



CANADIAN AUDIT  
& ACCOUNTABILITY  
FOUNDATION

## Municipal Oversight Program Workshop for the Audit Committee of the City of Edmonton

Dr. Lesley Burns, Vice-President, Oversight  
John Reed, CAAF Associate  
August 31, 2022



# About the Canadian Audit and Accountability Foundation

- A premier research and education not-for-profit foundation
- We build capacity in audit offices, oversight bodies, departments and crown corporations by developing and delivering:
  - Training workshops and learning opportunities;
  - Methodology, guidance and toolkits;
  - Applied and advanced research;
  - Information sharing events and community building initiatives.





# CAAF's Municipal Oversight Program

- Why: Councilors and Auditors identified an interest in ensuring effective oversight.
  - Councilors have a variety of backgrounds.
  - Some told us they did not understand their oversight role.
- Developed based on consultations with the municipal audit and oversight communities in Canada.
- Municipal Oversight Advisory Group has played a key role throughout the development process.








# Workshop Objective

Support local elected officials to better carry out their audit oversight responsibilities. With an end goal of improving public administration.





What do you want to  
accomplish as a city  
councillor?



Plenary Discussion



# What is oversight?

- Oversight = watchful care.
- Council's role = ensure programs are administered in a way that follows Council's intent.



# A System of Accountability





# Why is oversight necessary?

- Management is accountable to council for the use of resources, performance of programs, and implementation of corrective measures.
- Management is not accountable to auditors.
- *Effective* audit committees hold entities publicly accountable for:
  - correcting deficiencies,
  - implementing recommendations from the City Auditor, and
  - executing policies and programs in accordance with the council's intentions.





# What are the benefits of oversight?

- Audit committees provide oversight of city resources
- Audit committees are key to effective city government
  - Investigate if money was spent as council intended it to be spent.
  - Identify administrative waste and/or effectiveness.
  - Begin the procedure for correcting administrative waste and delivering improved governance.
  - Ensure audit recommendations are implemented by management.





# Take a Break!

## 5 min. BREAK



CANADIAN AUDIT  
& ACCOUNTABILITY  
FOUNDATION

# Thoughts from a former councillor and oversight expert

## David Christopherson

Former Member of Parliament (Hamilton-Centre)

Former Alderman and Regional Councillor (City of Hamilton)



CANADIAN AUDIT  
& ACCOUNTABILITY  
FOUNDATION



# All About Audits





# Why should you care about audits?

- Confidence in governance institutions is at an all-time low.
- Audit provides the opportunity to improve management and accountability.
  - audit enhances public confidence that a city is well run.
  - audit can help assess how resources are being spent.
  - audit can identify resource allocation issues to improve service delivery.
- There might be bad news -- Get on top of it visibly and take action to support recommended changes.





# Types of Audits and Auditors

	Auditor General	City Auditor	Internal Auditor	Private Sector Firm
<b>Performance audit</b> Efficiency, economy, and effectiveness of programs, services, and departments	X	X	X	
<b>Financial statement</b> Whether a municipality's consolidated financial statements are accurate and have been prepared in accordance with recognized accounting principles	X*			X
<b>Internal audit</b> Whether risk management, control, and governance processes are effective		X	X	
<b>Compliance audit</b> Whether activities and transactions are following applicable legal requirements as well as internal codes of conduct, policies, and procedures	X	X	X	X
*In some jurisdictions, private sector firms work with the auditor general.				



# What is a Performance Audit?

- An independent, objective and reliable examination of whether government programs, activities or organizations are performing, in accordance with the principles of **economy, efficiency** and **effectiveness**.
- Focus on implementation of policies and programs and the delivery of public services.
- Called “value-for-money” auditing in some Canadian and international jurisdictions.
- Canadian legislative audit offices follow the “Canadian Standards for Assurance Engagements”.





# What is Internal Audit?

- Internal auditing is an independent, objective assurance and consulting activity...bringing a systematic approach to evaluate and improve the effectiveness of an organization's risk management, internal control, and governance processes.
- Internal to but independent from management.
- Part of the “Three Lines of Defence” of risk management.
- Governed by the Institute of Internal Auditors





# Audits Assess...

- **Results:**
  - Are intended results being achieved?
  - Are entities monitoring and reporting on their own effectiveness?
- **Systems and processes:**
  - Are management systems and controls well-designed and operating effectively?
- **Governance and Oversight:**
  - Have entities established effective governance practices and regimes?
  - Are oversight bodies discharging their responsibilities?
- **Risk management:**
  - Are risks (to program outcomes, funds, etc.) identified and being managed?
- **Compliance:**
  - Is the program or entity operating in accordance with applicable laws, policies and specified authorities?





# City Audit Core Elements

- Audit **objective(s)** and **sub-objective (s)**
- **Conclusion** against the audit objective
- Well-defined **scope**
- Assessment **criteria**
- **Findings** based on sufficient appropriate **evidence**
- **Recommendations** to management







# Role of Committee in Relation to the City Auditor

- City Auditor
  - Council works with auditor in setting work-plan but city auditor is independent in carrying out its work.
  - Council receives audit reports.
  - Audit committee investigates matters arising from audit reports.





# Role of Committee in Relation to Management

- Tension: councillors rely on management for program implementation and they oversee management.
- Cordial but not cozy.
  - Councillors should neither defend or attack management.



