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AUDIT SERVICES BRANCH REPORT

The Audit Committee recommends:

- 1. Receipt of the private attachment (Tables C and D of Attachment 3); and**
- 2. Adoption of the recommendation contained in the following report dated May 31, 2011, from the Director of Audit Services.**

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

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

Attachment 4, Tables C and D, follow-up of outstanding audit points from the Wireless Security audit report are private attachments as they address concerns the security of the property of the Region.

3. BACKGROUND

On October 11, 2000, the Audit Committee approved the development of the Audit Services function through the report of the Chief Administrative Officer. The Audit Committee Charter indicates the Audit Committee is to meet at least twice a year. In practice, the Audit Committee usually meets three times a year to receive updates on the activities of the Audit Services Branch.

4. ANALYSIS AND OPTIONS

Audit Plan Execution

The Audit Services Branch has been actively executing the approved Three Year Audit Plan and other consulting engagements on *Attachment 1*. A summary of the activities since the previous Audit Committee meeting is outlined in *Attachment 2*.

Audit Reports Issued

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

- Outstanding Audit Recommendations Follow-up for June, 2011 Audit Report
(Attachment 3)

5. FINANCIAL IMPLICATIONS

None.

6. LOCAL MUNICIPAL IMPACT

None

7. CONCLUSION

A follow-up of outstanding audit recommendations for audit reports issued prior to April 30, 2011 indicates that management remains cognisant and active in implementing Audit Services recommendations.

Audit Services continues to work with Region management at all levels to provide them with an independent, objective assurance and consulting activity designed to add value and improve the Region's operations. Audit Services does this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes through guidance provided by the International Standards for the Professional Practise of Internal Auditing

(The three attachments referred to in this clause were included in the agenda for the June 9, 2011 meeting.)

(The private attachment (Tables C and D of Attachment 3) referred to in this clause were included in the agenda for the June 9, 2011 meeting.)

		Year				
Process / Project	Nature of Work	2009	2010	2011	Total Hours Per Project	% of Total Hours per Year
Planning & Development						
Infrastructure Planning - Roads and Water&Wastewater	Audit	115	140		255	2.4%
<i>Total Hours Spent in Department</i>					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%
<i>Total Hours Spent in Department</i>					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 Assitance	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%
<i>Total Hours Spent in Department</i>					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%
Duffin Plant Operating Agreement	Audit		185		185	1.7%
Dongara Central Compliance	Audit			140	140	1.3%
Toronto Agreement Review	Consulting	140			140	1.3%
<i>Total Hours Spent in Department</i>					1,085	10.2%
Transporation 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%
<i>Total Hours Spent in Department</i>					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%
Court Administration - North	Audit	140			140	1.3%
<i>Total Hours Spent in Department</i>					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%
<i>Total Hours Spent in Department</i>					3,475	32.5%
Total Hours per Year		3,560	3,560	3,560	10,680	100.0%

AUDIT SERVICES BRANCH ACTIVITIES

Project Name		Status
1.	Outstanding Audit Recommendations Follow-Up June 2011	➤ Completed
2.	Roads – Operations & Safety Audit	➤ Reporting
3.	Management request to review YRT Vault access	➤ Reporting
4.	AutoAudit Software Implementation	➤ In progress
5.	Management request - Contract compliance audit- Georgina Transit	➤ In progress
6.	Management request – Review of policy changes for LTC	➤ In progress
7.	Various Investigations	➤ In progress
8.	Various Fairness Monitoring Projects	➤ In progress
9.	Dongara Contract Compliance Audit	➤ In progress
10.	YRT - 8300 Keele Operations Facility	➤ In progress
11.	Enterprise Resource Program Group (Peoplesoft)	➤ Advisory role
12.	Corporate Technology Review Committee	➤ Advisory role
13.	Electronic Document Management System	➤ Advisory role
14.	Records and Information Management Group	➤ Advisory role
15.	Program Reviews	➤ Member of Steering Committee
16.	Outside Organizational work	➤ Chair, Canadian Association of Local Government Auditors ➤ Treasurer, Canadian Association of Local Government Audits ➤ Vice Chair, Municipal Internal Auditors Association ➤ Association of Local Government Auditors Peer Review Team Member



***Outstanding Audit
Recommendations Follow-Up
Audit Report***

June 2011

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1.0 Management Summary

Audit Services has completed a follow-up of outstanding audit recommendations. These recommendations are comprised of:

1. Audit recommendations that were noted as 'not yet completed' in our previous outstanding audit recommendations follow-up audit report dated February 2011.
2. Any new audit report recommendations issued up to and including April 30, 2011.

