term | Need | Comments |
| Ensure the creation of semi-annual information report to Council on progress achieved by the Committee and any concerns or issues that have been identified. The report shall be prepared by the Committee Chair with input from staff. | • | | | Committee reported the final results of the 2011 audit committee work plan on April 11, 2012 and a mid-year 2012 reporting on September 16, 2012. |
| Provide an open avenue of communication between the external auditors and City Council | • | | | Completed June 11, 2012 |
| Adequacy of the City's Resources | | | | |
| Adequacy of the City's Resources | Annual | Term | Need | Comments |
| Review the nature of evolving or developing businesses managed by the City, including those changes occasioned by business or process redesign | • | | | On-going throughout 2012 - Committee reviewed the impact of GMHI during the June 11, 2012 reporting and will continue to monitor impacts of any business changes throughout 2012. |
| As new businesses and ventures are embarked on by the City, gain comfort that all appropriate processes have been put in place to evaluate feasibility of the new business and to ensure proper resources, both human and financial, have been provided. | | | • | Not identified as a need in 2012 |
| Other | | | | |
| Other | Annual | Term | Need | Comments |
| In conjunction with management and the external auditors, develop an annual work plan for the Committee that identifies priorities, objectives and timelines for key deliverables. | • | | | Completed May 14, 2012 |
| With Council approval, retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of a review. | | | • | Not identified as a need in 2012 |
| After consultation with the Chief Financial Officer/Treasurer and the external auditors, gain a reasonable assurance, at least annually, of the quality and sufficiency of the City's accounting and financial personnel and other resources. | • | | | Completed June 11, 2012 |
| It is recognized that from time to time, other issues will be referred to the Committee for review and input. These items will be addressed on an as needed basis. | | | • | Not identified as a need in 2012 |
| Review mandate and make recommendations for change if any | | • | | Completed May 14, 2012 |
| Financial literacy and training | • | | | Financial literacy training received through the presentation on future accounting standard changes in April 2012 and through the presentation of the financial statements in June 2012. Additional skill development training in the area of Enterprise Risk Management was delivered to Council in the Fall of 2012. |
| <p>Legend:</p> <p>Annual - Audit Committee to review each fiscal year</p> <p>Term - Audit Committee to review each term of Council</p> <p>Need - Audit Committee to review when the need arises</p> | | | | |

STAFF REPORT



TO Audit Committee

SERVICE AREA Finance and Enterprise

DATE February 13, 2013

SUBJECT 2013 Audit Committee Work Plan

REPORT NUMBER FIN-13-03

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide Committee members with a 2013 work plan to guide the Audit Committee agenda for the up-coming year.

KEY FINDINGS

The 2013 work plan ensures that Audit Committee meets all the mandated requirements as set by the approved Audit Committee mandate and charter and the approved Internal Audit Charter.

FINANCIAL IMPLICATIONS

There are no financial implications resulting from this report.

ACTION REQUIRED

That Report FIN-13-03 2013 Audit Committee Work Plan be approved.

RECOMMENDATION

1. That Report FIN-13-03 2013 Audit Committee Work Plan be approved.

BACKGROUND

The Audit Committee has certain mandated responsibilities and duties that are required to be performed either annually or periodically. This work plan ensures that Committee performs all the required duties for the year but also facilitates a discussion for Committee members to identify other key priorities they would like to focus on in the upcoming year.

REPORT

The 2013 Audit Committee annual work plan is attached to this report in attachment #1 and should be used to guide audit committee agendas through the year.

STAFF REPORT



The scheduled 2013 Audit Committee meeting dates are as follows:

February 13, 2013 – 5pm

April 17, 2013 – 5pm

June 12, 2013 – 5pm

September 18, 2013 – 5pm

November 20, 2013 – 5pm

Other meetings and training workshops can be scheduled on an as-needed basis.

