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AUDIT SERVICES BRANCH REPORT

The Audit Committee recommends the adoption of the recommendation contained in the following report, May 30, 2006, from the Director of Audit Services:

1. RECOMMENDATION

It is recommended that:

1. The three year audit plan be approved by Audit Committee and Regional Council.

2. PURPOSE

The purpose of this report is to seek Audit Committee and Regional Council's approval of the attached three year audit plan (*Attachment 1*).

This report also provides an update on the activities of the Audit Services Branch since the last Audit Committee meeting.

3. BACKGROUND

On October 11, 2000, the Audit Committee approved the development of the internal audit function through the report of the Chief Administrative Officer.

4. ANALYSIS AND OPTIONS

4.1. Audit Plan Execution

The Audit Services Branch has been actively executing the approved audit plan and other consulting engagements. A summary of the activities since the previous Audit Committee meeting is outlined in (*Attachment 2)*.

4.2. Audit Reports Issued

The audit reports issued since the last Audit Committee meeting are:

- Revenue Stream Audit Report - *(Attachment 3).*
- Finance - Information Technology - Computer & Computer Equipment Lease Tracking Audit (*Attachment 4*).

4.3. Local Tier Municipal Audit Services

The provision of audit services with the local municipalities has begun. A Municipal Wide Risk Assessment has been completed for the four municipalities who signed the Audit Services Memorandum of Understanding. One audit has been completed and is in the reporting stages and the second audit is underway.

4.4. Three year audit plan

Audit Services has updated its Region Wide Risk Framework through interviews with senior management of the Region. The assessment looks at five risk factors; complexity of operations, susceptibility to fraud, sensitivity, financial and dependence on people. These factors are evaluated within a range of very low risk to very high risk. The Region Wide Risk Framework was then reviewed with the Chief Administrative Officer. This Risk Assessment was then used to prioritize the audits to be completed over the following three years.

In addition to the resources allocated to Audit Services through the Regional budget, Audit Services also provides an enhanced consulting role through alternative funding as was established in October, 2000. Under this approach, projects or new business which may require an internal audit consulting/advisory role would be identified and the audit work funded through the project specific budget. Examples of this type of work over the last couple of years include procurement audits within Rapid Transit for the purchase of buses, fairness monitoring of the cost confidence process for the Design Build contract for Quickstart, and the fairness monitoring for the RFP for the design build for Bathurst Collector/Langstaff Trunk Sewers.

5. FINANCIAL IMPLICATIONS

Audit Services Branch will manage its workload within the Audit Budget for 2006.

6. LOCAL MUNICIPAL IMPACT

Audit Services Branch has completed the risk assessment for the four municipalities who are part of the Audit Services Memorandum of Understanding and has begun the detailed audits.

7. CONCLUSION

Audit Services Branch has completed its Region Wide Risk Framework and completed its three year audit plan. Audit Services continues to make its presence known throughout the organization through involvement in various projects, steering committees and execution of the approved Audit Plan.

(The attachments referred to in this clause were included in the agenda for the June 8, 2006 Committee meeting.)