

AUDIT AND OPERATIONAL REVIEW COMMITTEE – JUNE 23, 2008

INTERNAL AUDIT CHARTER AND 3 YEAR AUDIT WORK PLAN 2008-2010

Recommendation

The City Auditor recommends:

That the Internal Audit Charter and 3 Year Audit Work Plan 2008-2010 be received.

Economic Impact

The Charter is the framework which governs the operation of the Internal Audit Department and is recommended by the Institute of Internal Auditors as being essential to the effective function of the Internal Audit department. It covers the Authority, Responsibility, Independence and Scope of the Internal Audit Department. There is no economic impact to the City as a result of the Charter.

The Internal Audit Department will use its own internal resources to complete the 3 Year Audit Work Plan, so there is no economic impact of hiring an outside consultant to perform any audit within the Work Plan.

Communications Plan

Not Applicable

Purpose

To present to the Audit and Operational Review Committee, the Internal Audit Department's Charter and 3 Year Work Plan for 2008, 2009, 2010

Background - Analysis and Options

The Charter for the Internal Audit department of the City of Vaughan states that a multi-year work plan be developed using an appropriate risk-based methodology. This was appropriately done by the auditor who met with each commissioner to review operations under their authority. The final result which is the Work Plan, shows audits which are targeted to be completed in each of the 3 years. One month in each year has been allocated for special projects which are directed by the City Manager or the Audit and Operational Committee and will have preference to the audits in the Work Plan. Special projects longer than one month duration, will have the effect of pushing back the audits in the Work Plan. This could result in some audits targeted in the Work Plan to not be completed within the 3 year period.

For each of the audits in the work plan, the scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. The attached Charter includes in more detail the scope employed for most audits.

Relationship to Vaughan Vision 2020

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

Regional Implications

Not applicable

Conclusion

The Charter provides the framework within which the Internal Audit Department operates and is recommended to be essential to the effective function of the Internal Audit Department. It covers the Authority, Responsibility, Independence and Scope of the Internal Audit Department.

The Work Plan outlines the audits to be completed by the auditor and is subject to change as directed by the City Manager and Audit and Operational Committee. One month per year has been allocated for special projects as determined by the City Manager and/or Audit and Operational Committee. The Internal Audit department is committed to add value and improve the City's operations.

Attachments

Attachment 1- Internal Audit Charter

Attachment 2 – Internal Audit Work plan for 2008, 2009, 2010

Report prepared by:

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City Auditor

Respectfully submitted,

Michael Tupchong, CA, CIA, CPA, CFE
City Auditor

City of Vaughan

Charter

Internal Auditing Department

Introduction:

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the City of Vaughan. It assists the City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

Role:

The Internal Auditing Department is established by Council and its responsibilities are defined by the Audit Committee of Council as part of their oversight function.

Professional Standards:

The Internal Auditing Staff shall govern themselves by adherence to The Institute of Internal Auditors' "Code of Ethics." The Institute's "International Standards for the Professional Practice of Internal Auditing" (Standards) shall constitute the operating procedures for the department. These two documents constitute an addendum to their charter. The Institute of Internal Auditors' "Practice Advisories" will be adhered to as applicable. In addition, Internal Auditing will adhere to the City's policies and procedures.

Authority:

Authority is granted for full, free, and unrestricted access to any and all of the City's records, physical properties, and personnel relevant to any function under review. All employees are requested to assist Internal Auditing in fulfilling their staff function. Internal Auditing shall also have free and unrestricted access to the Audit Committee of Council.

Documentation and information given to Internal Auditing during a periodic review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

Organization:

The City Auditor shall report administratively to the City Manager and functionally to the Audit Committee of Council.

Independence:

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude necessary in rendering reports.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which would normally be audited.

Audit Scope:

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, laws, and regulations which could have a significant impact on operations and reports and whether the organization is in compliance.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating the effectiveness of the organization's risk management system.
- Reviewing specific operations at the request of the Audit Committee or management, as appropriate.

Audit Planning:

Every three years, the City Auditor shall submit to senior management and the Audit Committee a summary of the audit work schedule. The audit work schedule is to be developed based on a prioritization of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to senior management and the Audit Committee through periodic activity reports.

Reporting:

A written report will be prepared and issued by the City Auditor or designee following the conclusion of each audit and will be distributed as appropriate. A copy of each audit report will be forwarded to the City Manager, the Chairman of the Audit Committee and Council.

The City Auditor or designee may include in the audit report the auditee's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any recommendations not addressed.

Internal Auditing shall be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the City Auditor or the Audit Committee.

Periodic Assessment:

The City Auditor should periodically assess whether the purpose, authority, and responsibility, as defined in this charter, continues to be adequate to enable the internal auditing activity to accomplish its objectives. The result of this periodic assessment should be communicated to senior management and Council.

