

OPERATIONAL AND COMPLIANCE AUDITOR

Recommendation

The City Manager and the Commissioner of Finance & Corporate Services recommends:

That the following report, including the attached Charter and Job Description, outlining the role, duties and responsibilities of the Operational and Compliance Auditor be approved; and

That staff bring forward, as part of the 2005 Operating Budget process, a budget for the Audit department, including any additional resources that may be required.

Purpose

To obtain Council approval of the mandate, authority, responsibilities and the process for establishing this newly created function.

Background - Analysis and Options

As part of the 2004 Operating Budget Council approved the creation of a City Auditor function. The term auditor can encompass a wide range of activities. The audit function once established will evolve as the needs of the City change and as the City grows. The Charter and Job Description reflect Vaughan's current requirements. These requirements are also reflected in the position title "Operational and Compliance Auditor".

The Audit Charter is an important document in the foundation of the Audit function. It outlines:

- a) The Audit position within the organization;
- b) Authorizes access to records, personnel, and physical properties relevant to the performance of audit assignments; and
- c) Defines the scope of audit activities.

A written charter provides formal documentation for acceptance by Council. It facilitates a periodic assessment of the adequacy of the mandate, authority, and responsibility. It also provides a basis for management and Council to use in evaluating the operations and achievements of the function. If a question should arise, the charter provides a formal, written agreement with management and Council with respect to the role and responsibilities of the audit function within the City. Developing an Audit Charter is defined as a requirement of the Standards for Professional Practice of Internal Auditing.

Within the Charter the audit function focuses on two areas:

- 1. Compliance audits; and
- 2. Operational efficiency and cost effectiveness.

Compliance audits are reviews that assess compliance with legislation, By-laws and City policies. Inconsistencies will require follow-up. In some instances the policy may be outdated and require revision. In other instances it may require a reinforcement of the policy.

Operational efficiency and effectiveness reviews help ensure that services provided by the City are provided in an efficient and cost effective manner. Although this has always been an important aspect of the City's operations it has become more important as Provincial legislation increases and other revenue and cost issues put pressure on property tax increases and user fees. This function can assist in ensuring the City provides value to the residents.

The determination of what reviews are required and their relative priority should be "Risk Based". The various areas of risk to the corporation will be assessed and those areas presenting high risk should be a high priority for review. The risk evaluation should include an assessment of the following factors:

- 1) Financial significance;
- 2) Sensitivity;
- 3) Complexity; and
- 4) Management Control.

The ability to undertake reviews is not limitless. There will always be resource constraints. The necessary resources to undertake a particular review may require the use of internal or external resources. This will depend on the number of ongoing reviews, the urgency of the request, the specific skill set required and available funding. As part of the 2005 Operating Budget staff will be coming forward with a budget for the audit department. Space requirements are an issue and options are currently being developed. The audit function should also be able to draw on and utilize departmental resources in the area being reviewed when appropriate. This can expedite the review and increase support for the findings and recommendations.

Once the risk assessment is complete it is used as the basis for developing a multi-year work plan. Subsequent to the approval of the work plan, the risk assessment approach will be used to evaluate and re-prioritize, if appropriate the reassignment of resources to undertake requests that come forward. Further requests may come from senior management or through Council.

The following municipalities have similar accountabilities and responsibilities as contemplated in this report.

<u>Municipality</u>	<u>Job Title</u>	<u>Reports To</u>
Peel Region	Director Internal Audit	The Treasurer and Commissioner of Finance for administrative purposes and also has full and independent access to the Chief Administrative Officer and the Audit Sub-Committee
Brampton	City Auditor & Director of Internal Management & Consulting Services	City Manager for Audit purposes, Executive Director of Management Services for remainder
Mississauga	Director of Internal Audit	City Manager
Region of York	Director Audit Services	Chief Administrative Officer

The reporting structure varies across other jurisdictions. The report recommends that the audit function report to the City Manager. There is a relationship and an important link between this audit function and the duties and responsibilities of the Treasurer and the conduct of the annual audit. It is important that there be a communication, an exchange of information and involvement by the Treasurer in the process, i.e. setting of priorities. The assessment of risk and the review findings directly relates to the duties of the Treasurer in terms of safeguarding of corporate assets, accurate recording of transactions and the disclosing of information to the City's external auditors.

Once the Charter and Job Description are approved by Council, staff can immediately begin recruitment. The interview process will include the City Manager and Commissioner of Finance & Corporate Services in addition to Human Resources support. The Commissioner of Finance & Corporate Services is an auditor and has had several years of financial and non-financial audit experience.

Relationship to Vaughan Vision 2007

This report is consistent with the priorities previously set by Council and the necessary resources have been allocated and approved.

Conclusion

The objective is to create a function that adds value to the organization. The approval of the Charter and the job description will allow the function to move forward and focus on the priority issues for Vaughan.

Attachments

Attachment 1 – Audit Charter
Attachment 2 – Job Description

Report prepared by:

Clayton Harris, CA
Commissioner of Finance & Corporate Services

Respectfully submitted,

Michael DeAngelis
City Manager

Clayton D. Harris
Commissioner of Finance & Corporate Services/
City Treasurer

Audit Charter

Mandate

The Audit function provides independent, objective assurance and advisory services in an accurate, methodical, professional and credible manner for Management and Council so residents can have confidence in the operation of the City. They use a systematic and disciplined approach to assess risk and evaluate the effectiveness of operations and compliance with legislation, by-laws and approved policies.

