

CITY AUDITOR'S OFFICE EXTERNAL ASSESSMENT UPDATE

EXECUTIVE SUMMARY

This report provides a brief status update regarding the City Auditor's Office preparation for an External Assessment in 2017.

The Institute of Internal Auditors (IIA) were contacted in late June and have provided a draft contract which provides proposed costing and resources to conduct the assessment. We are currently working with Supply to review the proposed terms and conditions and finalize the contract. Overall the proposed cost is well below the \$75K estimate and includes resourcing of a highly qualified lead assessor along with two support auditors for the period of review. The assessment will likely occur in late Q1 2017, with a report to Audit Committee in early Q2.

RECOMMENDATIONS:

1. That Audit Committee receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of the City Auditor and the powers, duties and functions of the position. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended). Schedule C of Bylaw 48M2012 (as amended) states that Audit Committee "ensures that City Auditor's Office undergoes a Quality Assessment review, as prescribed by the Institute of Internal Auditors (IIA) at least every five years".

Under the City Auditor's Office Charter (AC2016 0247 Attachment 2), the City Auditor will report annually to Audit Committee on the City Auditor's Office quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

BACKGROUND

The City Auditor's Office adheres to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*. As part of the *Standards*, the City Auditor's Office underwent its first External Assessment (formerly called a Quality Assessment Review) in 2010 at the request of Audit Committee. The review identified areas of non-conformance with the *Standards*. Throughout 2011 and 2012, the City Auditor's Office developed and refined its practices to comply with the *Standards*. In late 2012, an external firm was engaged to complete an external assessment in early 2013 and concluded the City Auditor's Office conformed to the *Standards*.

Given the previous review was completed in Q1 2013, the City Auditor's Office is required, to maintain conformance with *Standards*, to complete a further External Assessment prior to Q1 2018. The City Auditor's Office has put plans in place to have the External Assessment conducted during Q1 2017 in order to maintain conformance.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

N/A

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Stakeholder Engagement, Research and Communication

The City Auditor met with the Chair of Audit Committee in late June and obtained agreement from the Chair regarding the IIA's recommended lead assessor. The lead assessor has significant internal audit experience, including leading over 20 quality assessments of audit organizations both in Canada and overseas, as well as, being a recipient of the global IIA's Victor Z Brink Award for Distinguished Service, the IIA Canada Lifetime Achievement Award, and the IIA Toronto Lifetime Honourary Membership award.

Strategic Alignment

An External Assessment provides assurance that the City Auditor's Office is in conformance with the *Standards*. This conformance provides assurance that the Office can provide effective oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations as per the City Auditor's Office Charter.

Social, Environmental, Economic (External)

N/A

Financial Capacity

Current and Future Operating Budget:

The operating budget for the City Auditor's Office in 2017, if not subject to increase, will be insufficient to cover the cost of the external review. One time funding will be required.

Current and Future Capital Budget:

N/A

Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure.

REASON FOR RECOMMENDATION:

To keep Audit Committee apprised on preparation activities for the upcoming External Assessment, as guided by Bylaw 30M2004 (as amended).

ATTACHMENT

None.