



## **Staff Report for Audit Committee Meeting**

**Date of Meeting:** November 12, 2019

**Report Number:** SRCM.19.14

**Department:** Office of the City Manager  
**Division:** Strategy, Innovation and Engagement

**Subject:** **SRCM.19.14 Internal Audit Outstanding  
Recommendations and Year Three Reports**

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### **Purpose:**

The purpose of this report is to present past years' Internal Audits Outstanding Recommendations, and three completed Year Three Internal Audits prepared by York Region Audit Services, the City's contracted internal auditors.

### **Recommendation(s):**

- a) That SRCM.19.14, Internal Audit Outstanding Recommendations and Year Three Reports, be received.

### **Contact Person:**

Meeta Gandhi, Director, Strategy, Innovation and Engagement, ext.6311

### **Report Approval:**

**Submitted by:** Meeta Gandhi, Director of Strategy, Innovation and Engagement

**Approved by:** Neil Garbe, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner and City Manager. Details of the reports approval are attached.

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### Background:

In June 2016, Council approved SRCAO.16.13 that presented a Three Year Internal Audit Plan and recommended that York Region provide internal audit services for the City. The purpose of an internal audit program is to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes at the City.

The Three Year Internal Audit Plan identified two operational areas to be audited for each year of the Internal Audit Plan. As the City progressed through the three years of this program, the scheduling and scope of the audits were adjusted as noted:

Department	Audit Area	Comments
<b>Year One</b>		
Community Services	Contract Management – Performing Arts and Public Works (design and operating effectiveness)	
Corporate and Financial Services	Development Charges and Fees and Securities	
<b>Year Two</b>		
Environment and Infrastructure Services	Project Management – Asset Management (now Facility, Design, Construction and Maintenance)	
Corporate and Financial Services	Investments and Cash Management (design and operating effectiveness)	Scope revised in 2018 to focus on cash management
<b>Year Three</b>		
Corporate and Financial Services	Development Charges Process Review	Not originally part of three-year program; identified as priority audit as Development Charges Process underwent review through Lean program
Office of the City Manager	Access Richmond Hill Cash Handling	Not originally part of three-year program; identified in Year Two as priority audit

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Department	Audit Area	Comments
Planning and Regulatory Services	By-law Enforcement and Parking Facilitation (design and operating effectiveness)	By-law Enforcement completed; Parking Facilitation no longer applicable due to use of Administrative Monetary Penalty System (AMPS)
Corporate and Financial Services	Procurement Processes – Transactions and Payments under \$10,000 (operating effectiveness)	Deferred due to launch of RHHub and resource capacity

The Internal Auditor is expected to report annually to the City's Audit Committee on the results of internal audits completed, including progress by staff in responding to any findings.

### Past Years' Internal Audits – Outstanding Recommendations Follow Up

In 2017, a Contract Management internal audit was completed. The main objectives of this audit were to ensure:

- contracts have been properly procured in accordance with the City's by-laws,
- controls are in place to ensure that contracts are appropriately monitored to ensure the City is receiving value for money in the goods or services that are being delivered, and
- systems and software that support the contract management processes are properly controlled and secured.

A Development Charges, Fees and Securities internal audit was also completed in 2017. The main objectives of this audit were to ensure:

- adequate controls are in place to ensure that the process for collecting DCs, fees and securities are appropriately managed and controlled and that risks are minimized, and
- controls over the calculation, collection and safeguarding of DCs, fees and securities are adequate to ensure completeness of revenues and safeguarding of funds.

In 2018, a Facility Design, Construction & Maintenance Services Project Management internal audit was completed. The main objectives of this audit were to ensure:

- appropriate policies and procedures were in place for the delivery of capital projects and maintenance,
- appropriate controls are in place to ensure that the contract administration process is handled efficiently and effectively,

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- the overall processes for project management established by the City are being followed, and
- appropriate controls are in place around the awarding and approving of contracts and to ensure compliance with the City's Procurement By-law.

An Investments and Cash Management internal audit was also completed in 2018.

