The Corporation of the City of Windsor
Enterprise Policy Management

Final Internal Audit Report

25 April 2014

Distribution List

For action

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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 policy management are sufficiently reliable for the purpose envisaged. Overall, there is a guiding framework whereby policies are developed and come into force.   Staff understand their roles and responsibilities, which are often documented. Polices are inventoried and publically available. Mechanisms to review and resolve discrepancies between actual procedures in practice and approved policies are in effect.

We found that consistency within the policy management process could be improved through the design and implementation of key oversight controls such as a policy or governance process on when, how, and what to do when creating or updating a policy (including the articulation of a plan for communicating/creating awareness of the new/revised policy).

In addition, there are numerous policies which have no evidence of review/update for over 5 years. A process which reviews all policies at a minimum of every 5 years would enable a stronger governance culture and maintain the applicability of the policy universe.

While individual residual risks noted earlier may be low, their combined effect reduces the ability to rely on controls. Furthermore, if organizational changes cause informal controls such as employee knowledge to decrease or as new and additional policies are created without the retirement of other policies, risk levels rise.

We do not expect that addressing the policy governance gaps would be a significant activity.

Based on the controls identified and tested as part of the Internal Audit of the City's Policy Management 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.

Summary of Positive Themes

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

Policy Framework: The City has an established policy framework whereby all policies require Council resolution to come into force and there are enabling tools/templates for policy developers to use during consultative policy development.

Policy Development: The City has established a set of templates to assist with policy development which is set out in the Policy Tool-kit available on the City's Intranet.

Alignment: Discrepancies between actual procedures in practice and policies are reviewed and resolved.

Roles and responsibilities: Policy Manager and Policy Coordinator roles exist with responsibilities defined for Corporate Policy Development.

Coverage: An inventory of current policies is being maintained which is periodically compared to policies posted on the City's Intranet.

Endorsement: Policies are reviewed by the CAO and approved by Council.

Awareness: Policies are communicated to employees via email; posted to the Dashboard; and posted to the external website and where necessary, training is provided where required.

Summary of Findings

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

Finding	Topic	Rating[1]			Management Action
		Significant	**Moderate**	**Low**	
Policy Management					
Policy framework and development					
1	Policy Governance	**X**			1. Development of the "Policy on Policies" – City Clerk and Manager of Gaming, Policy & Licensing– 2015 Q2
Policy implementation and issuance					
2	Old Policies	**X**			2. Revision to Policy Template– 2015 Q2 and Develop a plan for an ongoing Review of Older Policies – 2014 Q2– City Clerk and Manager of Gaming, Policy & Licensing
Total Audit Findings		**2**	**0**	**0**	

Summary of Significant Findings

As noted above in the Summary of Audit Findings, Internal Audit has classified a total of 2 findings with a rating of "significant" which require management action in the immediate short term. Here is a brief summary of 2 significant areas where the City's policy framework should be improved:

Policy Governance:

- The City should develop a policy on City policies thereby enabling current, functional, accessible and consistent policies.
- The City should review all outdated policies to ensure that they are current and applicable.

Management Comments

Since 2009, the Policy, Licensing & Gaming area (consisting of the Manager and Policy Coordinator) has done a considerable amount of work in the area of centralization and standardization of the numerous Corporate Policies which are in existence.

As part of this work, the Division worked closely with Departments to identify policies which were outdated and which required rescission and also to validate the accuracy and completeness of the policies which remained relevant. In addition to this work, a review of other municipalities was completed to assess what gaps in required or "best practice" policies existed in the City of Windsor so that these gaps could be rectified. Further, a centralized Policy Page was created on the Corporate intranet dashboard in order to make the policies easily accessible to all staff.

Administration agrees that it is important to continue the work of policy centralization, standardization and review and will incorporate the recommendations contained in this report to ensure that this valuable work in the Policy area continues.

Name: Valerie Critchley
Title: City Clerk & License Commissioner
Date: 8/05/2014

Detailed Observations

Findings & Action Plans

Finding	Rating[1]	Recommendation & Action Plan
1. Policy Governance		
Observation During the course of our review we noted control gaps in the governance of the policy management framework. Specifically we noted that: • Although the City has a framework which governs the development City policies, it has not been updated in seven years and could be improved to include a framework for policy maintenance. • In a sample of 5 policies modified in the last 12 months each of the samples deviated from the current Policy Tool-Kit available on the City's Intranet. • Minor changes or revisions can be made to Council approved policies without Council approval; however the criteria for what is minor is not established nor approved by Council. • While some training/awareness is conducted for certain policies, there is not a formal and defined plan that is documented as part of policy creation/updates.	**Overall** Significant	**Recommendation** Management should define and implement a governance process/policy to ensure that all policies are developed in accordance with an established process, the current tool-kit, required templates, acquire evidence of relevant stakeholder input and adhere to the established approval process. The following recommendations should be considered as part of the Policy development procedures: a. Policy purpose, owner and enterprise applicability. b. Definition of a policy and what makes a policy in force. c. Reference the authoritative process for developing policies and process owner. d. Minimum expectations as to tool-kit and template conformance. e. Exception management process. f. Roles and responsibilities in the policy management process. g. Policy management lifecycle and maintenance requirements. h. Minimum requirements as to awareness and communication plan definition as part of policy update/creation. i. Criteria for Council approval exemption (if any) for minor changes. j. Monitoring and reporting controls on compliance and effectiveness of policy governance process.

