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AUDIT SERVICES BRANCH 2009 – 2011 AUDIT PLAN

The Audit Committee recommends the adoption of the recommendation contained in the following report dated May 27, 2009, from the Director, Audit Services.

1. RECOMMENDATION

It is recommended that:

1. Regional Council approve the three-year audit plan contained in this report.

2. PURPOSE

The purpose of this report is to inform Regional Council of the risk assessment methodology used by Region's Director, Audit Services to conduct a Region wide risk assessment. This risk assessment is the basis for developing the three-year audit plan which is attached as *Attachment 1*.

3. BACKGROUND

The Audit Services Branch conducts a risk assessment across the Regional departments in order to determine where best to allocate audit resources for the upcoming three years. The risk assessment is a best practice, and required under the Institute of Internal Auditors Standards of Profession Practice, section 2010.

4. ANALYSIS AND OPTIONS

4.1 Underlying Assumptions and Concepts

4.1.1 Definition of Internal Audit:

"An independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

4.1.2 Scope:

The Internal Audit function of the Region of York will be responsible for all entities and activities of the Region of York, with the exception of Police Services.

4.1.3 Mission:

To assist Regional Council, Audit Committee, Senior Management and all departments of the Region of York in the effective and efficient discharge of their responsibilities. Internal Audit will assist the Region to achieve its objectives by providing objective advice on managing and controlling risk and independent appraisals on control, and participating in an advisory capacity in the identification of efficiencies and improvements in new and existing processes, programs and services.

4.2 Approach to Implementation

The development of the Plan is comprised of three key activities; the development of a Region-Wide Risk Framework; the identification of the Audit Universe; and the risk prioritization of the units within the Universe. The purpose of these activities is to ensure the completeness of the universe from which the Plan will be developed and to ensure resources are appropriately directed towards those areas of highest risk. The Audit Universe incorporates all of the significant business units, activities, processes, and systems within the scope of Internal Audit. A set of “risk criteria” were developed, based on best practices in the profession and applied to each distinct unit in the universe. The risk criteria used for the risk assessment were ‘Complexity of Operations, Susceptibility to Fraud, Sensitivity, Financial (Budgeted dollars), and Dependence on People’. The ranking for each criteria was between 1 and 5, with 1 being little to no risk and 5 being the highest amount of risk. Each risk factor was weighted equally in calculating overall risk as Low, Moderate or High.

4.3 Audit Universe Risk Prioritization and Audit Plan 2009-2011

Table 1 summarizes the results of the risk prioritization of the Audit Universe. The Region’s Audit Universe is comprised of 92 Auditable Units. An Auditable Unit is a branch, functional unit or any stand-alone component that has identifiable and measurable business objectives.

Table 1
Risk Prioritization Summary

	Low Risk	Medium Risk	High Risk
Score Range	20 to 50	51 to 69	70 to 100
Unit Allocation	24 of 92	56 of 92	12 of 92
Percentage	26%	61%	13%

Audit Services Branch then used the risk assessment to allocate audit resources to the areas of highest risk. The remaining resources over the three-year period were then allocated between areas of moderate risk, as well as allowing time for forensic reviews, management requests and consulting assignments. The audit plan covers 100% of the high risk areas, and 14% of the moderate risk areas. *Attachment 1* outlines the three-year audit plan.

During 2010 and 2011, a more informal risk assessment is conducted to examine any new risks facing the Region, and if appropriate, audit resources will be allocated to these new risk areas.

4.4 Enhanced Consulting Role Through Alternative Funding

Since its inception the Audit Services Branch has been using an enhanced consulting role through alternative funding model. Under this model, this enhanced consulting role requires the continuation of the funding model, which allows for increased Audit Services participation in consulting engagements through departmental funding of those activities. That is, the Audit Services budget funds all of the assurance type activities and the department(s) generating the consulting engagements fund them as part of the project specific budget. The practice of having Audit Services as a cost line for major projects is quite common throughout large public sector and private sector organizations. This results in a more comprehensive plan, which takes a more proactive approach to risk management and control.

This model has worked well in the past and will continue to be employed. Specific projects where this model has been employed recently include the process monitoring for the negotiation between a supplier of tunnel boring machines and the Region, and process monitors for York Region Transit projects including bus procurement and operations and maintenance request for proposals.

