2
2012-2014 AUDIT PLAN

The Audit Committee recommends the adoption of the recommendation contained in the following report dated September 14, 2011, from the Director of Audit Services.

1. RECOMMENDATION

It is recommended that:

Council approve the three year audit plan presented in this report.

2. PURPOSE

The purpose of this report is to inform Council of the risk assessment methodology used by the 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 (*Attachment 1*), for which we are seeking Council's approval.

3. BACKGROUND

On June 15, 2000 the Audit Committee approved the recommendation that the firm of Deloitte & Touche be engaged to develop an Organizational-Wide Risk Framework and Three-Year Audit Plan. This assignment was completed and the Organizational-Wide Risk Framework and three year audit plan was presented to Audit Committee and approved by Regional Council on October 26, 2000.

The three year audit plan has subsequently been updated and approved every three years since that original plan.

4. ANALYSIS AND OPTIONS

Definition of Internal Audit

Internal audit is defined by the Institute of Internal Auditors as *"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."*

Risk Assessment Methodology

The Region's Audit Services Branch follows the International Standards for the Professional Practice of Internal Auditing as defined by The Institute of Internal Auditors which requires that *the chief audit executive must establish risk-based plans to determine priorities of the internal audit activity, consistent with the organizations goals (Standard 2010).*

All Audit Reports of the Region's Audit Services branch include a statement in the report confirming compliance with the IIA's Standards for the Professional Practice of Internal Auditing .

Risk Criteria Used to Assess Overall Risk of the Region

The criteria used by Audit Services to assess the overall risk at the Region are as follows: Complexity of Operations, Susceptibility to Fraud, Reputation Risk to the Region, Financial, and Dependence on People. Each criterion is equally weighted and given a ranking between 1 and 5, with 1 being the lowest risk and 5 being the highest risk.

Based on this ranking, Audit Services then prepares our audit plan, assigning resources to the high risk areas. We then consider the risk analysis and management requests to allocate any remaining hours to the audit plan.

The audit plan has unallocated hours for management requests which happen during the year, as well as for forensic audits. Audit Services is responsible for all forensic investigations under the Region's Code of Conduct.

Scope

The Audit Services Branch will be responsible for all entities and activities of the Region, with the exception of Police Services and Rapidco.

Mission

To assist Regional Council, the Audit Committee, Senior Management and all Departments of York Region in the effective and efficient discharge of their responsibilities. Audit Services will assist the Region 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.

Audit Universe Risk Prioritization

Table 1 summarizes the results distribution of the risk ranking of the Audit Universe. The Region's Audit Universe is comprised of 91 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	28 of 91	50 of 91	13 of 91
Percentage	31%	55%	14%

Enhanced Consulting Role through Alternative Funding

Since its inception the Audit Services branch has been using an enhanced consulting role through alternative funding model. This model allows for increased Audit participation in consulting and audit engagements through departmental funding of those activities. That is, the Audit budget funds all of the assurance type activities and the department(s) generating other consulting and audit engagements fund them as part of the project specific budget. The practice of having Audit 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.

Relationship to Vision 2026

The Audit Services Branch, through both audit and consulting assignments assists the Region in being fiscally responsible which is one of the goal areas in Vision 2026 under *Engaged Communities and a Responsive Region.* The Audit and consulting assignments assist management in ensuring processes are efficient, effective and economical.

5. FINANCIAL IMPLICATIONS

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

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.

In addition, the Audit Service Branch provides audit services to six of the local municipalities through an audit services memorandum of understanding, on a cost recovery basis. A similar exercise of risk assessment and audit planning is conducted at the local municipalities.

7. CONCLUSION

The Audit Services Branch is using a Risk Assessment Methodology to determine how to best allocate audit and consulting resources across the Region to the areas of highest risk. The enhanced consulting role through alternate funding is a model that has worked well at the Region since the inception of Audit Services. For more information on this report, please contact Paul Duggan, Director, Audit Services at Ext. 1205.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the October 6, 2011 meeting.)

Process / Project	Nature of Work	Year 2012	2013	2014	Total Hours Per Project	% of Total Hours per Year
Planning & Development						
Development Reviews	Audit	140			140	1.4%
Total Hours Spent in Department					140	1.4%
Finance & IT						
Petty Cash Review	Audit	105	45	35	185	1.8%
Various IT Project	Audit/Advisory	70	70	70	210	2.1%
Computer Technology Review Committee	Advisory	40	40	40	120	1.2%
Payroll	Audit		175		175	1.7%
Procurement & Accounts Payable	Audit			535	535	5.3%
IT Security	Audit	175			175	1.7%
Purchasing Card	Audit		140		140	1.4%
Accounts Receivable	Audit			175	175	1.7%
ITS Disaster Recovery Plan	Audit	70			70	0.7%
Total Hours Spent in Department					1,785	17.8%
Community & Health Services						
Long-Term Care - Controls over Contracts	Audit	175			175	1.7%
Public Health - Infectious Diseases Protocols	Audit			175	175	1.7%
Social Services - Controls over Fictitious Clients	Audit		140		140	1.4%
Housing York Inc. - Life Safety Systems	Audit	210			210	2.1%
Housing Adminstration - Audit of Program Review	Audit	210			210	2.1%
Total Hours Spent in Department					910	9.1%
Environmental Services						
W&Ww - Operations Maintenance& Monitoring - Review of Audits	Audit	175			175	1.7%
W&Ww - Owner Controlled Insurance Program Effectiveness	Audit	105	105		210	2.1%
SWM - SSO Contracts Administration	Audit		175		175	1.7%
SWM - SSO Truck Review	Audit	175			175	1.7%
W&Ww- Operations Maintenance & Monitoring - Physical Securit	Audit			175	175	1.7%
W&Ww - York - Peel Water Agreement Review	Management Review	175			175	1.7%
Total Hours Spent in Department					1,085	10.8%
Transportation Services						
Roads - Capital Delivery: Audit of 1 Project per year	Audit	105	140	140	385	3.8%
Roads - Fleet Management	Audit		175		175	1.7%
TM&ITS - Traffic Signal Maintenance Contract	Audit			175	175	1.7%
Roads - Winter Maintenance Contractor Relationship	Audit		175		175	1.7%
YRT Transit - Repairs and Maintenance	Audit		175		175	1.7%
YRT Conventional Transit - Contract Compliance	Audit			175	175	1.7%
YRT Mobility Transit - Contract Compliance / Eligibility Process	Audit	175			175	1.7%
YRT Transit - Revenue/Cash handling	Audit		175		175	1.7%
Total Hours Spent in Department					1,610	16.1%
Corporate Services						
Court Services - CIMS system	Audit			175	175	1.7%
Controls Over Leases	Audit		175		175	1.7%
Central Services Centre Procurement - Fairness Monitor	Advisory		70		70	0.7%
Central Services Centre - Construction Review	Audit			120	120	1.2%
POA - Court Operations	Audit		280		280	2.8%
Total Hours Spent in Department					820	8.2%
Audit Services - Administrative Projects						
					-	0.0%
Audit Plan Update	Consulting	35	35	300	370	3.7%
Institute of Internal Quality Assurance Peer Review	Audit	185	35	35	255	2.5%
Outstanding Recommendations Follow-up	Audit	175	175	175	525	5.2%
Management Requests	Various	420	420	420	1,260	12.6%
Forensic Reviews	Various	420	420	420	1,260	12.6%
Total Hours Spent in Department					3,670	36.6%
	Total Hours per Year	3,340	3,340	3,340	10,020	100.0%
	Total Hours Available per Year	3,340	3,340	3,340	10,020	
	overage / (shortage)	-	-	-		