CORPORATE STRATEGIC PLAN

2.3 Ensure accountability, transparency and engagement

DEPARTMENTAL CONSULTATION

Internal Audit was consulted in the preparation of this report.

COMMUNICATIONS

No communication approach is necessary.

ATTACHMENTS

ATT-1 - 2013 Audit Committee Work Plan

original signed by Tara Johnston

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REPORT FIN 13-03 DATED February 13, 2013

ATTACHMENT 1

Audit Committee - 2013 Work Plan

| External Audit | Frequency | | | Comments |
|---|---------------|-------------|-------------|---|
| | Annual | Term | Need | |
| Review the external auditors' proposed audit scope and approach, including coordination of audit effort with City staff | • | | | Completed in November 2012 for the 2012 audit and expected to be completed in November 2013 for the 2013 audit. |
| Review with management and the external auditors the result of the audit including any difficulties encountered and all other matters required to be communicated to the Committee under Generally Accepted Auditing standards | • | | | Expected to be completed in June 2013 |
| Resolve any disagreements between management and the external auditors regarding financial reporting | | | • | Will be addressed if the need arises. |
| At the conclusion of the audit, consult with the external auditors, without the presence of management, regarding internal financial controls, compliance and the fullness and accuracy of the City's financial statements | • | | | Expected to be completed in June 2013 |
| Ensure the timely presentation of the external auditor's annual audit report to Council | • | | | Expected to be completed in June 2013 |
| Financial Statements | Annual | Term | Need | Comments |
| Review significant accounting and reporting issues, including complex or unusual transactions, highly judgmental areas and recent professional and regulatory pronouncements and understand their impact on the financial statements | • | | | Expected to be completed in June 2013 |
| Review the representation letter provided by management to the external auditors | • | | | Expected to be completed in June 2013 |
| Prior to the presentation of the annual financial statements to Council, review the financial statements and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles | • | | | Expected to be completed in June 2013 |
| Recommend to Council the approval and distribution of the annual financial statements | • | | | Expected to be completed in June 2013 |
| External Auditor Performance and Review | Annual | Term | Need | Comments |
| Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the city, including non-audit services, and discussing the relationships with the auditors | • | | | Expected to be completed in June 2013 |
| Direct and review the performance evaluation process for the external auditor | • | | | Expected to be completed in September 2013 |
| Recommend changes to the external auditor's compensation for Council approval | | | • | Not required in 2013 - Previous RFP has established Deloitte for term from 2010 - 2014 |
| Periodically determine whether a RFP should be issued to select an external auditing firm. As per the Ontario Municipal Act 2001 section 296(3), the external auditor shall not be appointed for a term exceeding five years | | | • | Not required in 2013 - Previous RFP has established Deloitte for term from 2010 - 2014 |
| Participate in the selection of an external auditing firm by reviewing the RFPs and bids received, interviewing potential auditing firms and recommending the external auditor for final approval to the Council | | | • | Not required in 2013 - Previous RFP has established Deloitte for term from 2010 - 2014 |