# Thoughts from an audit committee chair

## **Richard Pootmans**

City Councillor and Audit  
Committee Chair, City of Calgary



CANADIAN AUDIT  
& ACCOUNTABILITY  
FOUNDATION



What would you need  
to accomplish to call  
this committee a  
success?



Plenary Discussion



# Municipal Audit Committees







# The audit committee process

- Receive audit report
- Meet with city auditor to receive briefing and discuss report
- Request action plans from management
- Determine how to follow up on each recommendations
- Hold public hearing on audit report
- Produce a report on next steps from hearing
- Submit report to council
- Request status updates on outstanding recommendations
- Evaluate status updates to see if more follow-up is necessary
- Hold follow-up hearing.



# The Audit Committee Process: An Example

- Let's watch this Video together
- <https://youtu.be/GKmY8bAeJ4I>



Video



# Good Practices for Municipal Audit Committees

- 12 good practices have been identified – grouped into 3 categories: Foundations; Actions; Follow-up.
- Each good practice provides corresponding indicators for audit committee to strive to implement to support effectiveness.
- Published in Oct. 2020 – available on our website:
  - <https://www.caaf-fcar.ca/en/parliamentary-oversight-resources/researchandmethodology/oversight-research-highlights/3733-oversight-research-highlights-2>



# Good Practices to Strengthen Municipal Audit Committees for Municipalities with an Auditor General

RESEARCH HIGHLIGHTS





# Good practice - Foundations

Committee members should have:

1. Statement of responsibilities.
2. Information on key accounting and audit standards.
3. Budget/resources/administrative support to complete the work.
4. Members with appropriate expertise.
5. Orientation.





# Good practice – Actions

The committee:

- 6. Fosters a cooperative relationship.
- 7. Constructive engagement with management
- 8. Dedicate time to the audit report.**
- 9. Report on its work.**
- 10. Ensure audit recommendations are implemented.





# Good practice – Follow-up

The committee should:

11. **Get action plans and updates from management.**
12. Ensure the continuity of work and transfer of knowledge.





# Practices in focus







# Practice # 11: Action Plans

An action plan is a report from management that summarizes how it will implement audit recommendations.

- Should be reviewed by audit committee.
- Include how and when (timelines for major milestones) recommendations will be addressed.
- Helps determine if committee needs more information from management



# Request for Action Plan Examples.

- A letter:

“The audit committee requests a written update detailing how, when and by what means the XXXX, plan to fulfil the recommendations made by the City Auditor in XXX report”.

- Spread sheet:

Auditor's Recommendation	Completed undertaking	Outstanding undertaking (including timeline)





# Tracking Implementation of Audit Recommendations

Close the accountability loop – ensure departments are taking action.

- Follow up on action plans and status updates from departments and review recommendations and status updates issued by the City Auditor's Office.
- Track progress separate from audit office.





# Practice # 8: Dedicated time to look at audit reports

The audit committee should have sufficient time on its agenda to review the reports of the City Auditor's Office.

- Where time limits the committee's ability to review all reports, a clear process and rationale for selecting reports for meetings should be established.
- The City Auditor can also provide input on key reports and findings to focus on.





# Good Practice # 9: The committee reports to council on its work

Two types of reporting to council that the audit committee can carry out:

1. Annual “Activity” Report
2. “Substantive” Report





# “Activity” Reports

- Annual report to council that summarizes how the audit committee has achieved its mandate and responsibilities, and its activities throughout the past year.
- Report can also make comments on matters of concern to the committee and recommendations to address them.
- These reports provide a concise record of the committee’s work and increases its visibility and impact at council.





# “Substantive” Reports

- These reports provide council with updated information on management’s progress in implementing the City Auditor’s recommendations.
- The committee may also choose to issue its own recommendations for management to implement in addition to the City Auditor’s own recommendations.
- These reports make management’s commitment to make changes more transparent to council as a whole.





“Without follow-up, there is no accountability”







# Asking Effective Questions





# Effective Question Examples - Auditor

Questions for the City Auditor:

1. Why were the problems identified present?
2. Help us to understand XXX?
3. What do your findings mean? Explain why this is an issue for the municipality.
4. How concerned should we be about this?
5. Recent audits have had similar findings, what does this all mean for the municipality?
6. Did you get good cooperation from management?





# Effective Question Examples - Entity



Questions for the audited organization:

1. What are you doing to correct the issues identified?
2. How are you doing this?
3. What key dates/milestones are you expecting?
4. How are you going to report back?
5. Where is your detailed action plan?
6. Do we have sufficient resources to make changes?





Is there information or  
resources you feel  
you're lacking?



Plenary Discussion

# Audit Committees in Action

<https://youtu.be/sF15jKitnkg>

- This conversation demonstrates the interaction between councillors, management, and the auditor. They reference follow-up audits, and the follow-up process the audit office takes.

<https://youtu.be/XVfgQYUZuqo>

- A councillor asks for clarification questions on the management process and offers support for future challenges.

<https://youtu.be/6UQIcAA96r0>

- This video shows collaboration between council and management.



Videos



<https://www.caaf-fcar.ca/en/register>

**Follow Us!**

**@CAAF-FCAR**



CANADIAN AUDIT  
& ACCOUNTABILITY  
FOUNDATION