

# Request for Decision City Council



Type of Decision											
Meeting Date		November 28, 2007				Report Date		November 21, 2007			
Decision Requested		X	Yes		No	Priority		X	High		Low
		Direction Only				Type of Meeting		X	Open		Closed

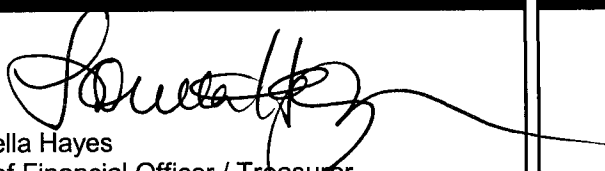
Report Title
Implementation Of Auditor General

Budget Impact / Policy Implication		Recommendation	
X	This report has been reviewed by the Finance Division and the funding source has been identified.		
<p>The funding for the Office of the Auditor General has been included in the 2008 Base Budget in the amount of \$315,000. This Represents a .2% increase on the tax levy and 0.06% of the 2008 proposed gross budget.</p> <p>This is a preliminary estimate and is subject to change depending on the scope of work assigned by the Finance Committee.</p>		<p>THAT Council authorize the CAO or his designate to begin recruiting for the position of Auditor General; and</p> <p>THAT the hiring for the position of Auditor General conform to the CGS Hiring Policies; and</p> <p>THAT the mandate for the Auditor General contained herein, be adopted.</p>	
X	Background Attached		Recommendation Continued

Recommended by the Department	Recommended by the C.A.O.
 Lorella Hayes Chief Financial Officer/Treasurer	 Mark Mieto Chief Administrative Officer

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Report Prepared By	Division Review
 Lorella Hayes Chief Financial Officer / Treasurer	

## BACKGROUND

At the Priorities Meeting of September 19, 2007 and as amended on September 26<sup>th</sup>, 2007, Council approved the hiring of a Value for Money Auditor/Auditor General reporting directly to Council (via the Finance Committee) and requested that Staff report back with an implementation plan, including terms of reference and financial implications.

The following is the amended resolution approved on September 26<sup>th</sup>, 2007:

WHEREAS Council wishes to continue to demonstrate a high level of public accountability and continue to provide assurance to the public that municipal services are administered in an efficient, effective and economical manner;

THEREFORE BE IT RESOLVED THAT a Value for Money Auditor be retained directly by the Finance Committee and may be instructed and dismissed only by the Finance Committee. The auditor will be given direction by and report solely to the Finance Committee who will approve the salary and budget related to this position. The auditor will have tenure only until the audit is completed or to such date as Council shall decide.

## Overview of a Value for Money Auditor/Auditor General

Under the revised Municipal Act, 2001 an Auditor General is responsible for assisting Council in "*holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value-for-money in municipal operations*". The mandate of the auditor general can range in scope from reviewing day to day transactions for compliance with established City policies and professional standards to that of an oversight function regarding service delivery, and efficiency and effectiveness.

Value for Money Auditing is sometimes also referred to as Performance Auditing. As defined by the Office of the Auditor General of Canada a performance audit "is a systematic, purposeful, organized and objective examination of government activities."

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A performance audit or value for money audit can provide Council with “an assessment of the performance of the activities; with information, observations and recommendations designed to promote accountable government, an ethical and effective public service, good governance, and sustainable development.” The scope includes the “examination of economy, efficiency, cost effectiveness and environmental effects of government activities; procedures to measure effectiveness; accountability relationships; protection of public assets; and compliance with authorities. The subject of the audit can be a government entity or activity (business line), a sectoral activity, or a government-wide functional area.

### **Annual Work Plan**

An Auditor General would establish his or her work plan, it should be provided to Council for approval, and be made publicly available. Also, any changes to the work plan, should be approved by Council resolution.

### **Reporting of Findings**

Once all relevant data is collected and analyzed, the Auditor General would prepare a draft report containing its observations, conclusions, and any recommendations for improvement. The draft report would then be provided to the department to offer corrections on the facts and mention of any steps undertaken since completion of the audit work.

After incorporating applicable changes/comments, the final Auditor General Report is circulated to the members of the Finance Committee, the Chief Administrative Officer and relevant department(s).