| Compliance | Annual | Term | Need | Comments |
|---|---------------|-------------|-------------|--|
| Obtain regular updates from management and others (legal counsel, external auditors) regarding compliance with laws and regulations having a material impact on the financial statements including: tax and financial reporting, legal withholding requirements & environmental protection laws and regulations | ● | | | Expected to be completed in June 2013 |
| Review by-laws and policies specifically regulating the conduct of members of council, staff and suppliers | | | ● | Will be addressed if the need arises. |
| Review the findings of any examinations by regulatory agencies and any auditor observations | | | ● | Will be addressed if the need arises. |
| Discuss with the City Solicitor, any significant legal, compliance, or regulatory matters that may have a material effect on the financial statements or the business of the City, or on the compliance policies of the City. | | | ● | Will be addressed if the need arises - City Solicitor also presents a semi-annual legal update to Council. |
| Review the results of management's investigation and follow-up for any instances of non-compliance | | | ● | Will be addressed if the need arises. |
| Review the effectiveness of the system established to ensure compliance | | | ● | Will be addressed if the need arises. |
| | | | | |
| Risk Management & Internal Control | Annual | Term | Need | Comments |
| Understand the scope of the external auditor's review of internal financial control over financial reporting and obtain reports on significant findings and recommendations, together with management's responses and the timing of the disposition of significant findings. | ● | | | Expected to be completed in June 2013 for items relating to the 2012 audit. A report is coming to Committee in February 2013 for items related to the 2011 audit. |
| Through the use of a risk management framework, assess the financial risks to be managed by the City and any change in significant financial risks. | ● | | | In the Fall of 2012, Audit Committee members attended a Council workshop on developing an enterprise risk management (ERM) framework for the City and that further development of this framework will continue in 2013-2014. Phase 1 of the ERM was approved in Oct 2012 and implementation will occur during 2013. Phase 2 will be implemented in 2014. Further, the audit committee assesses changes in significant financial risks of the corporation through the external financial statement audit process. |
| Consider the effectiveness of the City's internal control system for the safeguarding of assets, including information technology security and control and the adequacy of policies and procedures | | | ● | Expected to be completed in June 2013 |
| Review management and program performance regarding efficiency, effectiveness and economy in the use of resources | | | ● | Will be addressed through internal audit reviews and on an as needed basis. |
| Review the effectiveness of management reporting systems regarding administrative and program performance. | | | ● | Will be addressed if the need arises. |
| Direct other risk management and internal control projects as identified and referred by Council | | | ● | Will be addressed if the need arises. |
| | | | | |

| Internal Audit | Annual | Term | Need | Comments |
|--|---------------|-------------|-------------|---|
| Establish and review regularly the Internal Auditor Charter | • | | | Expected to be completed in November 2013. |
| Review and approve the internal auditor annual work plan | • | | | Expected to be completed in February 2013. |
| Monitor progress of the approved internal audit work plan | • | | | Expected to be monitored throughout 2013 as audits are completed. |
| Reporting | | | | |
| Reporting | Annual | Term | Need | Comments |
| Ensure the creation of semi-annual information report to Council on progress achieved by the Committee and any concerns or issues that have been identified. The report shall be prepared by the Committee Chair with input from staff. | • | | | Committee expected to receive final report for 2012 in February 2013 to be reported to Council. Mid-year reporting for 2013 expected in September 2013. |
| Provide an open avenue of communication between the external auditors and City Council | • | | | Expected to be completed in June 2013 and November 2013. |
| Adequacy of the City's Resources | | | | |
| Adequacy of the City's Resources | Annual | Term | Need | Comments |
| Review the nature of evolving or developing businesses managed by the City, including those changes occasioned by business or process redesign | • | | | Will be addressed as the need arises. |
| As new businesses and ventures are embarked on by the City, gain comfort that all appropriate processes have been put in place to evaluate feasibility of the new business and to ensure proper resources, both human and financial, have been provided. | | | • | Will be addressed as the need arises. |
| Other | | | | |
| Other | Annual | Term | Need | Comments |
| In conjunction with management and the external auditors, develop an annual work plan for the Committee that identifies priorities, objectives and timelines for key deliverables. | • | | | Expected to be completed in February 2013. |
| With Council approval, retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of a review. | | | • | Will be addressed as the need arises. |
| After consultation with the Chief Financial Officer/Treasurer and the external auditors, gain a reasonable assurance, at least annually, of the quality and sufficiency of the City's accounting and financial personnel and other resources. | • | | | Expected to be completed in June 2013 |
| It is recognized that from time to time, other issues will be referred to the Committee for review and input. These items will be addressed on an as needed basis. | | | • | Will be addressed as the need arises. |
| Review mandate and make recommendations for change if any | | • | | Expected to be completed in April 2013. |
| Financial literacy and training | • | | | Topic yet to be determined but staff delivered training seminar expected to be delivered to Committee members in Fall 2013. |
| <p>Legend:</p> <p>Annual - Audit Committee to review each fiscal year</p> <p>Term - Audit Committee to review each term of Council</p> <p>Need - Audit Committee to review when the need arises</p> | | | | |