April 15, 2008

**City of Vaughan
Internal Audit Department**

Audit Work Plan 2008, 2009, 2010

		Expense=	E		P= Plan		
		Revenue=	R		2007		
		Capital=	C	Com	BUDGET	Audit Plan	
Auditable Unit					('000)	2008	2009
							2010
1	LIBRARY- RESOURCES-E	E	RB		1339	P	
2	LIBRARY- FACILITIES-E	E	RB		938	P	
3	LIBRARY- COMMUNICATIONS-E	E	RB		857	P	
4	LIBRARY GRANT-R	R	RB		143	P	
5	VAUGHAN PUBLIC LIBRARIES-R	R	RB		246	P	
6	LIBRARY-PERSONNEL AND ADMIN-E	E	RB		7470	P	
7	ENG. SERVICES-DEVEL/TRAFFIC & TRANSP ENG -E	E	BR		2344	P	
8	ENG. SERVICES-ENG AND CONSTRN SERVICES-E	E	BR		3704	P	
9	ENGINEERING SERVICES-R	R	BR		386	P	
10	TAXATION-SUPPLEMENTALS-R	R	CH		2200	P	
11	TAXATION-R	R	CH		105902	P	
12	FINES & PENALTIES-R	R	CH		4100	P	
13	TAXATION AND PROPERTY ASSESSMENT-E	E	CH		1054	P	
14	CORP EXP- TAX ADJUSTMENTS-E	E	CH		1296	P	
15	CAPITAL FROM TAXATION-E	E	CH		6665	P	
16	PAYMENT IN LIEU/OTHER & GRANT LIBRARY-R	R	CH		2943	P	
17	CORP. COMMUNIC. ADMINIS.-E	E	MDA		1266	P	
18	CORPORATE COMMUNICATIONS	R	MDA		84	P	
19	HYDRO INVESTMENT INCOME-R	R	CH		4365		P
20	INVESTMENT INCOME-R	R	CH		9600		P
21	RESERVES AND INVESTMENTS-E	E	CH		733		P
22	CORPORATE EXPENSE (CONTINGENCY 3155; RESERVES 4656; C.HALL 1000)	E	CH		8657		P
23	SPECIAL PROJECT	R / E				P	P P
24	PC REPLACEMENT 3752-7-04-CAP	C	CH		1086		P
25	BLDGS & FACIL:TRADES SHOPS-E	E	MK		449		P
26	BLDGS & FACIL:CIVIC CENTRE-E	E	MK		1162		P
27	BLDG & FACIL:ADMINISTRATION-E	E	MK		1991		P
28	BLDGS & FACILITIES-R	R	MK		96		P
29	BLDG & FACIL:BLDG OPERATIONS-E	E	MK		12107		P
30	ECONOMIC & BUSINESS DEVELOP-R	R	MDA		330		P
31	ECO. & BUS. DEVELOP. ADMIN-E	E	MDA		652		P
32	MARKETING-E	E	MDA		180		P

	Capital=	C	Com	BUDGET	Audit Plan		
Auditable Unit				('000)	2008	2009	2010
33	BUS. DEVELOPMENT-E	E	MDA	290		P	
34	COMMSNR ECO & TECH DEV & CORP. COMM .-E	E	MDA	314		P	
35	ENVIRONMENT-E	E	MDA	51		P	
36	TOURISM-E	E	MDA	300		P	
	PIERRE BERTON FURNITURE/EQUIP-3808-2-03-CAP	C	RB	1412		P	
37	HR EMPLOYEE SERVICES-E	E	JA-P	454			P
38	HR:CROSSING GUARDS-E	E	JA-P	811			P
39	HR EMPLOYEE RELATIONSHIPS-E	E	JA-P	440			P
40	HR:RECRUITMENT & TRAINING-E	E	JA-P	422			P
41	HR:HEALTH & WELLNESS-E	E	JA-P	494			P
42	ACCESS VAUGHAN-E	E	CH	635			P
43	ITM BUSINESS SOLUTIONS-E	E	CH	1957			P
44	ITM CLIENT SERVICES-E	E	CH	937			P
45	ITS ADMIN-E	E	CH	325			P
46	IT TECHNICAL SERVICES-E	E	CH	2372			P
47	PARKS: CEMETERIES/CAPITAL PROJECTS-E	E	MK	1725			P
48	PARKS ADMINISTRATION-E	E	MK	1417			P
49	PARKS OPERATION-R	R	MK	286			P
50	PARKS: OPERATIONS-E	E	MK	5464			P
51	COMMUNITIES IN BLOOM-R	R	MK	15			P
52	COMMUNITIES IN BLOOM-E	E	MK	125			P
53	CEMETRIES-R	R	MK	71			P
54	NON-PROFIT HOUSING-R	R	MK	9			P
55	PARKS: FORESTRY-E	E	MK	929			P
56	PARKS DEVELOPMENT-E	E	MK	985			P
57							
58	FLEET MGT SERVICES-E	E	MK	444			P
59	FLEET MGT ADMIN-E	E	MK	422			P