Objectives

- 1 Identify, assess, measure and develop an audit plan based on key risks faced by the City.
- 2 Add value to local Government by identifying opportunities for improving and streamlining City operations.
- 3 Develop a resourcing strategy in order to respond effectively to Council and senior management needs.

Authority, Responsibilities and Independence

- a. The authority and responsibilities of the Audit department are established by Council. The auditor reports to the City Manager and the Audit Committee. The auditor reports to the Audit Committee twice a year and at other times as needed.
- b. In all of its activities, the Audit department will adhere to the Standards for Professional Practice of Internal Auditing and the Code of Ethics adopted by the Institute of Internal Auditors, as well as the City's Code of conduct.

The Audit department will develop a multi-year audit work plan using an appropriate risk-based methodology, including the assessment of any risks or concerns identified by senior management, and submit that plan to the City Manager for review and approval in consultation with the Commissioner of Finance & Corporate Services. The audit work plan is recommended to the Audit Committee for approval by Council.

- d. The Audit department will implement the audit work plan, as approved, provide regular status updates and prepare final reports to the City Manager, Commissioner of Finance & Corporate Services and other members of the senior management team as appropriate. This will also include advising the Audit Committee and Council as to significant deficiencies or other substantive issues noted in the course of its activities.

- e. The Audit department has unrestricted access to all records, properties, functions and personnel necessary to effectively discharge its responsibilities. All activities of the City may be subject to review.
- f. In performing its functions, the Audit department shall have no direct responsibility or authority over any of the activities reviewed. It shall not design and install procedures, prepare records, or engage in any other activity that it would normally review and appraise and that could reasonably be construed to compromise its independence and objectivity.
- g. At least once every 3 years the Charter will be reviewed to ensure that it is up to date, effective and meets the needs of the City.

Scope of Work

The authorized scope of Audit activities encompasses (1) Compliance with legislation, by-laws and policies (2) the quality of performance in carrying out assigned responsibilities. This can include:

- a. Ascertaining compliance with legislation, by-laws and the City's policies;
- b. Evaluating efficiency and cost effectiveness with which resources are employed; and

Reviewing operations or programs to assess whether they are being carried out as planned and whether results are consistent with established objectives.

The Audit department has complete independence and, is not subject to restrictions in the scope of its work by operating units or management. However, it is recognized that senior management and Council provide general direction as to the scope of work and the activities to be audited, and may request the Audit department to carry-out special reviews or audits.

JOB DESCRIPTION

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CORPORATION OF THE CITY OF VAUGHAN

I. POSITION: OPERATIONAL & COMPLIANCE AUDITOR

II. SUPERVISOR: CITY MANAGER

III. DEPARTMENT: OFFICE OF THE CITY MANAGER

IV. DATE WRITTEN: AUGUST 24, 2004

V. DATE EVALUATED:

VI. BASIC JOB FUNCTION:

Responsible for directing the day-to-day activities of the audit function and directing and overseeing operational and compliance audit activities for the City, including initiating, leading and conducting operational effectiveness reviews, audits of compliance with applicable legislation, regulations, by-laws, City policies and procedures and developing recommendations as appropriate. Engagements are conducted in accordance with the Audit Charter and according to Internal Audit and industry standards and codes of professional conduct. Develops, implements and maintains appropriate policies, procedures and programs which support the operation of the audit function; providing information, advice, and assistance to senior staff with respect to risk assessment. Operates as an independent and objective "consultant" in the conducting of audits, the preparation of reports and recommendations. Plans, coordinates and directs third party consultants in the carrying out of their responsibilities.

VII. JOB RESPONSIBILITIES:

- 1 Directs and oversees all operational and compliance audit activities for the City;
2. Develops and implements policies and procedures which support the operation of the audit function; ensures compliance with audit standards, and rules of professional conduct.
3. Directs the day-to-day and strategic management of the audit function and develops a multi-year risk based audit plan;
4. Initiates, leads and conducts operational and compliance audits of all City functions according to Internal Audit and industry standards, applicable legislation, by-laws, etc.

5. Provides information, expertise, and guidance to senior management, the City Manager, the Audit Committee and Council with respect to operational and compliance activities, risk management and the administration of an effective and efficient audit function.
6. Acts as an independent and objective consultant in the conducting of audits and reporting on subsequent results, including developing recommendations.
7. Maintains a level of accountability through the development and implementation of a risk based audit plan and regular status updates and reporting.
8. Monitors and conducts follow-up to ensure that agreed to improvements and changes are implemented.
9. Develop and deliver presentations to all staff on the purpose and role of the audit function outlining the process and expectations of staff as required.
10. Plans, coordinates, and directs third party external consultant reviews as required.
11. Establishes and maintains strong relationships with external Senior Audit Professionals, particularly with other Municipalities in the GTA for the purposes of discussing matters of mutual interest, and strategies pertaining to problems / challenges regarding audit and operational issues.
12. Maintains knowledge of trends related to the industry, applicable legislation, best practices, and accepted industry practices and standards.

Performs other related tasks and projects, as assigned, which are in accordance with job responsibilities or necessary departmental or corporate objectives.

EDUCATION & EXPERIENCE REQUIREMENTS:

1. University Degree with a Professional Accounting Designation, preferably a Certified Internal Auditor (C.I.A.) designation, or suitable equivalent.
2. Minimum of 8 years senior manager operational improvement and audit experience.
3. Exceptional organizational, interpersonal, oral and written communication skills. Ability to deal courteously and effectively with all levels of Staff and Members of Council, and build consensus.

- 4. Strong project management and strategic leadership skills.
- 5. Computer proficient in MS Office and audit applications.

Incumbent*

* I have seen this job description

City Manager

Date