STAFF REPORT



TO **Audit Committee**

SERVICE AREA CAO - Administration

DATE February 13, 2013

SUBJECT Internal Audit 2013 Work Plan

REPORT NUMBER CAO-A-1301

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide Committee with a detailed work plan for the Internal Auditor for 2013.

KEY FINDINGS

N/A

FINANCIAL IMPLICATIONS

N/A

ACTION REQUIRED

Audit Committee to approve the Internal Audit 2013 Work Plan.

RECOMMENDATION

That the Internal Audit 2013 Work Plan as presented in **Appendix A** be approved.

BACKGROUND

The Institute of Internal Auditors (I.I.A.) is the international governing body for Internal Audit standards and best practices. In accordance with their recommended best practice, at least annually, the Internal Auditor will submit to the Audit Committee and senior management an Internal Audit Work Plan for review and approval. The Internal Audit Work Plan will consist of a work schedule for all planned activities for the coming year.

The Internal Audit Work Plan has been developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. Any significant deviation from the approved plan will be communicated to senior management and the Audit Committee through periodic activity reports.

STAFF REPORT

The Internal Auditor has been requested to prepare a work plan detailing audit, risk management and consulting activities planned for 2013.

REPORT

The Internal Audit 2013 work plan is attached in Appendix A.

CORPORATE STRATEGIC PLAN

1.3 Organizational Excellence – Build robust systems, structures and frameworks aligned to strategy.

2.3 Innovation in Local Government – Ensure accountability, transparency and engagement.

DEPARTMENTAL CONSULTATION

Executive Directors from all departments have been consulted.

COMMUNICATIONS

Management of audit areas will be consulted to define scope and deliverables.

ATTACHMENTS

Appendix A – Summary Internal Audit Work Plan 2013



Report Author

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Approved By

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REPORT - CAO-A 1301 - APPENDIX A SUMMARY INTERNAL AUDIT WORK PLAN 2013

| AUDIT | | | | | |
|---|--------------|---|-------------------------|---------------------------|------------------------------|
| | DEPT. | REASON FOR AUDIT | TYPE OF AUDIT | ESTIMATED DURATION | TIMELINE |
| Compliance Checklist Development (Phased over 2 years) | All | Request Provide assurance for Council: phase one – inventory of mandatory compliance | Compliance | 4 weeks (2013 only) | Phased approach over 2 years |
| CVOR – Fleet | OTES | Request by CAO | Controls- Compliance | 2 weeks | January |
| Communications | CHR | Deferred from 2012 | Operational | 4 weeks | March |
| Procurement | F&E | Rated Priority Deferred from 2012 | Controls- Compliance | 4 weeks | May |
| Cash handling - Controls | All | Due Diligence | Follow-up | 2 weeks | June |
| Policy Review: Corporate, Council, Financial, Administrative | All | Request Provide an inventory of all existing policies | Comprehensive | 6 weeks | Aug |
| Service Guelph | CSS | Deferred from 2012 | Operational | 4 weeks | October |
| | | | <u>TOTAL</u> | <u>26 weeks</u> | |
| AD HOC | | | | | |
| Confidential Investigations | TBD | | | <u>4 weeks</u> | TBD |

RISK MANAGEMENT

| | | | | | |
|---|-----|-----------------------|---------------------|-----------------------|--------------|
| ERM development, training, workshops | All | | | 1 week | |
| Corporate Risk Register development, monitoring, reporting | All | | | 2 weeks | 4-5 (½ days) |
| Inter-governmental and inter-agency agreements | | Request Mayor/Council | | 2 weeks | |
| | | | <u>TOTAL</u> | <u>5 weeks</u> | |

