

# *The Corporation of the City of Windsor*

## *Enterprise Governance*

*Final Internal Audit Report*

*25 April 2014*

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# Summary of Internal Audit Results

The engagement has been performed in accordance with the scope as per Appendix A.



## Report Classification:

In general, management controls for enterprise governance are sufficiently reliable for the purpose envisaged. Overall, most governance structures are in place. Roles and responsibilities are defined. Codes of conduct and conflicts of interest policies are defined and in effect. As the Code of Conduct for Councilors is over 7 years old it should be updated or validated and annual compliance/awareness with the Code of Conduct should be acquired from each member of Council. Clarity regarding ABC codes/policies versus City codes/policies should be provided for City appointees. Considerations for improvement to the staff conflict of interest policy and process were noted. A governance training program is in place for management personnel and a Councilor training session is in effect. Council should consider making the session mandatory and logging attendance.

Risk management practices are used in reports to Council and in assessing operational departments. Risk analysis guidelines are available for documenting risk perspectives in Council reports. Council and management should work together to define and implement an Enterprise Risk Management (ERM) strategy. Complaint processes exist and are in effect. Committees of Council have a self-assessment mechanism and Council should consider implementing a similar process at the Council level.

We do not expect that addressing the Code of Conduct and Conflict of Interest findings will be a significant activity. We understand that the Council self-assessment and the ERM strategy are more likely to require significant effort and may be more long term action plans.

Based on the controls identified and tested as part of the Internal Audit of the City’s Enterprise Governance process and controls we have determined that there is reasonable evidence to indicate that:

	No or limited scope improvement	No Major Concerns Noted	Cause for Concern	Cause for Considerable Concern
Controls over the process are designed in such a manner that there is:				
Sample tests indicated that process controls were operating such that there is:				

Management has provided comprehensive action plans, which we believe will address the deficiencies noted.

See Appendix C for Basis of Finding Rating and Report Classification.

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## Summary of Positive Themes

During the review of the processes and controls, the following areas were noted as positive themes:

**Governance Structure:** The organizational structure defines and supports the governance structure, processes and culture. The Senior Management Team (“SMT”) receives guidance and direction from the Corporate Leadership Team (“CLT”). The City recently reviewed the governance structure for its Standing Committees. There is also a Council Appointment Policy and process whereby committee members are appointed and their roles are formally defined. The City is committed to providing training, orientation and ongoing support for Councillors and Council. The City utilizes multiple Standing and Advisory Committees, many of which have at least one member of Council on them, to bring a different point of view and discipline to the decision making process.

**Culture:** A code of conduct is formally documented which governs acceptable behaviour for Council and individual councillors. Conflict of interest and fraud policies have been implemented by senior management and Council. A governance training program has been developed and is available to staff as part of the Management Windsor Certificate Program.

**Risk Management:** Identification and analysis of relevant risks to achieving the city’s strategic objectives are embraced by management with ongoing coordination and communication through Council reports and Corporate Strategic planning & reporting processes. Council reports are reviewed by multiple levels of management before they are sent to Council. Several operational risk assessments have been conducted.

**Accountability:** Staff are reminded on a periodic basis of the Conflict of Interest policy via the City’s intranet, City Circuit newsletter and/or email to ensure that awareness is sustained. Submission deadlines for council reports are communicated on the City’s Intranet. The CLT members track major decisions and action plans and follow through to ensure they are properly attended to.

**Information, Coordination and Communication:** The City and its stakeholders promote communication and transparency. Management appears to be engaged in a consultative process (including Council, staff and community members) to create and adopt the Strategic Plans.

**Performance Management:** Processes exist to resolve concerns raised by concerned citizens and/or employees as well as to investigate claims of potential non-compliance with the City’s code of conduct. Performance appraisal processes aim to evaluate if personal and corporate objectives for senior management are achieved. The City has protocols for reporting complaints of non-compliance against the Code of Conduct and has appointed an Integrity Commissioner to oversee and investigate, where necessary, the complaints received.

## Summary of Findings

The following table provides a summary of the internal audit findings and management actions:

Finding	Topic	Rating <sup>1</sup>			Management Action
		Significant	Moderate	Low	
<b>Corporate Governance</b>					
<b>Corporate Culture &amp; Ethics</b>					
1	Councillor Sign-off on Code of Conduct			X	1. Update of Council Code of Conduct procedures – City Clerk – 2014 Q4 2. Review and update of Council Code of Conduct – Integrity Commissioner – 2015 Q1 3. Alignment of Code of Conduct with ABC codes – Integrity Commissioner & City Clerk – 2015 Q1
2	Aging Code of Conduct	X			
3	Code of Conduct Misalignment with Agencies, Boards and Commissions		X		
<b>Organizational Structure &amp; Accountability</b>					
4	Governance Training Roles & Responsibilities			X	4. Update of Council Training procedure – City Clerk – 2015 Q1 5. N/A
5	Council Self-Assessment Mechanism		X		
<b>Corporate Governance Policies</b>					
6	Conflict of Interest Disclosure		X		6. Update to Conflict of Interest Disclosure Forms – CAO & Manager of Corporate Administration & Assistant to the CAO – 2014 Q3
<b>Governance &amp; Management of Risks</b>					
7	Enterprise Risk Management	X			7. Development & Implementation of ERM – CAO & Manager of Corporate Initiatives – 2015 Q3 8. Update of the Report Writing Guideline's Risk Assessment Tool – CAO and City Clerk – 2015 Q1
8	Council Reports	X			
<b>Total Audit Findings</b>		<b>3</b>	<b>3</b>	<b>2</b>	

