



Staff Report for Audit Committee Meeting

Date of Meeting: June 20, 2023

Report Number: SRCM.23.09

Department: Office of the City Manager
Division: Strategy and Transformation

Subject: **SRCM.23.09 – Internal Audit - Fleet Services
Final Report**

Purpose:

The purpose of this report is to provide the Audit Committee with the results of the review of Fleet Services completed by our internal audit contractors, York Region Audit Services, as part of the City's Internal Audit Program.

Recommendation(s):

- a) That SRCM.23.09 regarding the Internal Audit of Fleet Services be received for information.

Contact Person:

Roxana Pooya, Corporate Innovation and Continuous Improvement Project Manager

Tracey Steele, Commissioner of Community Services

Lise Conde, Manager, Strategy and Government Relations

Report Approval:

Submitted by: Anthony Iannucci, Chief Transformation Officer

Approved by: Darlene Joslin, 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.

Page 2

Background:

The City contracts with York Region Audit Services to provide internal audit services. 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;
- To assist the City Manager and Executive Leadership Team in meeting responsibilities for:
 - Maintaining a proper system of internal controls;
 - Identifying and evaluating significant exposures to risk;
 - Helping strengthen risk management throughout the City;
- Independent, objective assurance and consulting services designed to add value and improve operations.

External Audit versus Internal Audit

Internal audit differs from external audit, though as a best practice, the outcomes of both are reported through Audit Committee.

- **External vs Internal Audit**

Feature	External Audit	Internal Audit
Legislative Authority	Section 296 of Municipal Act requires appointment of external auditor	Not legislatively required
Appointed by	Council through Audit Committee	City Manager
Reports to / Clients	Council through Audit Committee	City Manager and Senior Management
Independence	Audits undertaken by an external independent resource Reports to Council through Audit Committee on findings	Audits may be completed by City employee or external resource Reports to City Manager and Senior Management on findings No operational responsibilities

Page 3

Feature	External Audit	Internal Audit
Focus of Audit	Financial risks Independent annual audit of financial accounts and transactions of the municipality and local boards expressing an opinion on financial statements of these bodies	All categories of risk and their management A tool to support senior management through the completion of independent reviews Assure internal systems and controls are in place for effective risk management, control and governance Focus is on adding value and continuously improving an organization's operations
Example	Audit of the consolidated Financial Statements of the City	Audit of Cash Handling – a review of the controls over of acceptance of cash payments as well as a best practices review

In 2021, an internal audit of Fleet Services (Light Duty Vehicles) was undertaken to help ensure that the policies, procedures, and processes in place are working effectively and efficiently and mitigating the severity of relevant risks to the Fleet Services. The internal auditors reviewed Fleet Services processes by assessing compliance to applicable legislation, and policies and performed detailed testing of Fleet Services documents and records to assess effectiveness and efficiencies of internal control environment at the Fleet Services.

Overall, the results of this review indicate that the City's processes for the management of Fleet Services are operating in a manner to ensure compliance with relevant policies and legislation. However, opportunities for internal control improvements are identified and detailed in the final Fleet Services (Light Duty Vehicles) Audit Report (the "Audit Report", attached to SRCM.23.09 as Appendix A). This includes eleven recommendations in six categories of operations.

The Audit Report also contains management responses associated with each of the recommendations. Implementation of the following five recommendations is already complete:

- 4.1.2 Communication regarding the Fleet Policy
- 4.2.1 Use of a Light Vehicle Assessment Model
- 4.3.2 Input of vehicle information into Maximo
- 4.4.1 Quarterly review of Driver's Abstracts

Page 4

4.4.2 Resolution of technology issue associated with driver's database

Implementation of the remaining recommendations is underway in 2023 and is expected to be complete in 2024.

Financial/Staffing/Other Implications:

There are no financial implications to the recommendation in this report. Generally internal audit reviews require existing staff resources to implement but can lead to process improvements that have a positive impact to the City's financial position and reduce risk.

Conclusion:

The City's Internal Audit contractor completed a review of Fleet Services. The full report is contained in Appendix A. The City has already implemented a number of the recommendations and has plans to complete the remainder in 2023-2024.

Attachments:

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

- Appendix A: Report of York Region Audit Services: The City of Richmond Hill Fleet Services (Light Duty Vehicles) Audit Report November 2022

Page 5

Report Approval Details

Document Title:	Fleet Audit Final Report.docx
Attachments:	- RH Fleet Audit Report 2022.pdf
Final Approval Date:	Jun 8, 2023

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

Tracey Steele - Jun 8, 2023 - 9:31 AM

Anthony Iannucci - Jun 8, 2023 - 11:07 AM

Darlene Joslin - Jun 8, 2023 - 3:42 PM