CONSULTING

| | | | | | |
|--|------|--------------------|---------------------|------------------------|-----------------|
| Organizational Assessment | All | Steering Committee | | 3 weeks | Jan-Apr |
| Efficiency Target – Business Process Improvement – Mapping(i.e. <u>Overtime analysis</u>) | All | Request | | 4 weeks | Throughout 2013 |
| Joint Operational Review PBEE – Advisory Committee | PBEE | Request | | | Monthly |
| Confidentiality Policy; information flow, Clerks, CAO By-law, Privacy | All | Request | | 1 week | |
| Corporate Delegation of Authority – Full Corporate Scoping | All | Request | | 2 weeks | |
| | | | <u>TOTAL</u> | <u>10 weeks</u> | |

STAFF REPORT



TO Audit Committee

SERVICE AREA CAO Administration

DATE February 13, 2013

SUBJECT Auditable Entities – 2013 Selections for Audit

REPORT NUMBER CAO-A-1302

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To provide the committee with a list of recommended audits for 2013 based on the Rated Auditable Entities.

KEY FINDINGS

N/A

FINANCIAL IMPLICATIONS

N/A

ACTION REQUIRED

Audit Committee to receive the Auditable Entities 2013 Recommendations.

RECOMMENDATION

That the Auditable Entities 2013 Recommendations as described in Appendix A be received.

BACKGROUND

Following a Council workshop on October 9, 2012 the rating system to prioritize the auditable entities was approved in principle by Council on October 22, 2012.

Internal Audit completed the scoring and presented the resulting ranked and rated entities to the Executive Team on November 28th 2012 for approval. The recommended audits for 2013 based on these scores have been brought forward as one element of the internal audit work plan for 2013.

REPORT

The ranked and rated auditable entities and the recommendations for 2013 audits based on these scores are just one component of the internal audit work plan.

STAFF REPORT

Recommendations for audits are based on a number of factors including rated score, recent external reviews, fair representation of all departments, management requests, and due diligence by the internal auditor.

CORPORATE STRATEGIC PLAN **N/A**

DEPARTMENTAL CONSULTATION

Executive Directors from all departments have been consulted in the development of these recommendations.

CORPORATE STRATEGIC PLAN

1.3 Organizational Excellence – Build robust systems, structures and frameworks aligned to strategy.

2.3 Innovation in Local Government – Ensure accountability, transparency and engagement.

COMMUNICATIONS

Management of audit areas will be consulted to define scope and deliverables.

ATTACHMENTS

Appendix A – Auditable Entities – Rated – 2013 Recommendations



Report Author

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Approved By

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REPORT CAO-A 1302 - APPENDIX A - AUDITABLE ENTITIES - RANKED - RATED
2013 RECOMMENDED AUDITS

