City Auditor's Office Operating Protocols

Public Reporting

The City Auditor's Office operates under a public reporting protocol that requires all audit reports to be issued publicly by the City Auditor unless a specific exemption to disclosure exists under FOIP.

The City Auditor issues a written report for each audit that includes a management response and action plan. As of 2005 September, the City Auditor presents the full report to Audit Committee, either on an individual basis or as part of the quarterly reports (Authority: AC2005-47).

Audit reports become public through the Audit Committee agenda distribution process set out in the Procedure Bylaw 44M2006.

Quarterly and Annual Reports

The City Auditor presents periodic status reports that summarize the activities of the City Auditor's Office. These reports provide an overview of significant activities undertaken by the Office and report on the progress against the approved audit plan. The report includes a discussion of any significant variances or proposed changes to the audit plan.

The status reports are presented quarterly to Audit Committee and consist of three quarterly and one annual report. The annual report includes the disposition of any audit included in the audit plan but not yet started (Authority: AC2007-10).

As of 2008 June, the City Auditor also provides an interim status report on audit project status to each meeting of the Audit Committee that does not receive a quarterly/annual report.

Amendments to the Audit Plan

During the year, revisions to the approved audit plan may be necessary to reflect emerging issues and/or new priorities. Changes to the approved audit plan will normally result in the cancellation or deferral of other projects and/or delays to audits in progress (AC2005-43).

New projects that result from either Council or Audit Committee direction will be undertaken immediately. The project will be added to the approved audit plan and the impact on the remaining audit projects will be presented in the next quarterly report.

Where the potential new project is a result of a request from management or where, in the opinion of the City Auditor, an emerging issue results in a revision

to the risk-based priorities, the City Auditor will recommend an amendment to the approved audit to Audit Committee. The project would only proceed if Committee approval was received.

Audit Committee approval of changes to the plan will be obtained through either a supplementary report or as part of the next quarterly status report. The request for approval will describe the changes to the audit plan and the impact on the plan. The status of the amended plan will be then presented in subsequent quarterly reports.

Urgent Matters

Occasionally, a matter may arise that relates to a time-sensitive issue. Where, in the opinion of the City Auditor the matter is of sufficient urgency, importance and in the best interests of the City, the City Auditor may initiate the project and advise the Audit Committee at the earliest, appropriate time.

Audit Process

The City Auditor's Office conducts its audit using a three-phase approach:

>**Planning Phase** – This phase consists of two main processes: knowledge of business and detailed audit planning. The knowledge-of-business process is used by the Office to develop an understanding of the business unit activities and processes. The detailed audit planning process is used by the Office to establish the specific audit objectives, scope and timelines. At the end of the planning phase, Administration is provided with an Audit Scope Memo that sets out the specific audit objectives and scope, describes our general approach, timelines and milestones for the remaining audit phases.

>**Fieldwork Phase** - during this phase the audit team carries out the detailed procedures necessary to achieve the objectives of the audit. On completion we hold an exit conference to ensure management is aware of all potential audit observations and to present a detailed timeline for the reporting phase.

>**Reporting Phase** - during this phase the audit team prepares a draft audit report and the Office completes its quality assurance procedures. The draft audit report is circulated to management as described under audit report finalization.

City Auditor's Office Operating Protocols

Audit Report Finalization
The City Auditor uses a formal process for the finalization of its audit reports in order to meet the requirements of the Public Reporting protocol.

The City Auditor distributes the draft audit report to the responsible manager(s) for review and comment. The objectives of this circulation are:
- To provide final validation that the issues raised in the report are presented accurately and in a balanced manner.
- To obtain a written management response for inclusion in the audit report. The response must include:
  - o An indication of whether management accepts or disagrees with the audit conclusion and recommendation. Management must provide reasons to support their disagreement.
  - o An action plan to address each accepted recommendation.
  - o The position that is accountable for the action plan and any dependencies on support from other business units.
  - o The expected completion date for the action plan.

The report formalization process normally takes 4-6 weeks to complete from the date the draft report is issued. However, this may vary depending on the complexity of the audit report and the number of business units involved. Although the City Auditor suggests a timeline for receipt of the management response, management establishes the actual response due date.

The final audit report, including management responses, is issued to the responsible Director(s) with copies provided to the responsible General Manager(s) and the City Manager.

The City Auditor presents the audit report to Audit Committee at the first meeting following the issue of the final report. If the management response is not received within a reasonable time period, the City Auditor may issue the report and present it to Audit Committee with a recommendation requiring management to provide their responses to Audit Committee.

Audit Follow-up Process
Although management is responsible and accountable for addressing the audit issues and recommendations, auditing standards require that the chief audit executive establish a follow-up process to monitor the disposition of audit results.

In 2008, the City Auditor established a tracking system for all significant audit recommendations and conducts follow-ups based on the milestone dates in the management response to the audit report.

The City Auditor reports at least annually to Audit Committee on the results of its follow-up work (Authority: AC2008-29).