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### *Summary of Significant Findings*

Here is a brief summary of 3 significant areas where the City's governance framework should be improved:

#### *Update the Code of Conduct for Council Members:*

- The Code of Conduct is seven years old and should be reviewed and/or updated. Annual acknowledgement and adherence sign-offs should be obtained for all applicable parties.

#### *Enterprise Risk Management:*

- An Enterprise Risk Management strategy should be defined and implemented.

#### *Council Reports and Meetings:*

- The risk analysis component should be completed in accordance with established guidelines or rationale as to an alternate approach supplied for all submissions.

### *Management Comments*

The first finding identified as significant by PwC is the Aging Code of Conduct. It is noted within the PwC report that Council adopted the current code in 2011 along with the updated procedural by-law. It is also noted that in his annual report in the fall of 2013, the Integrity Commissioner indicated to City Council that he is developing recommendations for revision to the Council Code of Conduct. Management will undertake to ensure that the revisions are delivered to City Council by the first quarter of 2015. While there appears to be no evidence that the City's code does not comply with current legislation, we agree that the Code of Conduct is important and should be reviewed and updated according to a regular schedule.

The second finding identified as significant by PwC concerns Enterprise Risk Management (ERM). Management has, to date, focused on department and project risk assessments. PwC provides the option to City Council to do a cost benefit analysis to determine if ERM is appropriate for the City of Windsor. Should Council adopt this approach and should Council not elect to undertake ERM as a result of the cost / benefit analysis, then it is recommended that this decision be reviewed annually. Rather than using resources to annually revisit this decision, management's recommended alternative is to move to develop and implement the ERM framework and practice. Should City Council concur, we are committed to this goal.

The third finding labelled as significant by PwC concerns the risk analysis section of Council reports. This is a relatively new section of our Council report guidelines. In recent years, reports to City Council involving significant decisions (financial or otherwise) have included a comprehensive risk analysis. We agree that our adherence to more detailed risk reporting for all Council reports could be enhanced with training and greater attention to this section of the report. We appreciate PwC's recommendation to design a process whereby certain routine reports may be eligible for an exception to the detailed risk analysis requirement.

Name: Helga Reidel  
Title: Chief Administrative Officer  
Date: 8/05/2014

# Detailed Observations

## Findings & Action Plans

Finding	Rating <sup>1</sup>	Recommendation & Action Plan
<b>1. Councillor Sign-off on Code of Conduct</b>		
<p><b>Observation</b> There is no requirement for Councillors to sign a declaration or statement of commitment with respect to the Code of Conduct. This requirement was noted upon review of the Code of Conduct for a comparable municipality (City of Halifax) and is considered a best practice for well controlled organizations as it sets the tone at the top.</p> <p>It was noted that Councillors are required to take the oath upon assuming office and that the Code of Conduct and any related revisions require Council approval.</p>	<p><b>Overall</b> Low</p> <p><b>Impact</b> Medium</p>	<p><b>Recommendation</b> Council should implement a process to ensure that all Council members and the Mayor sign a “Statement of Commitment to the Code” within seven (7) days of taking the Councillors’ Declaration of Office. Council should consider incorporating this element into the upcoming revision of the Code of Conduct.</p> <p>All board members (i.e. citizens) who are appointed to an ABC by the City should sign a “Statement of Commitment” to the Code.</p> <p>Council should also consider implementing a process to obtain individual Council member acknowledgement and adherence to the Code of Conduct on an annual basis or at a minimum once per term.</p>
<p><b>Implication</b> The potential for a perceived lack of accountability from each member of Council and a culture or tone for strong governance practices is not established. Furthermore, in the absence of a formal sign-off, it remains uncertain that members of Council understand the stipulations of the Code. In addition, the overall governance and tone at the top may be inadvertently impaired.</p>	<p><b>Likelihood</b> Unlikely</p>	<p><b>Management Action Plan</b> Management agrees with the finding and recommendation. Commencing with the next term of Council, the City Clerk’s office will provide each member of Council with a copy of the Code of Conduct for their review and will ensure that the recommended “Statement of Commitment to the Code” is signed by each member within seven (7) days of each Councillor swearing his/her Declaration of Office, The same will be done for all citizen appointees to Agencies, Boards, Commissions and Council Committees.</p> <p>If it is the wish of Council, the City Clerk’s office will have a similar acknowledgement signed by members of Councils on an annual basis.</p>
<p><b>Root Cause</b> A training session on the Code of Conduct is made available, but not required, for Council members and the Mayor on their first appointment. No requirement for annual acknowledgement and adherence to the Code of Conduct is required or obtained.</p>		<p>Finally, if it is the wish of Council, the Council Orientation program which is offered at the commencement of each new term of Council will be made mandatory for all members of Council.</p> <p><b>Responsibility</b> City Clerk</p> <p><b>Due Date</b> December 1, 2014</p>

