



REGIONAL MUNICIPALITY
OF **WOOD BUFFALO**

Audit Committee

Council Chamber
9909 Franklin Avenue, Fort McMurray

Thursday, June 22, 2017
4:00 p.m.

Agenda

Call to Order

Adoption of Agenda

Approval of Previous Minutes

1. Audit Committee Meeting - April 27, 2017

New and Unfinished Business

2. 2017 to 2018 Audit Plan
3. Next Meeting Date

Adjournment

Unapproved Minutes of a Meeting of the Audit Committee held in the Council Chamber at the Municipal Offices in Fort McMurray, Alberta, on Thursday, April 27, 2017, commencing at 4:00 p.m.

Present: T. Ault, Chair
L. Bussieres, Councillor

Absent: J. Stroud, Councillor

Administration: A. Antoniak, Interim Chief Administrative Officer
A. Rogers, Chief Legislative Officer
A. Hawkins, Legislative Officer

Call to Order

Chair T. Ault called the meeting to order at 4:00 p.m. and extended regrets on behalf of Councillor J. Stroud who will not be in attendance today.

Adoption of the Agenda

Moved by Councillor L. Bussieres:

- that the Agenda be amended by inserting a new Item #4 – Presentation from Auditor Deloitte LLP;
- that the Committee waive any requirement to serve notice relative to the proposed addition; and
- that the Agenda be adopted as amended.

CARRIED UNANIMOUSLY

Minutes of Previous Meeting

1. Audit Committee Meeting - February 14, 2017

Moved by Councillor L. Bussieres that the Minutes from the Audit Committee meeting held on February 14, 2017 be approved as presented.

CARRIED UNANIMOUSLY

New and Unfinished Business

2. Presentation of the 2016 Non- Consolidated Financial Statements
(4:01 p.m. – 4:46 p.m.)

Linda Ollivier, Director, Financial Services, and Christine Arnold, Acting Manager, Accounting Services, presented the Municipality's 2016 non-consolidated financial statements.

Chris Perry, Board Member, Rachel Orser, Interim Chief Executive Officer, and Maureen Gravelle, Interim Chief Financial Officer, Regional Recreation Corporation, presented the Regional Recreation Corporation's 2016 non-consolidated financial statements.

Henry Hunter, President and Chief Executive Officer, Wood Buffalo Housing and Development and **Janna Folsom, Finance Director**, presented the Wood Buffalo Housing and Development Corporation's 2016 non-consolidated financial statements.

Melissa Flett, Director, Wood Buffalo Regional Library, presented the Wood Buffalo Regional Library's 2016 non-consolidated financial statements.

Moved by Councillor L. Bussieres that the Audit Committee accept the 2016 Non-Consolidated Financial Statements for the Regional Municipality of Wood Buffalo for the year ending December 31, 2016, as information.

CARRIED UNANIMOUSLY

3. 2016 Consolidated Audited Financial Statements

(4:46 p.m. – 4:48 p.m.)

Linda Ollivier, Director, Financial Services, spoke to the 2016 Consolidated Audited Financial Statements.

Moved by Councillor L. Bussieres that the 2016 Audited Consolidated Financial Statements for the Regional Municipality of Wood Buffalo for the year ending December 31, 2016, be accepted as information.

CARRIED UNANIMOUSLY

4. Presentation from Auditors - Deloitte LLP

(4:48 p.m. – 5:03 p.m.)

Rachel Gosse and Sanjeev Rajani, Auditors with Deloitte LLP, reported on the findings related to the 2016 audited financial statements for the Municipality.

5. Expense Summary - Council and Office of the Chief Administrative Officer (CAO) - Period Ending March 31, 2017

(5:03 p.m. – 5:06 p.m.)

Audrey Rogers, Chief Legislative Officer, provided a brief overview of the expense summary of Council and the Office of the Chief Administrative Officer for the period ending March 31, 2017.

Moved by Councillor L. Bussieres that the Expense Summary for Council and the Office of the Chief Administrative Officer (CAO) for the period January 1 – May 31, 2017 be received as information.

CARRIED UNANIMOUSLY

6. KPMG External Audit

(5:06 p.m. – 5:08 p.m.)

Annette Antoniak, Interim Chief Administrative Officer, provided a verbal update on this matter, noting that the last outstanding items are expected to be completed by June, 2017.