The main objectives of this audit were to ensure:

- appropriate controls, policies and procedures are in place related to cash management
- the controls, policies and procedures in place related to cash management are followed, and
- investments are handled in accordance with the policies and procedures established by the City.

York Region internal audit staff have followed up on past years' internal audits to identify progress in implementing the recommendations. Of a total 53 recommendations, 46 have been completed. Attachment 1 provides a summary of progress and outstanding recommendations.

### Year Three Internal Audits

In late 2018 an internal audit was completed for the Development Charges Review Process (Attachment 2). The main objectives of this audit were to:

- review the processes and procedures changes proposed to ensure that key risks in the development charges process were mitigated,
- identify areas where processes and procedures in the proposed development charges payment process could be improved, and
- to the extent that the process changes impact the recommendations made in the previous audit report, ensure the process incorporates the previous audit findings and recommendations.

In late 2018 and early 2019, an internal audit was completed for Access Richmond Hill (ARH) cash handling (Attachment 3). The main objectives of this audit were to:

- provide an assessment of the controls in place of ARH cash handling processes, and
- to identify opportunities for improvement.

In 2019, a By-Law and Licensing Enforcement internal audit was completed (Attachment 4). The main objectives of the audit were to:

- assess controls in place for managing the By-Law and Licensing Enforcement Division, and
- ensure compliance with internal policies, procedures and by-laws.

In the original Three Year Audit Plan, this internal audit was identified as By-Law Enforcement and Parking Facilitation; however, Parking Facilitation was discontinued as the City moved to an Administrative Monetary Penalty System (AMPS) in 2017 for the

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administration of parking penalties. As such, the internal audit report completed was for By-Law and Licensing Enforcement.

### **Next Steps**

As the original Three Year Internal Audit Plan program has ended, senior management will be reviewing future internal audit opportunities in consultation with the internal auditors from York Region. Additional opportunities identified through other reviews (e.g. the Audit and Accountability Fund report) will also be considered.

### **Financial/Staffing/Other Implications:**

While there are no financial or staffing implications associated with this staff report, implementation of the internal audit recommendations will result in changes to certain City policies, procedures, practices and processes, potentially having financial, staffing and other implications.

### **Relationship to the Strategic Plan:**

Richmond Hill's Internal Audit program supports Goal Four of the Strategic Plan, Wise Management of Resources. The program demonstrates operational and financial responsibility, as we identify opportunities to continuously improve our processes.

### **Conclusion:**

Richmond Hill's Internal Audit program commenced in 2016 to help the City evaluate and improve the effectiveness of risk management, control and governance processes. Looking forward, senior management will review future internal audit opportunities based on consultation with internal auditors from York Region.

### **Attachments:**

The following attached documents may include scanned images of appendixes, maps and photographs. If you require an alternative format please call the contact person listed in this document.

- Attachment 1: The Corporation of the City of Richmond Hill Outstanding Audit Recommendations Follow Up Audit Report
- Attachment 2: The Corporation of the City of Richmond Hill Development Charges Process Review Internal Audit Report
- Attachment 3: The Corporation of the City of Richmond Hill Access Richmond Hill Cash Handling Internal Audit Report
- Attachment 4: The Corporation of the City of Richmond Hill By-Law and Licensing Enforcement Internal Audit Report

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### Report Approval Details

Document Title:	SRCM.19.14 Internal Audit Outstanding Recommendations and Year Three Reports.docx
Attachments:	<ul style="list-style-type: none"><li>- Outstanding Audit Recommendations Follow up Report.pdf</li><li>- Development Charges Process Changes - Final Report.pdf</li><li>- Access Richmond Hill Cash Handling Audit - Final Report.pdf</li><li>- ByLaw and Licensing Enforcement Audit Report - Final Report.pdf</li></ul>
Final Approval Date:	Oct 31, 2019

This report and all of its attachments were approved and signed as outlined below:

**Meeta Gandhi - Oct 30, 2019 - 8:52 PM**

**Neil Garbe - Oct 31, 2019 - 10:42 AM**