<sup>1</sup> See Appendix C for Basis of Finding Rating and Report Classification

Finding	Rating	Recommendation & Action Plan
<b>2. Aging Code of Conduct</b>		
<p><b>Observation</b> There is no evidence that the current Code of Conduct has been reviewed since 2007 and it has not been updated since 2007. However, the current council adopted the current Code in 2011 at the time the procedural by-law was revised.</p> <p>It was noted that the Code includes the report from the Bellamy Inquiry in Schedule C, which recommends that all Council members receive training on the Code, but this is not included as part of the Code itself. It was also noted that the Inquiry recommends that the Code be monitored vigilantly for opportunities for improvement, but there is no provision in the Code for this.</p>	<p><b>Overall</b> Significant</p>	<p><b>Recommendation</b> Council should ensure that the Code of Conduct for Council is reviewed and updated/validated on a regular basis (this should align with the policy lifecycle maintenance action that management will address in the Policy Management report finding #1).</p> <p>During this review consideration of useful components of comparable municipal Codes of Conduct as well as overall format/structure and clarity should be incorporated. It is suggested that the Code of Conduct updates be addressed prior to the next term of Council to ensure that the new Council is operating under a current form of the Code.</p> <p>The Code should include a policy statement relating to reporting complaints of non-compliance with the Code, and at a minimum have a reference to Integrity Commissioner's web page.</p>
<p><b>Implication</b> There is a risk that new legislation, developments or considerations are excluded from the Code of Conduct for Council. The code may not be current, clear or well understood resulting in non-compliance.</p>	<p><b>Impact</b> High</p>	<p>When considering updates to the Code of Conduct for Council, consideration as to whether the Code of Conduct for Council is consistent and/or aligned with the Staff Code of Ethics and Conflict of Interest Policy should be applied.</p>
<p><b>Root Cause</b> The Code of Conduct for Council was originally developed based on inputs from Codes of comparable municipalities that had previously been reviewed and revised. The City's Code of Conduct incorporates these revisions, by reference to the recommendations made, in an appendix to the Code.</p>	<p><b>Likelihood</b> Likely</p>	<p><b>Management Action Plan</b> Management agrees with the finding and recommendation. The current Code of Conduct is currently being reviewed by the City's Integrity Commissioner and Administration expects that revisions/updates to the current Code will be presented to the new Council in early 2015.</p> <p><b>Responsibility</b> Integrity Commissioner</p> <p><b>Due Date</b> First quarter of 2015.</p>

Finding	Rating	Recommendation & Action Plan
<b>3. Code of Conduct Misalignment with Agencies, Boards and Commissions</b>		
<p><b>Observation</b> Codes of Conduct for ABC's that have Council appointed members are not reviewed against the City's Code of Conduct for Council. Upon review of the Code of Ethical Conduct for one ABC, it was noted that their Code applies to ALL board members, executives and employees of the ABC. There is no provision or exception specified for board members that are appointed by the City.</p> <p>It was further noted that there is a requirement in the sample ABC's Code that states, "Annually, all individuals subject to this Code will acknowledge their understanding of the Code and acknowledge that they are not in breach of its principles and terms". This requirement was not apparent in the City's Code of Conduct for Council.</p>	<p><b>Overall</b> Moderate</p> <p><b>Impact</b> Medium</p> <p><b>Likelihood</b> Likely</p>	<p><b>Recommendation</b> Council should determine an approach to ensuring that the appropriate Code of Conduct is applied for all City appointed personnel and how those personnel will be aware of which applies. For instance, a clause could be added that the more stringent code applies. However, in this instance, clarification should be provided to Council and the Integrity Commissioner so that they may determine which Code the individual's action applies under and thereby impacts their domain of assessment.</p> <p><b>Management Action Plan</b> Management agrees with the finding and recommendation. This recommendation will be incorporated into the revised Code of Conduct and all appointees to Agencies, Board and Commissions and Committees will be made of aware of the applicability of the Code of Conduct during the Council and Committee Orientation sessions.</p>
<p><b>Implication</b> There is a risk that clauses and/or requirements in the City's Code of Conduct for Council conflict with the Code of Conduct used by the ABC's. There is a risk that impacted personnel are not certain of which policy applies.</p>		<p><b>Responsibility</b> Integrity Commissioner and City Clerk</p>
<p><b>Root Cause</b> There is no mechanism currently in effect for identifying, assessing and managing gaps or differences within ABC Codes of Conduct (or equivalent) and the City's Code of Conduct.</p>		<p><b>Due Date</b> First quarter of 2015.</p>