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[1] See Appendix B Basis of Finding Rating and Report Classification

Finding	Rating[1]	Recommendation & Action Plan
Implication Policies may not be consistent, complete or current. Policies are more likely to contain errors or omissions. The role, impact and importance of policies may not be clearly understood resulting in non-compliance. Rework and increased policy revisions are more likely. Unauthorized policy modification may occur. Without proper communication of new policies, employees can be unaware of the update, and thus could fail to abide by them increasing the risk of non-compliance.	**Impact** High	**Management Action Plan** Management agrees with the finding and recommendation. Administration will develop a "Policy on Policies" having consideration to the issues referenced in the recommendation above and will bring the draft policy to Council for consideration.
Root Cause Guidance and oversight of the development of policy components is not defined and centralised across the enterprise to enable a consolidated and comprehensive policy governance approach.	**Likelihood** Highly Likely	**Responsibility** City Clerk and Manager of Policy, Gaming & Licensing
		Due Date Second Quarter, 2015.

Finding	Rating	Recommendation & Action Plan
2. Old Policies		
Observation Review dates are not specified for approximately 89 out of 127 policies. We also noted that there were 62 policies which had not been updated for more than five years; including the Concerned Employee Policy and the Code of Conduct for Councillors.	**Overall** Significant **Impact** High **Likelihood** Highly Likely	**Recommendation** As part of policy governance, management should ensure that a policy element and enabling process is designed and implemented to ensure that there is a review/maintenance cycle. At a minimum all policies should be reviewed and modified or re-endorsed every 5 years. This minimum requirement should be applied to all policies; however some may require more frequent validation. In addition, the requirement for policy review and validation should be incorporated in the policy governing policies and exceptions (less than 5 years) or other triggers for update should be incorporated into the individual policies. For current policies older than 5 years, management should define and implement a process to review, modify and/or validate a more current version within 36 months.
Implication Policies are more likely to become outdated, leaving the City potentially exposed to new developments or threats which did not exist when the policy was first created. This could lead to lost productivity and resources in certain situations. In addition, the control culture and tone at the top may be impaired if the governance structure is not revitalized/reviewed and endorsed or modified on a regular and meaningful basis.		**Management Action Plan** Management agrees with the finding and recommendation. Management had identified the need for a field in the policy template which requires a review date for potential future updates prior to the audit and such a field will be incorporated into the template. Further, the new field will be referenced in the "Policy on Policy" which is to be developed. A review of policies which are older than 5 years was completed and reported to Council in May, 2013. Further, Administration has adopted a practice of maintaining a spreadsheet of policies which ensures that they are reviewed for accuracy and relevancy on a recurring, periodic basis. This ongoing review will continue as suggested in the recommendation.
Root Cause There is no minimum requirement and enabling process for a policy review lifecycle.		**Responsibility** City Clerk and Manager of Policy, Gaming & Licensing **Due Date** Revision to Policy Template- Second Quarter, 2015 Review of Policies Older than 5 Years – Management will develop a plan to continue the ongoing work of reviewing and updating policies older than 5 years – Second quarter, 2014.

Considerations for Improvement

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

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: 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	● History of regular occurrence of the event. ● The event is expected to occur in most circumstances.
Likely	● History of occasional occurrence of the event. ● The event could occur at some time.
Unlikely	● History of no or seldom occurrence of the event. ● The event may occur only in exceptional circumstances.

Impact Consideration

Rating	Basis	Description
HIGH	Dollar Value[2]	Financial impact likely to exceed $250,000 in terms of direct loss or opportunity cost.

	Judgemental Assessment	**Internal Control**
		Significant control weaknesses, which would lead to financial or fraud loss.
		
		An issue that requires a significant amount of senior management/Board effort to manage such as:
		• Failure to meet key strategic objectives/major impact on strategy and objectives.
		• Loss of ability to sustain ongoing operations:
		  - Loss of key competitive advantage / opportunity
		  - Loss of supply of key process inputs
		• A major reputational sensitivity e.g. operating budget, tax rates, credit rating, credibility with stakeholders and brand name/reputation building.
		
		Legal / Regulatory
		Large scale action, major breach of legislation with very significant financial or reputational consequences.

MEDIUM	Dollar Value	Financial impact likely to be between $75,000 to $250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	**Internal Control** Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage, and cumbersome workflow procedures. **An issue that requires some amount of senior management/Board effort to manage such as**: • No material or moderate impact on strategy and objectives. • Disruption to normal operation with a limited effect on achievement of corporate strategy and objectives • Moderate reputational sensitivity. **Legal / Regulatory** Regulatory breach with material financial consequences including fines.
LOW	Dollar Value	Financial impact likely to be less than $75,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	**Internal Control** Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies. **An issue that requires no or minimal amount of senior management/Board effort to manage such as:** • Minimal impact on strategy • Disruption to normal operations with no effect on achievement of corporate strategy and objectives • Minimal reputational sensitivity. **Legal / Regulatory** Regulatory breach with minimal consequences.

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[2] 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:
Cause for considerable concern	• Significant control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met. • 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. • Material losses have occurred as a result of control environment deficiencies. • Instances of fraud or significant contravention of corporate policy detected. • No action taken on previous significant audit findings to resolve the item on a timely basis.
Cause for concern	• Control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met. • A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified. • Losses have occurred as a result of control environment deficiencies. • Little action taken on previous significant audit findings to resolve the item on a timely basis.
No major concerns noted	• Control design improvements identified, however, the risk of loss is immaterial. • Isolated or "one-off" significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified. • Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified. • Some previous significant audit action items have not been resolved on a timely basis.
No or limited scope for improvement	• No control design improvements identified. • Only minor instances of controls identified as not operating which have mitigating back-up controls, or the risk of loss is immaterial. • All previous significant audit action items have been closed.