| | | 2012 BUDGET REVENUE | 2012 BUDGET EXPENSE | Sub-Services Included | TOTAL SCORE 50% Risk 50%Budget | External Review History | 2013 RECOMMENDED AUDITS | NOTES |
|----|------------------------|---------------------------|------------------------|---|---|---|--|---|
| 1 | Emergency Services | 9,070,500 | 32,528,243 | Emergency preparedness, G-W Emergency Medical Services, Fire operations | 5.0 | Land ambulance and long term care review 2009; highly regulated, standards are monitored & reported | | Covered in Procurement audit and overtime analysis |
| 2 | Guelph Transit | 10,668,000 | 15,853,960 | Business services, Operations, Quality assurance-Continuous improvement, Service planning and communications | 5.0 | Cash handling review 2008 Business process review 2010 Growth strategy review 2010 | Follow-up audit - cash handling review - KPMG 2011 | Covered in Procurement audit and overtime analysis |
| 3 | Finance | 192,641,436 | 20,528,319 | Financial planning, Financial reporting, Accounting, Procurement-insurance risk management, Taxation-Revenue, Grants | 4.5 | Operational review 2010 Cash handling/controls review 2011 Purchasing policy review 2011 | Procurement Controls - Compliance audit | Stores - controls covered in year-end inventory count process |
| 4 | Public Works | 2,940,979 | 24,149,578 | Fleet and equipment management, Forestry, Roads and right of ways, Traffic and Parking | 4.5 | Sidewalk winter control review 2009 | CVOR-Fleet audit-Jan 2013 | Covered in Procurement audit and overtime analysis |
| 5 | Water Services | 21,783,650 | 11,572,550 | Conservation, Water distribution, Supply | 4.5 | Highly regulated, monitored for controls, compliance and standards | | Covered in Procurement audit and overtime analysis |
| 6 | Solid Waste Resources | 7,193,900 | 15,349,060 | Co-generation operations, HHW Transfer station, Program development-Eastview, Public drop-off, Material recovery operations, Organic waste processing, Waste collection, By-law enforcement | 4.3 | Highly regulated, monitored for controls, compliance and standards | Follow-up audit - cash handling review - KPMG 2011 | Stores - controls covered in year-end inventory process Dept. Covered in Procurement audit and overtime analysis |
| 7 | Wastewater Services | 24,535,184 | 13,698,032 | Collection and environmental protection, Operations, Plant maintenance, Laboratory services | 4.3 | Highly regulated, monitored for controls, compliance and standards | | Covered in Procurement audit and overtime analysis |
| 8 | Culture and Tourism | 4,217,926 | 5,959,782 | Cultural development, Guelph museums, River Run Centre, Sleeman Centre, Tourism, Civic events | 4.0 | RFP for Tourism 2013 | Follow-up audit - cash handling review - KPMG 2011 | Enterprise - to complete a market analysis for Sleeman Centre 2013 Project for GMHI? |
| 9 | Parks and Recreation | 4,123,982 | 9,117,569 | Recreation facilities, Park planning -development, Parks infrastructure, Horticulture, Turf and sports fields | 3.8 | Parks Maint. Review 2008 | Follow-up audit - cash handling review - KPMG 2011 | Covered in Procurement audit and overtime analysis |
| 10 | Information Technology | 8,000 | 4,565,125 | Client services, Corporate applications, Technical services, IT Projects and Service Management | 3.5 | Strategic Plan-Review 2012 | | Covered in Procurement audit and overtime analysis |
| 11 | Building Services | 2,695,500 | 2,881,622 | Ontario Building Code, Committee of Adjustment, By-laws, Programs | 3.3 | | | Covered in Procurement audit and overtime analysis |
| 12 | Engineering Services | 3,071,665 | 4,190,830 | Infrastructure planning, Design and construction, Transportation and development engineering | 3.3 | | | Covered in Procurement audit and overtime analysis |
| 13 | Mayor and Council | | 863,090 | | 3.0 | | | |