Finding	Rating	Recommendation & Action Plan
<b>4. Governance Training: Roles and Responsibilities</b>		
<p><b>Observation</b> New Councillor training or orientation is currently optional. Also, attendance at these sessions is not taken to keep track of who was provided the training.</p>	<p><b>Overall</b> Low</p>	<p><b>Recommendation</b> Council should consider adopting a policy for mandatory scheduled training within a prescribed timeframe after being elected. The training should continue to be available to all councillors to ensure awareness is maintained and knowledge is shared.</p>
	<p><b>Impact</b> Low</p>	<p>In addition, a checklist of topics and policies should be maintained and Councillors should be required to acknowledge attendance at and awareness of the training topics. This requirement should be adopted by a council resolution.</p>
<p><b>Implication</b> There is a risk of inconsistent levels of training and awareness. In addition, it is not currently possible to independently validate participant attendance and awareness of the orientation session. Overall, controls such as these establish a tone at the top for the organization and influence the overall control environment behaviours.</p>	<p><b>Likelihood</b> Unlikely</p>	<p><b>Management Action Plan</b> Management agrees with the finding and recommendation. If it is the wish of Council, the Council Orientation program which is offered at the commencement of each new term of Council will be made mandatory for all members of Council and a list of training topics will be presented to members of Council for their acknowledgment.</p> <p>Should new members of Council be elected during the 2014-18 term, the Council Orientation will be made available to them.</p>
<p><b>Root Cause</b> It is not mandatory for Councillors to attend training and, as a minimum; all councillors do receive a training binder when they are elected. Attendance at training is not evidenced.</p>		<p><b>Responsibility</b> City Clerk</p> <p><b>Due Date</b> First quarter of 2015.</p>

Finding	Rating	Recommendation & Action Plan
<b>5. Council Self-Assessment Mechanism</b>		
<p><b>Observation</b> Council does not have a forum for periodically self-assessing its performance to maintain and enhance the mechanisms that enable them to govern. A program is in effect for Committees of Council and is recognized as a good governance practice in general.</p>	<p><b>Overall</b> Moderate</p>	<p><b>Recommendation</b> Council should undertake an initiative to define and implement a governance self-assessment process. This self-assessment mechanism would provide Council with insight into how effective the current governance framework is, what additional support/tools are needed and where they should focus their actions going forward.</p> <p>This self-assessment is distinct from the ongoing political and public opinion mechanisms already in effect. It is a self-evaluation guide or checklist for Council members to help them identify what they are doing well and where they can improve as it relates to governance of the City.</p> <p>The areas which may be included in the self-assessment are as follows: Strategic Planning, Relationships, Quality and Risk Management, Performance Evaluations, Governance Structure &amp; Organization.</p> <p>The frequency of this self-assessment should be at least once per Council term (likely in the 2<sup>nd</sup> or early 3<sup>rd</sup> year of the term).</p> <p>The process should begin with setting objectives or best practices that help Council govern and then evaluating, with rating criteria, whether each objective is met consistently or requires development. Consideration may be given to having Council vote on individual objectives in order to decide on the rating assigned. Refer to Appendix B of this report for a sample Council Evaluation Checklist.</p>
<p><b>Implication</b> Without this self-assessment, Council will have no means of formal and consistent self-review within the Council term. This reduces the opportunity to identify areas of improvement during the term.</p>	<p><b>Impact</b> Medium</p>	<p><b>Management Action Plan</b> Management agrees with the finding however disagrees with the recommendation because, while management agree that a self-assessment is appropriate in a corporate governance environment, in a political environment there is an automatic accountability mechanism through constituent contact, traditional and social media, and via the electorate every 4 years. This provides immediate and ultimate feedback which makes the case for a formal self- assessment less compelling. Additionally, there is a risk that an attempted self-assessment mechanism could become politicized rather than serve the purpose PwC is suggesting.</p> <p>However, should Council wish to act on this recommendation, Administration will work with PwC to provide Council with examples of applicable and appropriate self-assessment tools for Council’s consideration and implementation.</p>
<p><b>Root Cause</b> A process for Council governance self-assessment is not currently in effect.</p>	<p><b>Likelihood</b> Likely</p>	<p><b>Management Action Plan</b> Management agrees with the finding however disagrees with the recommendation because, while management agree that a self-assessment is appropriate in a corporate governance environment, in a political environment there is an automatic accountability mechanism through constituent contact, traditional and social media, and via the electorate every 4 years. This provides immediate and ultimate feedback which makes the case for a formal self- assessment less compelling. Additionally, there is a risk that an attempted self-assessment mechanism could become politicized rather than serve the purpose PwC is suggesting.</p> <p>However, should Council wish to act on this recommendation, Administration will work with PwC to provide Council with examples of applicable and appropriate self-assessment tools for Council’s consideration and implementation.</p>