Management has implemented 84% of outstanding recommendations as at April 30, 2011

For a detailed summary of audit reports followed up and recommendations issued, completed and outstanding, please refer to section 4.0. Additional detail is available upon request from the Director, Audit Services.

2.0 Introduction

As part of our 2011 Audit Plan, which accommodates various types of audit projects, consulting engagements, and follow-up requests from the Audit Committee and Management, the Audit Services Branch performed a follow-up of outstanding audit recommendations. These recommendations included those noted as outstanding in our February 2011 audit recommendations follow-up audit report, and all new recommendations issued in audit reports up to and including April 30, 2011.

The Audit Plan, approved by York Region's (the Region's) Audit Committee, is developed annually by the Audit Services Branch using a Risk Assessment Methodology that helps to define the different risks associated with the various processes here at the Region. It is one tool that Audit Services uses in assessing where best to allocate audit resources.

On a periodic basis, Audit Services updates the Regional Audit Committee and the Chief Administrative Officer (CAO) on the status of issued audit recommendations. To provide this update, Audit Services contacts Commissioners and Directors to confirm the status of the issued recommendation(s) relating to their area. In some cases, the status is further validated directly by Audit Services through discussions and / or detailed testing. This is an integral part of our audit process that allows us to confirm that the opportunities for improvement outlined in the audit report(s) have been implemented.

Department heads were e-mailed requests containing:

1. A summary of outstanding audit recommendation(s) for their area.
2. A request to provide a status update and a confirmation of the original due date for implementation of the recommendation, or a new anticipated implementation date if necessary.

Management Action Plans that detailed what was being done to implement the recommendation(s), was also requested.

Finally, an Executive Sign-off Form, to be signed by the Commissioner and Director responsible for the implementation of the recommendation(s), was also sent.

Audit reports issued after April 30, 2011 will be followed up in the future.

Additionally, at the February 14, 2008 meeting, Audit Committee requested management provide a report to Audit Committee for any outstanding audit recommendations that remain outstanding greater than a year. This will be done annually, with the next reporting due to Audit Committee in June 2011.

3.0 Objectives and Scope

The objective for this engagement was:

- To provide feedback to the York Region Audit Committee and CAO, as to the disposition of issued audit recommendations.

The audit scope to accomplish this objective was:

- All outstanding audit recommendations issued prior to April 30, 2011.

4.0 Detailed Observations and Recommendations

4.1 Detail Summary Statistics for Outstanding Audit Recommendations Followed Up

- Table A summarizes the outstanding audit recommendations followed up for this review.
- Table B is a summary of outstanding audit recommendations which were followed-up for this review.
- Table C summarizes the outstanding in-camera audit recommendations followed up for this review. *(In camera)*
- Table D is a summary of outstanding audit recommendations which were originally presented in camera and followed-up for this review. *(In camera)*

TABLE A - Summary of Outstanding Audit Recommendations Follow up as at April 30, 2011

Audit Report	Number of opportunities originally highlighted	Previously completed	Completed for this review	Not yet complete	% Not yet complete	Date of Audit Report	Date Reported to Audit Committee
Finance - Payroll	6	5	0	1	16.7%	Oct-07	Nov-07
Fleet Audit - Corporate Level	8	6	0	2	25.0%	Apr-05	Jun-05
W&Ww - Planning & Development	4	3	1	0	0.0%	Sep-09	Nov-09
W&Ww - Environmental Services	14	10	3	1	7.1%	Sep-09	Nov-09
W&Ww - Finance	2	1	0	1	50.0%	Sep-09	Nov-09
W&Ww - Corporate Services	1	0	1	0	100.0%	Sep-09	Nov-09
Procurement & Accounts Payable	4	3	0	1	25.0%	Apr-10	Jun-10
Procurement & Accounts Payable	2	1	0	1	50.0%	Apr-10	Jun-10
Court Operations	5	0	5	0	0.0%	Oct-10	Feb-11
Housing Administration	3	0	2	1	33.3%	Aug-10	Feb-11
Results	49	29	12	8	16%		