5. FINANCIAL IMPLICATIONS

Audit Services Branch will manage its workload within the Audit Budget for 2009

6. LOCAL MUNICIPAL IMPACT

The Region’s Audit Services Branch monitors the Region’s effective and efficient discharge of its responsibilities and objectives. Increasing assurance over the Region’s performance will indirectly benefit the local municipalities.

7. CONCLUSION

The Audit Services Branch is using a Risk Assessment Methodology to determine how to best allocate audit resources across the Region to the areas of highest risk, in accordance with the *International Standards for the Professional Practice of Internal Auditing*. The enhanced consulting role through alternate funding is a model that has worked well at the Region since the inception of Audit Services.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the June 18, 2009 meeting.)

ATTACHMENT 1

Process / Project	Nature of Work	Year 2009	2010	2011	Total Hours Per Project	% of Total Hours per Year
Planning & Development						
Infrastructure Planning - Water&Watestewater	Audit	115			115	1.1%
Infrastructure Planning - Roads	Audit		140		140	1.3%
Total Hours Spent in Department					255	2.4%
Finance & IT						
Capital Asset Management	Advisory	70			70	0.7%
Electronic Documents Management System	Advisory	35	35	35	105	1.0%
Computer Technology Review Committee	Advisory	60	60	60	180	1.7%
Capital Assets Management	Audit			120	120	1.1%
Revenue Sources	Audit		280		280	2.6%
Procurement Card	Audit		180		180	1.7%
Accounts Payable & Procurement - Substantive	Audit	560			560	5.2%
Efficiency & Effectiveness of Procurement & AP Process	Audit			560	560	5.2%
Treasury	Audit		140		140	1.3%
IT Services - Network Security Assessment	Audit	140			140	1.3%
IT Services - Leasing to Purchasing	Audit		140		140	1.3%
IT Services - Converged Network	Audit			140	140	1.3%
IT Services - FTP	Audit			140	140	1.3%
Total Hours Spent in Department					2,755	25.8%
Community & Health Services						
Long Term Care - Accreditation Process	Advisory			70	70	0.7%
Technology Support	Audit	140			140	1.3%
Housing Provider Subsidy Administration	Audit	140			140	1.3%
Rent Subsidy Program	Audit			140	140	1.3%
LTC Operations Facility Support & Res. Services	Audit		280		280	2.6%
Finance Assistance	Audit			140	140	1.3%
Employment Assistance	Audit		185		185	1.7%
EMS - Paramedic Operations	Audit	210			210	2.0%
Infectious Diseases Control	Audit			140	140	1.3%
Total Hours Spent in Department					1,445	13.5%
Environmental Services						
Operations Maintenance & Monitoring	Audit		280		280	2.6%
Capital Planning & Delivery	Audit			140	140	1.3%
Regulatory Compliance	Audit	200			200	1.9%
Dufferin Plant Operating Agreement	Audit		185		185	1.7%
Contract Compliance Waste Management	Audit			140	140	1.3%
Water Rates Review	Consulting	140			140	1.3%
Total Hours Spent in Department					1,085	10.2%
Transportation Services						
Capital Planning & Delivery	Audit		280		280	2.6%
YRT - Cash Collection - Coin Contract	Audit		185		185	1.7%
YRT - Contracts - Conventional & Mobility	Audit			140	140	1.3%
YRT - 8300 Keele Operations Facility	Audit			140	140	1.3%
YRT - DPI & Byte Media Contract Review	Audit			140	140	1.3%
Operations & Safety	Audit	280			280	2.6%
Total Hours Spent in Department					1,165	10.9%
Corporate & Legal Services						
Records Information Management	Advisory	35	35	35	105	1.0%
Property Management	Audit	140			140	1.3%
Human Resources - Staffing,	Audit			115	115	1.1%
POA Court Administration - North	Audit	140			140	1.3%
Total Hours Spent in Department					500	4.7%
Chief Administrative Officer						
Business Continuity / Emergency Planning Comm.	Advisory	35	35	35	105	1.0%
Audit Plan Update	Consulting	-	-	70	70	0.7%
Outstanding Recommendations Follow-up	Audit	140	140	140	420	3.9%
Management Requests	Various	420	420	420	1,260	11.8%
Forensic Reviews	Various	560	560	500	1,620	15.2%
Total Hours Spent in Department					3,475	32.5%
	Total Hours per Year	3,560	3,560	3,560	10,680	100.0%