Finding	Rating	Recommendation & Action Plan
<b>6. Conflict of Interest Disclosure</b>		
<p><b>Observation</b> According to the City of Windsor Code of Ethics and Conflict of Interest Procedure (Ref# CECI 001), due to the often time-sensitive nature of conflicts of interest, Disclosure Forms are to be submitted within 5 business days of an employee becoming aware of a possible breach of the Code of Ethics or a conflict of interest as per section 6.9.2 of the Conflict of Interest Policy.</p> <p>It was noted that the current practice is that only potential Conflict of Interest disclosures are required within the 5-day period, while approved exceptions are not bound to this.</p>	<p><b>Overall</b> Moderate</p>	<p><b>Recommendation</b> Currently all conflicts are reported on one single form including those events that are approved exceptions and those events that are potential conflicts of interest. It is recommended that the title of the form be altered so that it no longer appears to be a confirmed Conflict of Interest disclosure, thus preventing any ambiguity as to the nature of the form.</p> <p>To create a simpler disclosure &amp; review process, it is recommended that the list of exceptions found in section 6.4.2 of the policy be included on the form to guide the employee in determining whether their situation is an exception. This provides an opportunity for the employee to quickly determine if their situation pertains to an exception and record it on the form. Furthermore, exceptions under section 6.4.2 should continue to have a second set of eyes concurs that it is a valid exception.</p>
<p><b>Implication</b> While the policy states that disclosure forms are due within five business days of an employee becoming aware of a possible conflict of interest, this wording allows for the possibility of a misinterpretation. This could lead to a conflict of interest going unreported for an extended period of time.</p>	<p><b>Impact</b> Low</p>	<p>To ensure all potential conflicts are disclosed, it is recommended that the City encourage all disclosure forms to be submitted within five business days of the author becoming aware of the need to create the form, regardless of the final conclusion (i.e. a conflict or an exception).</p>
<p><b>Root Cause</b> The Conflict of Interest policy does not provide significant guidance for reporting exceptions in a timely manner.</p>	<p><b>Likelihood</b> Highly Likely</p>	<p><b>Management Action Plan</b> Management agrees with the finding and recommendation. The action plan will include revising the form to clearly identify a list of the approved exceptions under the policy in a check box format with good descriptions to guide employees. Management will communicate these changes through a variety of means along with reminders to staff regarding the 5 day limit. All managers and supervisors will be asked to bring these changes to the attention of their staff.</p> <p><b>Responsibility</b> CAO and Manager of Corporate Administration &amp; Assistant to the CAO</p> <p><b>Due Date</b> Third quarter of 2014 with communication and education throughout 2014 and 2015.</p>

Finding	Rating	Recommendation & Action Plan
<p><b>7. Enterprise Risk Management</b></p> <p><b>Observation</b>  Council currently addresses the oversight of risk on a case by case basis, in the context of issues that come to Council for decision. There is no evidence of a formal cost benefit analysis to determine the value of implementing ERM or Council direction towards the creation and implementation of an ERM program.</p> <p>The City has been through an exercise to identify all departmental level risks however, there does not appear to be a concise/consolidated Enterprise Risk Universe. Furthermore, there is no overarching enterprise risk management (ERM) oversight framework whereby Council can systematically identify the City's main risks, risk management strategies and the systems used to monitor, mitigate and manage risk.</p> <p>There doesn't appear to be in depth consideration for enterprise-wide risks when creating the Community Strategic Plan and Corporate Strategic Action Plan (CSAP). There is no alignment of results in the CSAP Report Card to Enterprise risks.</p>	<p><b>Overall Significant</b></p>	<p><b>Recommendation</b>  Council should define the intended direction for ERM. Council may choose to have a cost benefit analysis conducted to determine the value of implementing ERM or may choose to direct the creation and implementation of an ERM program to better manage risks and optimize value.</p> <p>Should Council chose to not implement an ERM solution based on a cost benefit analysis, such an analysis should be updated and revalidated annually.</p> <p>Should Council choose to create and implement an ERM solution, the program should be guided by an ERM framework. The ERM framework should be a key reference point in decision making and project funding and resource allocation decisions for Council and management.</p> <ol style="list-style-type: none"> <li>1) Council should request that Management define and submit an ERM policy and framework for Council approval and use that addresses Council and Management needs. The policy should state the City's philosophy for risk management, the ERM framework, strategy and processes for managing enterprise risks, and define an ERM governance structure. As part of the Policy, the ownership of the risk management program and Council reporting protocols should be defined.</li> <li>2) The City should ensure that an overall risk tolerance or risk appetite is known and considered by management when executing on the City's strategies and objectives. Management and Council should understand the nature of uncertainties and strategic risks and ensure decision making is sound and within the City's tolerance for risk. The tolerance for risk and the risk appetite should be defined and approved by Council.</li> <li>3) The City should facilitate a process for identifying the enterprise risk universe and a methodology for assessing and classifying risks. The methodology and policy should be approved by Council.</li> <li>4) Once enterprise risks are assessed and categorized, a risk owner (i.e. CLT or Council) should be assigned to each risk. The assigned owners should be responsible for a high level risk response strategy, which is approved by CLT/Council, and quarterly reporting of risk management status.</li> <li>5) The risk response strategy should define mitigating activities (that may be integrated into business processes, people and technology mechanisms), assign ownership to activities and define the relevant indicators for reporting the effectiveness of the risk response strategy.</li> </ol>