REPORT CAO-A 1302 - APPENDIX A - AUDITABLE ENTITIES - RANKED - RATED
2013 RECOMMENDED AUDITS

| | | 2012 BUDGET REVENUE | 2012 BUDGET EXPENSE | Sub-Services Included | TOTAL SCORE 50% Risk 50%Budget | External Review History | 2013 RECOMMENDED AUDITS | NOTES |
|----|---|---------------------------|------------------------|--|---|--|---|---|
| 14 | Corporate Building Maintenance | 126,000 | 2,489,559 | General building maintenance, Asset management, Management of city hall and market square, Capital project consulting, Building operations | 3.0 | Operational review 2012 | | Covered in Procurement audit and overtime analysis |
| 15 | By-law Compliance, Security and Licensing | 1,167,500 | 2,622,332 | By-law compliance, Security, Licensing | 3.0 | By-law service review 2008 | | Covered in Procurement audit and overtime analysis |
| 16 | Planning Services | 711,600 | 2,438,180 | Development planning, Policy planning and Urban design | 3.0 | Joint operational review- Ec.Dev, Downtown Renewal, Community Energy, PBEE | | Covered in Procurement audit and overtime analysis |
| 17 | Court Services | 3,580,250 | 2,499,623 | Court administration, Court support, Court facilities, Prosecutions | 2.8 | | | |
| 18 | Human Resources (Corporate) | 54,700 | 815,190 | Accommodated staffing, Labour negotiations, Severences, Job evaluation, Legislative compliance, Joint fire recruitment, Retiree benefits | 2.8 | | | Deloitte will conduct payroll/benefits/pension audit as part of year-end review |
| 19 | Legal and Realty Services | 48,500 | 1,136,010 | Legal services, Realty services | 2.8 | Service review 2012 | | Covered in Procurement audit and overtime analysis |
| 20 | Economic Development | 326,980 | 1,104,532 | DGCIP, Economic development of Downtown, Programs | 2.8 | Joint operational review- Ec.Dev, Downtown Renewal, Community Energy, PBEE | | |
| 21 | Community Engagement | 723,667 | 2,619,490 | Accessibility services, Community engagement, Immigration portal project, Local immigration partnership, Senior services, Social services policy-liaison, Youth services, Youth shelter, Affordable bus pass, Neighbourhood groups | 2.5 | | | |
| 22 | Corporate Communications | 76,420 | 820,633 | Communications, Advertising, Marketing, Promotion | 2.5 | | Operational audit deferred from 2012 | |
| 23 | Business Services | 10,400 | 1,472,519 | Service Guelph - Central switchboard, Service counter, Facility bookings, Program registration, CLASS system application, Special events, Central mail, Subsidy application administration | 2.0 | | Service Guelph Operational audit deferred from 2012 | |
| 24 | Administration -(HR Dept) | | 2,593,273 | Labour relations, Health & Safety/Return to Work, Compensation, Benefits, Payroll, HR information system, Staffing and workforce planning, Organization Development | 2.0 | | | |
| 25 | City Clerk's Office | 306,100 | 727,210 | Elections, Legislative services, Records and information management, Access and Privacy | 2.0 | | | |
| 26 | Admin - Finance& Enterprise | | 3,401,271 | | 2.0 | | Follow-up audit - cash handling review - KPMG 2011 | |

REPORT CAO-A 1302 - APPENDIX A - AUDITABLE ENTITIES - RANKED - RATED
2013 RECOMMENDED AUDITS

| | | 2012 BUDGET REVENUE | 2012 BUDGET EXPENSE | Sub-Services Included | TOTAL SCORE 50% Risk 50%Budget | External Review History | 2013 RECOMMENDED AUDITS | NOTES |
|----|--|---------------------------|------------------------|---|---|---|-------------------------------|--|
| 27 | Community Energy | | 371,402 | | 2.0 | Joint operational review- Ec.Dev, Downtown Renewal, Community Energy, PBEE | | Audit cost savings projections for 2013 - early 2014 |
| 28 | Downtown Renewal | | 471,224 | | 1.8 | Joint operational review- Ec.Dev, Downtown Renewal, Community Energy, PBEE Downtown maintenance 2010 | | |
| 29 | Administration - CAO | | 552,840 | | 1.5 | | | |
| 30 | Administration - CSS | | 1,032,815 | | 1.5 | | | |
| 31 | Administration - PBEE | | 460,600 | | 1.0 | | | |
| 32 | Internal Audit | | | Internal audit, Enterprise Risk Management, Consulting | 1.0 | | | |
| 33 | Strategic Planning and Corporate Initiatives | | 173,740 | Corporate strategy development, Performance measurement and reporting | 1.0 | | | |
| 34 | Administration - OTES | | 401,540 | | 1.0 | | | |