7. Next Meeting Date
(5:08 p.m. – 5:09 p.m.)

Moved by Councillor L. Bussieres that the next Audit Committee meeting be held on Thursday, June 22, 2017 at 4:00 p.m.
CARRIED UNANIMOUSLY

Adjournment

As all scheduled business matters had been concluded, Chair T. Ault declared the meeting adjourned at 5:09 p.m.

Chair

Chief Legislative Officer



Subject: 2017 to 2018 Audit Plan

APPROVALS:

Linda Ollivier, Director
Annette Antoniak, Interim Chief Administrative Officer

Administrative Recommendations:

1. THAT the Audit Charter be approved; and
2. THAT the 2017 to 2018 Audit Plan be approved.

Summary:

An Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organization. Endorsement should be obtained from the Audit Committee.

The Audit Plan is a requirement under the Audit Charter which provides a disciplined approach to the identification and approval of audit projects on an annual basis. Endorsement should be obtained from the Audit Committee annually to ensure that internal audits and the Audit Committee's identified risk areas align. Seven audits and four consulting engagements have been identified for 2017. Nine audits have been identified for 2018.

Background:

An Audit Charter has not been approved by the Audit Committee in the past. The Audit Charter will provide the Municipality with an agreement relating to the work internal audit will undertake and the support it will receive. The Audit Charter allows for a clear understanding of the role, purpose, and position of internal audit within the Municipality and the scope and nature of its work.

The Audit Plan is extracted from the Audit Universe, which represents the identified potential range of audit activities within the Municipality. The Audit Universe is risk ranked based on the likelihood and consequence of specific audit objective events. The Financial Services Department will update the Audit Plan annually and seek endorsement from the Audit Committee each year.

Rationale for Recommendations:

Endorsement for the Audit Charter and the Audit Plan allows for approval and direction of audit projects.

Strategic Plan Linkages:

Pillar 1 – Building Responsible Government

Attachments:

1. Audit Charter
2. 2017 – 2018 Audit Plan



INTERNAL AUDIT CHARTER

INTRODUCTION

Internal auditing is an independent, objective assurance, and consulting activity that is guided by a philosophy of adding value to improve the operations of the Regional Municipality of Wood Buffalo. It assists the Regional Municipality of Wood Buffalo in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

ROLE

The internal audit activity is established by the Audit Committee. The internal audit activity's responsibilities are defined or endorsed by the Audit Committee as part of their oversight role.

PROFESSIONALISM

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes core principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the Regional Municipality of Wood Buffalo relevant policies and procedures and the internal audit activity's standard operating procedures manual.

AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the Regional Municipality of Wood Buffalo records, physical properties, and personnel relevant to carrying out any engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities when required. The internal audit activity will also have free and unrestricted access to the Audit Committee.



ORGANIZATION

The Chief Audit Executive will report functionally to the Audit Committee, and administratively (i.e. day to day operations) to the Chief Administrative Officer.

The Audit Committee will:

1. Approve the internal audit charter.
2. Approve the risk based internal audit plan.
3. Receive communications from the Chief Audit Executive's performance relative to its plan and other matters.
4. Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings as appropriate.

INDEPENDENCE AND OBJECTIVITY

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgement.

The internal audit activity will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information. Internal auditors will make a balanced assessment of all the relevant circumstances and be free from their own interest or by others in forming judgements.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity.

RESPONSIBILITY

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk



management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

1. Performance Audits: Independent objective review and evaluation of Municipal operations, programs, processes and systems, such as:
 - .1 Compliance Audits – Review the systems established to ensure compliance with policies, plans, procedures, ethical, best practices, contracts, laws and regulations.
 - .2 Operational Audits – Review operations, services, processes and systems to determine whether they are effective and working as intended. Operational audits may include value-for-money assessments.
 - .3 Follow-up Audits – Review the effectiveness of the corrective action recommended in audits.
2. Financial Audits
3. Consulting Services – Requests received directly from departments within the Municipality when an independent and objective assurance opinion is required. These requests are undertaken at the discretion of the audit function.

The internal audit activity will determine the appropriate methodologies, project scope, and service delivery options necessary to carry out the above responsibilities.

INTERNAL AUDIT PLAN

Annually, the Chief Audit Executive will submit to senior management and the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule for the next calendar year. The Chief Audit Executive will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The Chief Audit Executive will review and adjust the plan, as necessary, in response to changes in the organization's business, risk, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.