Finding	Rating	Recommendation & Action Plan
		The relationship and impact of risks and ERM, new and amended policies, projects/initiative, strategy and the CSAP should be integrated into their presentation and reporting.
<p><b>Implication</b> Risk considerations and risk management strategies are more likely to be inconsistent and may not consider enterprise wide ramifications. This increases the likelihood that key risks may not be appropriately identified and managed, that resource deployment may be inefficient or may not address key risks, or that key risks and strategies may not be executed in accordance with organizational direction. There is a risk that the impact of the CSAP Report Card Results on overarching Enterprise Risk is not considered.</p>	<p><b>Impact</b> High</p>	<p><b>Management Action Plan</b> Management agrees with the finding and recommendation to create and implement an ERM program to better manage risks and optimize value. A great deal of work was completed between 2010 and 2012 in the area of departmental risk assessment. A program was developed and guidelines for risk assessment were placed on the Corporate Dashboard for management use. Staff training was offered, risk assessments were performed and a departmental risk register created. With staff reductions in the CAO's Office and a change in the delivery of the internal audit process, further work was put on hold pending the receipt of PwC's recommendations (which are detailed in this report). All of the work completed to date has focused on departmental risks. The enterprise level risks have not yet been analysed. As of the 2013 fiscal year end, Administration recommended and City Council approved setting aside \$25,000 as a budget carry forward for consulting services with the goal of enhancing our ERM program. If Council wishes, these funds can be used to conduct a cost benefit analysis of ERM to confirm the City's commitment to this effort. Alternatively, administration recommends that these dollars be dedicated to assisting management to define the program and ERM Policy for City Council's final approval. It is Administration's belief that the ERM program will be beneficial and that the Corporation's risks should be identified, that dollars be allocated toward mitigating the risks and that City Council consider the identified risks as one component in determining ongoing strategic priorities.</p>
<p><b>Root Cause</b> Policies and Projects have focused more on individual service areas or departments of the City without considering the Enterprise-wide issues at hand. While departmental ERM practices sometimes exist an overall ERM framework and process has not yet been implemented and sustained.</p>	<p><b>Likelihood</b> Highly Likely</p>	<p><b>Responsibility</b> CAO and Manager of Corporate Initiatives</p> <p><b>Due Date</b> Steps 1, 2 and 3: January 2015 Steps 4 and 5: Third quarter of 2015 and then ongoing.</p>

Finding	Rating	Recommendation & Action Plan
<b>8. Council Reports</b>		
<p><b>Observation</b> Council reports are not written in a consistent format or are not adhering to the Council Report Writing Guidelines.</p> <p>Upon reviewing a sample of Council reports, all of the sub-sections required under the "Risk Analysis" section of Council reports were not completed appropriately in 27 of the reports examined in a sample of 30. The most frequently noted exception was risk not being measured in accordance with the Writing Guideline.</p> <p>In addition, it was noted that 7 reports of 30 sampled reports were 10 pages in length or more and did not have Executive Summaries.</p> <p>Currently, the Writing Guidelines do not provide authors the ability to apply specified criteria when determining how much detail is required in the executive summary and risk analysis sections.</p>	<p><b>Overall</b> Significant</p> <hr/> <p><b>Impact</b> High</p> <hr/> <p><b>Likelihood</b> Highly Likely</p>	<p><b>Recommendation</b> Management should design and implement a process to ensure consistent development and completion of policy documents. A Risk Assessment Tool should be added to the Writing Guide to help authors consistently report on risks. The risk analysis section of the case and the risk assessment tool should incorporate alignment with the approved ERM practices.</p> <p>It is also suggested that management design and implement an exception process whereby, for valid reasons under specified criteria, there may be approved exceptions to the Council Report Writing Guidelines. This recommendation is designed to improve the efficiency of the Council Report preparation and review process.</p> <p>Training for documenting the Risk Analysis section should be mandatory for individuals enrolled in the Management Windsor Certificate program and cover examples of the correct methods for assessing enterprise risks.</p> <p>Should Council decide to implement an ERM program the risk analysis section of Council reports should enable alignment and reporting thereon.</p>
<p><b>Implication</b> Inconsistent Council Reports may result in potential incomplete information for which decisions are based on. Lack of consistent conformance to Council Report Writing Guidelines. Increased likelihood that important information is not clearly communicated.</p> <p>Risk analysis may not be in alignment with Enterprise Risk Management (ERM) practices resulting in divergent or conflicting actions and plans.</p>		<p><b>Management Action Plan</b> Management agrees with the finding and recommendation. It is noted that the "Council Report Writing Guidelines" are meant to serve as a guide to staff in the development of reports and not as an inflexible template; however, Administration will review the Guidelines and the report writing template in order to:</p> <ul style="list-style-type: none"> <li>a) Develop the Risk Assessment Tool for the Guidelines as described above;</li> <li>b) Develop criteria for reports in which the inclusion of a detailed risk assessment would not be required.</li> </ul> <p>Staff currently receive training on the Report Writing Guidelines and templates in the Governance training which is provided by Council Services and Legal Services and this training will continue.</p>
<p><b>Root Cause</b> The template for Council Reports does not consider all requirements of the Council Report Writing Guide.</p>		<p><b>Responsibility</b> CAO and City Clerk</p> <p><b>Due Date</b> First quarter of 2015.</p>