TABLE B – Summary of Outstanding Audit Recommendations as at April 30, 2011

Audit Report	Recommendation	Management response	Original due date	Current due date
Finance				
Finance – Payroll	4.5 TEAMS interface with Time & Labour, periodic password change requirements, manual time sheet systems should be automated.	Implementation of Teams and Schedulesoft to be completed Q3 2011.	Q1 2008	Q3 2011
Fleet – Corporate	1.0 Develop and implement Corporate and Department level fleet policy and procedure manuals. Ownership of Corporate level to belong to Insurance Risk management. Ownership of Department level manual to belong to the fleet areas within the department.	Due to the number of versions that have been drafted over the years, the Director of Policy, Risk and Treasury has requested Risk staff to perform a final review of the document to help ensure continuity of terminology and language. The review will be completed by June 1, 2011. The final draft will then be sent to Legal and HR for review before proceeding to the CAO Office for review and implementation. The document should be sent to the CAO Office by June 30, 2011.	Q1 2005	Q2 2011
Fleet – Corporate	3.0 Periodic driver abstract collection.	Legal and HR have given recommendations which have been incorporated into the above mentioned document. HR and Legal will review / sign off and then the policy will be sent to the CAO Office for final review.	Q4 2005	Q2 2011
Environmental Services				
W&Ww Capital Delivery	5.6 Implementation of a formal contractor performance evaluation process	Pilot testing of the application has been ongoing through 2010 using paper based forms. Rollout of the new web based interface and user manuals commenced in May will continue through the balance of 2011. Full roll out by Q4 2011.	Q4 2010	Q4 2011

Audit Report	Recommendation	Management response	Original due date	Current due date
Finance				
W&Ww Capital Delivery	6.1 Clarifying information and maintenance for the Capital Project Status Report	The Total Project Budget Authority Approach was introduced in 2010. Budget / actual variances will be available for 2011. Capital is currently in the midst of redesigning specifications to accommodate this new approach into the quarterly progress reporting. The revised report is anticipated to be completed and available for quarterly reporting by year end 2011.	Q2 2010	Q4 2011
Corporate Services				
W&Ww Capital Delivery	7.1 Creating a Holdback Policy for Construction and Construction Related Activities	The Region's current practices relating to holdbacks were reviewed by a working group tasked by the Chief Administrative Officer. The working group determined that a holdback is retained on all contracts for construction activities and but not on contracts for construction related activities. The working group prepared an estimate of the annual costs which the Region would incur to retain holdbacks on contracts for construction related activities, including administrative and interest costs, and determined that these annual costs were significantly in excess of the Region's potential liability for subcontractor claims arising out of construction related contracts. These findings were presented to the Senior Management Team in Q2 of 2011, and it was recommended that the Region's current practice of retaining holdbacks on all contracts for construction activities and not to retain a holdback on all contracts for construction related activities be maintained.	Q2 2010	NA
Finance				
Procurement & Accounts Payable	4.2 Formal procedures be developed for the update and maintenance of Notification of Signing Authority Forms	Departments have commenced updating of signing authority forms based on the new policy. Updating to be completed Q4 2011.	Q4 2010	Q4 2011

Audit Report	Recommendation	Management response	Original due date	Current due date
Procurement & Accounts Payable	4.5 Periodic review of purchase orders to identify opportunities for supply / service agreement volume discounts and competitive bidding.	Commodity consolidation will be addressed in the next issue of the Finance - Supplies & Services newsletter, The Addendum. Scheduled for the latter part of Q2 2011.	Q3 2010	Q2 2011
Community & Health Services				
Housing Administration	4.1 Housing management to ensure that Housing Rent Supplement & Financial Services binder is update to include managerial & supervisory process and controls.	Staff is reviewing options to expand the process maps to include supervisory & management functions.	Q4 2010	Q2 2012