REPORTING AND MONITORING

A written report will be prepared and issued by the Chief Audit Executive or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included with the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Chief Audit Executive will periodically report to senior management and the Audit Committee on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

INTERNAL AUDIT PERFORMANCE

The internal audit activity will undergo periodic review of internal audit performance. The review will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit Committee on the internal audit activity's performance, including results of ongoing internal assessments and external assessments conducted at least every five years.



INTERNAL AUDIT CHARTER

Approved this _____ day of _____, 2017.

Chief Audit Executive

Chairman of the Audit Committee

Chief Administrative Officer



REGIONAL MUNICIPALITY
OF **WOOD BUFFALO**

2017 – 2018 Audit Plan

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Audit Plan Development

PURPOSE OF AN AUDIT PLAN

A formal Audit Plan is to provide a disciplined approach to the identification of potential audit projects. Formal planning has benefits, such as:

- Creating a focus on high-risk or high-priority areas.
- Provides the basis for the involvement of clients and stakeholders in the Audit Planning process.
- Ensures all departments and branches are considered for audit attention during the planning process.
- Serves as a standard against which to measure the performance of the audit function within the Municipality.

AUDIT PLANNING PROCESS

1. Audit function creates the Audit Universe which represents the potential range of all audit activities within the Municipality.
2. The Audit Universe is risk ranked based on likelihood and consequence of specific audit objective events.
3. Financial Services Department proposes the 2017-2018 Audit Plan to the Chief Financial Officer for consideration.
4. Chief Financial Officer to present the proposed Audit Plan to the Audit Committee for consideration.
5. Obtain endorsement from the Audit Committee.

The plan is based on risks and priorities that exist as at March 28, 2017. The Financial Services Department will update the Audit Plan annually and report changes to the Audit Committee each year.

BACKGROUND

The Municipality houses the audit function within the Financial Services Department. There is currently one auditor employed by the Municipality. Audit tasks which require subject matter experts or additional auditors will be outsourced through the internal audit contractor, Meyers Norris Penny (MNP) Edmonton firm.

In addition to the annual audits planned, the audit function will engage in consulting engagements. Consulting engagement requests are received directly from departments within the Municipality when an independent and objective assurance opinion is required. These requests are undertaken at the discretion of the audit function.

2017 Proposed Audit Objectives

FLEET FUEL EXPENSE

To assess the controls governing the receipt, distribution, and use of bulk fuel (both gasoline and diesel).

Status: Objective Proposed

EXIT INTERVIEWS

To assess the exit interview process and effectiveness of reporting the information that may highlight risk areas or gaps identified by past employees.

Status: Objective Proposed

LOW VENDOR BIDS

To assess the change order approval process. In addition, selecting a sample of projects with low vendor bids with supplemented change orders compared to the request for proposal responses.

Status: Objective Proposed

MUNICIPAL CASH HANDLING

To assess the cash collection, handling, and balancing process to ensure controls are adequate, cash is properly accounted for and deposited in a timely manner. Segregation of duties, physical security over cash, and the reconciliation process will be assessed.

Status: In Progress

RECREATIONAL FACILITIES

To assess whether recreational facilities (recreation centers, rinks, parks, sport fields, arenas) are maintained adequately, have appropriate operational hours, and that the public can access the facilities.

Status: Objective Proposed

INFORMATION TECHNOLOGY ASSET MANAGEMENT – 2014 FOLLOW-UP AUDIT

To determine if the 13 recommendations from the Information Technology Asset Management Audit (File #14 18) have been effectively implemented or that management has accepted the risk and consequences of not taking action.

Status: In Progress

RISK BASED UPDATING OF THE AUDIT UNIVERSE

To update the audit universe and define the potential scope of internal audit activities within the Municipality by identifying all major organization units, processes, systems, and control structures. The audit universe will be used to draft the 2017 Audit Plan and future Audit Plans. The audit universe will be updated on a periodic basis.

Status: Completed

2018 Proposed Audit Objectives

NON-STANDARD INVENTORY

To assess the controls governing the receipt, distribution, and use of non-standard inventory, such as gravel and concrete, within Fort McMurray and Fort Chipewyan non-standard inventory locations.

Status: Objective Proposed

MUNICIPAL TRANSIT WAREHOUSE INVENTORY

To assess the controls governing the ordering, receipt, and distribution of Municipal transit warehouse inventory; including an analysis of cycle counts, inventory turnover, and obsolete inventory.