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## *Considerations for Improvement*

There were no additional considerations for improvement noted during the review of Enterprise Governance processes.

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## **Appendix A: Background & Scope**

### *Linkage to the internal audit plan*

As part of the Council approved 2013 Internal Audit Plan, Internal Audit reviewed the process to provide governance and strategic leadership to the City and the associated processes and controls to ensure that City policies are implemented.

### **Scope**

#### *Overview of the business/process to be reviewed*

The City's organizational structure is led by the Chief Administrative Officer (CAO) who is responsible for providing strategic leadership to the City in addition to providing ongoing oversight of major City projects and initiatives. The Corporate Leadership Team (CLT) members, who report to the CAO, are responsible for providing governance, oversight and strategic leadership to their respective departments. These departments consist of Senior Management Team (SMT) members, who report to the CLT, and are responsible for ensuring their respective functions within the department are operating according to plan and remain within budget.

As part of internal audit of the business processes and controls in effect to enable corporate governance internal audit considered:

- tone at the top/ethics and values
- performance management
- accountability
- policy management
- risk management
- control environment
- coordination and communication

Given the City's dependency on corporate governance and strategic leadership, it was determined that an internal audit to review these areas was necessary to ensure that the current processes in place are sufficient and appropriate to help the City meet the objectives of its strategic plan.

Although these processes may be present at the departmental level, our internal audit focused on the review of these processes at the City enterprise level and more specifically the roles of the corporate leadership team in the governance, strategic leadership and policy management processes. Therefore, specific departmental control processes and activities are beyond the scope of this internal audit and we focused on enterprise/corporate wide processes and controls.

#### *Specific Scope Limitation*

The Internal Audit Function, led by PwC, is responsible for tracking and taking necessary actions in regard to all hotline calls and respective voice mails left on the hotline. As such, the review of controls surrounding the hotline were not considered in the scope for the purposes of this, or any internal audit project led by PwC.

## Appendix B: Sample Council Evaluation Checklist

The checklist below is for demonstration purposes only and provides an example of a checklist that could be utilized for conducting an evaluation of Council against suggested best practices.

Suggested Best Practice for Council	1 Not at all	2 Developing	3 Complete	4 Exceeds Expectations	U Unknown
<b>Strategic Planning</b>					
Provides Leadership in the development of a strategic plan that is realistic, measurable and strikes the appropriate balance.		✓			
Has adequate procedures in place to ensure that its vision, mission and values guide the City's operational decisions			✓		
Has reviewed and understood legislation, regulations and policies that impact the governance of the City.			✓		
Consults legislation, regulation and policies when making major decisions.			✓		
Ensure that the provision of programs and services is in compliance with legislations, regulations, directives and guidelines.			✓		
<b>Relationships</b>					
Establishes processes for effective communication with the public.				✓	
Meetings are open to public and time is provided on the agenda for dialogue			✓		
Activities are adequately communicated to the public (through meetings, reports, newsletters, interaction etc.)			✓		
Has established a collaborative framework to ensure community involvement (Advisory Committees)		✓			
<b>Quality and Risk Management</b>					
Identifies risk to its organization and ensures policies for risk management		✓			
Has established and follows a process for identifying and minimizing potential risks to the organizations		✓			
Oversees the establishment of policies and processes to minimize loss		✓			
<b>Management &amp; Performance</b>					
Has a comprehensive orientation program for new Council Members		✓			
Has established a process for ongoing education of Council and Committee members		✓			
Consistently follow explicit process for decision making		✓			