Council may wish to have the Auditor General report to the Finance Committee quarterly, semi-annually or annually.

An effective communication strategy with the Finance Committee and management throughout all phases of an audit is recommended.

### **Auditor General’s Job Description and Primary Responsibilities**

The proposed mandate for Council’s consideration would provide the Finance Committee and management with objective reviews of any area of municipal operations, including departments, agencies, boards and commissions, and the offices of the Mayor and members of Council, to determine whether operations are performed in the most economical, efficient, and effective manner. Reviews may include performance (value-for-money), financial, and compliance audits.

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More specifically, the duties may include, but not limited to:

- Develop annual work plan subject to approval of Finance Committee.
- Implement the approved work plan by establishing objectives, scope and criteria for audit programs that will lead to recommendations, a written report and a presentation to the Finance Committee and management.
- Review financial management and information systems controls.
- Undertake the investigation of any suspected acts of fraud, misappropriation or other similar irregularities.
- Provide close liaison with external auditors.

The key qualifications of an Auditor General are:

- University degree in a related discipline from an accredited institution
- Accounting Designation (CA, CGA or CMA) or MBA
- Minimum of five (5) years of internal/external audit experience at a senior management level; relevant private sector business analysis experience an asset
- Internal audit designation preferred
- Municipal experience preferred
- Superior interpersonal skills
- Demonstrated oral and written skills
- Demonstrated computer software applications skills

### Implementation Plan

The following table outlines the actions and timing that would be followed to establish an Office of the Auditor General:

Tasks	Timelines
Job description, terms of employment, responsibilities, salary level, establish hiring committee	Nov - Dec 2007
Recruitment process; conduct interviews, Council approve recommended candidate	Early Winter 2008
Auditor duties begin - development of 2008 workplan to be approved by Finance Committee	Spring 2008
Progress updates - quarterly reporting and annual report to Finance Committee	Every quarter and year-end

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## Financial Implications

As noted in the previous report, the financial implications to carry out the functions of the auditor general within the City of Greater Sudbury, range from \$215,000 to \$315,000 and an increase in 1 to 3 staff. City of Greater Sudbury's cost estimates have been benchmarked against other municipalities. The following is a summary:

	City of Toronto	City of Ottawa	City of Oshawa	City of Markham	Proposed CGS
Total Budget	\$8.8 Billion	\$2 Billion	\$100 Million	\$301 Million	\$500 Million
2007 Budget for Auditor General Office	\$4.0 M	\$1.8 M	\$167,000 + \$50,000 for Senior Auditor in 2008 & 2009 Annual budget - \$217,000	\$150,000	\$215,000 to \$315,000
Full-time Staff	29	8	1 (plus part-time Senior Auditor)	(to be determined)	1 to 3
Auditor General Budget as a % of Total City Budget	0.05%	0.09%	0.22%	0.05%	0.04% to 0.06%

Other comparisons of audit costs as a % of municipal operating budget were obtained but pertain to the 2006 fiscal year: Calgary – 0.07%; Edmonton – 0.14%; Winnipeg – 0.10%. Based on the above analysis, the range of audit costs as a percentage of total budget is 0.05% to 0.22%. The City of Toronto, also maintains an internal audit function and when combined with the auditor general expenditures, the costs as a percentage of budget are approx. 0.07%.

Therefore, the recommended 2008 Preliminary Budget for the office of the auditor general is \$315,000, or 0.06% of the City's 2008 proposed gross budget. As requested by Council, this amount has been included in the base budget. This represents a 0.2% increase on the tax levy in 2008. The budget consists of the salaries and benefits for the Auditor General, and 1 or 2 additional audit staff, professional contract services, office supplies, professional development and travel. The allocation of budget dollars will depend on the number of staff hired. Fewer staff could result in higher purchased service costs. The total budget of \$315,000 is a preliminary estimate and is subject to change depending on the scope of work assigned by Council.

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## **CONCLUSION**

Council approved the establishment of an Auditor General to conduct value for money audits and objective reviews of any area of municipal operations to determine whether operations are performed in the most economical, efficient, and effective manner.

The funding for the Office of the Auditor General has been included in the 2008 Base Budget in the amount of \$315,000.