Status: Objective Proposed

INFORMATION TECHNOLOGY DISASTER RECOVERY PLAN

To assess the information technology disaster recovery plan within the Municipality and determine if it is sufficient for business continuity.

Status: Objective Proposed

HUMAN RESOURCE RECORDS

To assess the adequacy of the internal controls governing the maintenance of employee records, and that the employee records are complete and accurate.

Status: Objective Proposed

PAYROLL

To determine if payroll is accurate including active employee verification, rates of pay, and a review of hours paid.

Status: Objective Proposed

STANDARD OPERATING AGREEMENTS

Assess the Standard Operating Agreements (SOA) within the Municipality to determine if there is a need for additional SOA's and assess the reach of the program by determining if the existing SOA's are being utilized for cost saving opportunities.

Status: Objective Proposed

ANIMAL SERVICES

To assess the effectiveness and efficiency of the animal control program offered in house by Bylaw Services.

Status: Objective Proposed

SOCIAL MEDIA

To determine if a social media policy, procedures, and processes exist within the Municipality and are working as intended.

Status: Objective Proposed

ENVIRONMENTAL MANAGEMENT

To determine if the Municipality has an appropriate environmental management governance framework to ensure environmental strategic objectives are met. That the reported results for environmental strategies are reliable, accurate and complete, and that the processes to choose the targets for environmental strategic objective indicators are appropriate.

Status: Objective Proposed

2017 Consulting Engagements

Consulting engagements are requested and completed on an as-need basis.

FUSESOCIAL

Assess the 2015 Financial Statements and advise Community Services on concerns that may impact the 2017 Community Investment Program grant.

Status: Completed

WOOD BUFFALO RECREATION SOCIETY

Perform a Financial Statement Audit on the 2016 Financial Statements of Wood Buffalo Recreation Society (WBRS).

Status: Completed

NON-RECOVERABLE WILDFIRE COSTS

To determine if any costs listed as “non-recoverable” by the Task Force are indeed recoverable.

Status: Completed

WASTE MANAGEMENT

To determine if Waste Management invoices for contract QU2763 (March 2014 to February 2015) and QU2894 (March 2013 to October 2016) were paid in accordance with the basis of payment, terms, and conditions of the contracts.

Status: In Progress

Risk Matrix

The 2017 Audit Plan was developed based on a risk ranking the Audit Universe in combination with the immediate needs of the Municipality. The Audit Universe is all identified potential audits within the Municipality based on the information available. The Audit Universe was updated as at March 23, 2017.

Risk Matrix					
Likelihood	Consequence				
	(1) Insignificant	(2) Minor	(3) Moderate	(4) Major	(5) Extreme
(5) Almost Certain	5	10	15	20	25
(4) Likely	4	8	12	16	20
(3) Unlikely	3	6	9	12	15
(2) Rare	2	4	6	8	10
(1) Extremely Rare	1	2	3	4	5

Risk Rating		Description
1 to 4	Low Risk	Manage by routine procedures and operations
5 to 7	Moderate Risk	Manage by specific monitoring or response procedures
8 to 11	High Risk	Management responsibility should be specific & appropriate actions taken
12 to 25	Extreme Risk	Immediate action required with senior management involved

Likelihood Rating Table		
Likelihood Rating	Description	Likelihood of Occurrence
5	Almost Certain	Event is already occurring or expected to occur
4	Likely	Event will likely occur within one or two years
3	Unlikely	Event is fairly likely to happen sometime in the future
2	Rare	Event has a remote possibility of occurrence
1	Extremely Rare	Event is extremely unlikely to happen

Consequence Rating Table		
Consequence	Rating	Criteria
Extreme	5	<ul style="list-style-type: none"> - Viability of the Municipality in question - Significant damage to the Municipality's credibility or integrity - Business interruption for more than one month - Loss of a whole business unit
Major	4	<ul style="list-style-type: none"> - Event that requires major realignment of resources - National media or public inquiry - Loss of a member of senior leadership - Business interruption up to one month
Moderate	3	<ul style="list-style-type: none"> - Wide spread media - \$2,000,000+ potential loss - Organization wide
Minor	2	<ul style="list-style-type: none"> - Can be dealt with at a department level, however, some senior management notification is required - Business interruption at a project level - Loss of a staff member - Up to \$2,000,000 potential loss
Insignificant	1	<ul style="list-style-type: none"> - No media attention - Can be dealt with at a department level, no senior management notification or involvement