Suggested Best Practice for Council	1 Not at all	2 Developing	3 Complete	4 Exceeds Expectations	U Unknown
Uses due diligence when making a decision			✓		
Annually assesses its own performance, identifying areas of strengths and areas needing improvement	✓				
Has set clear expectations for the CAO and ensures the CAO understand these expectations				✓	
Has established and follows a process for regularly evaluating the performance of the CAO				✓	
Has a process for assessing its working relationship with the CAO				✓	
Has achieved an effective working relationship with the CAO				✓	
<b>Governance, Structure &amp; Organization</b>					
Ensures that the role of Standing Committees, including their relationship to Council as a whole, is clearly understood			✓		
Ensures that the length of Council meetings is appropriate to accomplish the tasks.					
Meeting agendas are structured to focus on items critical to Council's roles and responsibilities and allow Councillors to discharge their oversight responsibilities					
Meeting agendas address topics that link to the City's strategic plan and goals			✓		
Meeting material is distributed far enough in advance of meetings to allow for adequate preparation.		✓			
Use of in-camera sessions is appropriate and effective			✓		
<b>Overall</b>					
Ensures rigorous processes are in place to evaluate its own performance on an annual basis		✓			
Overall, Council operates smoothly and effectively.			✓		
Overall, Council fulfills its mandate effectively.			✓		

**Evaluation Criteria:**

1. Not at all: objective is not met, significant improvement needed
2. Developing: objective is somewhat met, work is needed to ensure objective is consistently met
3. Complete: objective is consistently met
4. Exceeds Expectations: objective is consistently met and performance of objective requirement exceeds expectations
5. Unknown: There is not enough information to assess this objective.

## Appendix C: Basis of Finding Rating and Report Classification

### Findings Rating Matrix

Audit Findings Rating		Impact		
		Low	Medium	High
Likelihood	Highly Likely	Moderate	Significant	Significant
	Likely	Low	Moderate	Significant
	Unlikely	Low	Low	Moderate

### Likelihood Consideration

Rating	Description
Highly Likely	<ul style="list-style-type: none"> <li>History of regular occurrence of the event.</li> <li>The event is expected to occur in most circumstances.</li> </ul>
Likely	<ul style="list-style-type: none"> <li>History of occasional occurrence of the event.</li> <li>The event could occur at some time.</li> </ul>
Unlikely	<ul style="list-style-type: none"> <li>History of no or seldom occurrence of the event.</li> <li>The event may occur only in exceptional circumstances.</li> </ul>

## Impact Consideration

Rating	Basis	Description
HIGH	Dollar Value <sup>2</sup>	Financial impact likely to exceed \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Significant control weaknesses, which would lead to financial or fraud loss.</p> <p><b>An issue that requires a significant amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• Failure to meet key strategic objectives/major impact on strategy and objectives.</li> <li>• Loss of ability to sustain ongoing operations: <ul style="list-style-type: none"> <li>- Loss of key competitive advantage / opportunity</li> <li>- Loss of supply of key process inputs</li> </ul> </li> <li>• A major reputational sensitivity e.g., Operating budget, tax rates, credit rating, credibility with stakeholders and brand name/reputation building.</li> </ul> <p><b>Legal / Regulatory</b> Large scale action, major breach of legislation with very significant financial or reputational consequences.</p>
MEDIUM	Dollar Value	Financial impact likely to be between \$75,000 to \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage, and cumbersome workflow procedures.</p> <p><b>An issue that requires some amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• No material or moderate impact on strategy and objectives.</li> <li>• Disruption to normal operation with a limited effect on achievement of corporate strategy and objectives</li> <li>• Moderate reputational sensitivity.</li> </ul> <p><b>Legal / Regulatory</b> Regulatory breach with material financial consequences including fines.</p>
LOW	Dollar Value	Financial impact likely to be less than \$75,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies.</p> <p><b>An issue that requires no or minimal amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• Minimal impact on strategy</li> <li>• Disruption to normal operations with no effect on achievement of corporate strategy and objectives</li> <li>• Minimal reputational sensitivity.</li> </ul> <p><b>Legal / Regulatory</b> Regulatory breach with minimal consequences.</p>

<sup>2</sup> Dollar value amounts are agreed with the client prior to execution of fieldwork.

## Audit Report Classification

Report Classification	The internal audit identified one or more of the following:
<b>Cause for considerable concern</b>	<ul style="list-style-type: none"> <li>• Significant control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• An unacceptable number of controls (including a selection of both significant and minor) identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Material losses have occurred as a result of control environment deficiencies.</li> <li>• Instances of fraud or significant contravention of corporate policy detected.</li> <li>• No action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
<b>Cause for concern</b>	<ul style="list-style-type: none"> <li>• Control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Losses have occurred as a result of control environment deficiencies.</li> <li>• Little action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
<b>No major concerns noted</b>	<ul style="list-style-type: none"> <li>• Control design improvements identified, however, the risk of loss is immaterial.</li> <li>• Isolated or “one-off” significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Some previous significant audit action items have not been resolved on a timely basis.</li> </ul>
<b>No or limited scope for improvement</b>	<ul style="list-style-type: none"> <li>• No control design improvements identified.</li> <li>• Only minor instances of controls identified as not operating which have mitigating back-up controls, or the risk of loss is immaterial.</li> <li>• All previous significant audit action items have been closed.</li> </ul>