

The Corporation of the City of Windsor

Your Quick Gateway Review

Final Internal Audit Report

31 October 2014

Distribution List

For action

Jim McCormack, Director of Finance

For information

Helga Reidel – Chief Administrative Officer

Onorio Colucci – Chief Financial Officer

Stephen Cipkar – Executive Initiatives Coordinator

Limitations & Responsibilities

This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The Corporation of the City of Windsor (“the City”). PricewaterhouseCoopers (“PwC”) disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than the City.



Contents

Summary of Internal Audit Results	1
Report Classification	1
Summary of Positive Themes	2
Summary of Findings	3
Management Comments	4
<hr/>	
Detailed Observations	5
Findings & Action Plans	5
<hr/>	
Considerations for Improvement	10
Appendix A: Background & Scope	11
Appendix B: Summary of Controls Reviewed	12
Appendix C: Basis of Finding Rating and Report Classification	16

Summary of Internal Audit Results

Background Information

Your Quick Gateway (Windsor) Inc. (“YQG”) was incorporated as a federal corporation under the Canada Business Corporations Act (CBCA) on June 20, 2007. YQG is a wholly owned subsidiary of the City which provides management services for the Windsor airport. YQG is accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for a Government Business Enterprise (“GBE”). Under the modified equity basis, the business enterprise’s accounting principles are not adjusted to conform to those of the City, and inter-organizational transactions and balances are not eliminated. For oversight, YQG has an 11 member Board of Directors selected by City Council. Three of the Board Members are from City Council. In addition to being the Board Chair, Mayor Francis has also been the acting CEO since January 1, 2013. YQG places its audited financial statements and earnings vs. budget statements before City Council (the sole shareholder) on an annual basis.

YQG provides airport management services to the City under the Windsor Airport Management Agreement (“Management Agreement”). The total amount of management fees received by YQG for the year ending December 31, 2012 is \$324,000. The Management agreement last amended on April 27, 2009 stipulates the nature of operations managed by YQG as follows:

- a. general management of Airport operations, including without limitation, marketing, public relations and business development of the Airport;
- b. management of Airport Contracts in accordance
- c. firefighting;
- d. runway, taxiway and apron maintenance;
- e. regulatory compliance;
- f. accounting and financial matters;
- g. maintenance/repair of buildings and equipment;
- h. electrical maintenance;
- i. security;
- j. grounds keeping;
- k. housekeeping;
- l. parking operations and administration; and
- m. administration of Capital Improvements.



The review has been performed in accordance with the scope of work per Appendix A.

Report Classification

In general, the management control systems considered as part of this review are sufficiently reliable for the purpose envisaged. Overall, there is a guiding Management Agreement which provides guidance and direction for all parties and their responsibilities to manage and operate the Windsor Airport.

Given the size and structure of the administrative function (3 directors and 2 managers) at YQG, there is an inherent design limitation in ensuring adequate segregation of duties around key finance and banking activities. Management is aware of the conflicts and has designed compensating detective controls to monitor these activities.

Based on the controls identified and tested, 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 four deficiencies noted.

Summary of Positive Themes

In terms of the positive themes, it was noted that YQG has processes and controls in place to ensure that all significant decisions (such as major contracts or agreements) are managed by project steering committees or with Board of Directors (“BoD”) support and approval. Furthermore, Your Quick Gateway (“YQG”) employees are generally aware of the channels to report concerns. In addition, there is a strong coordination of effort and resources between the City and YQG for major capital initiatives and in the development of the 5-year Capital Plan.

During the course of the review, it was determined that appropriate controls are designed and operating to manage the in-scope risks. Examples of these controls include:

- A clearly defined reporting relationship between YQG and the City in the Management Agreement
- Management has accountability to an independent Board of Directors which ensures projects and strategic decisions are supported and approved prior to implementation
- A structured open budgeting and planning process is in place to ensure there is transparency and oversight
- Quarterly reporting to City of Windsor and annual reporting to City Council is largely in compliance with the current Management Agreement
- Weekly Airport Management Meetings occur to discuss operational and financial matters.
- Bank reconciliation are prepared and independently reviewed on a monthly basis
- Rolling Monthly Cash Forecast are prepared and reviewed to highlight trends and anomalies.

Additional details about the above mentioned controls and other key controls reviewed are discussed in **Appendix B: Summary of Controls Reviewed.**

In addition to the positive themes noted above, YQG anticipates implementing the following new controls in 2014 in light of YQG having flexibility in terms of undertaking capital projects using their own accounts. Management

will design a process or update current processes in order to effectively monitor compliance with the new restrictions and the ability for YQG to spend on capital items from YQG accounts. Procedures will be implemented to monitor the total spending in a year and on individual projects. Furthermore, the YQG Purchasing Policy will also be updated for the review and approval protocols.

Summary of Findings

Finding #	Topic	Rating ¹			Management Action
		Significant	Moderate	Low	
City Reporting relationship & agreement					
1	Updates to Management Agreement			X	Update Management Agreement – YQG CEO & City Solicitor – 2015 Q1
2	Infrequent Meetings by Capital Coordinating Committees			X	Pre-schedule 4 ACC meetings per year – City Engineer & YQG Director of Finance – 2014 Q4
Policy framework and evidence of compliance					
3	Undocumented or Outdated Policies and Procedures		X		1) Fraud policy draft to YQG Board - 2015 Q3. 2) Fraud anonymous-reporting analysis and recommendation to YQG Board - 2015 Q3. 3) Legal review of Respect and Human Rights at the Workplace Policy – 2014 Q4. YQG Director of Finance
Cash management process					
4	Segregation of Duties	X			1) Separation of bank accounts – YQG Director of Finance – 2015 Q1 2) Segregation of duties analysis – Transportation CLT – 2015 Q4
Total Internal Audit Findings		1	1	2	

Summary of Significant Findings

Internal audit identified one significant improvement related to the design of controls, specifically:

- One individual has both access/custody of cash and ability to record transactions in QuickBooks.

This design deficiency could lead to financial losses for the YQG if not addressed in the short term. Given the compensating controls in place, such as monthly cash flow monitoring, the opportunity for a potential material financial issue is lowered.

Management Comments

Limited staffing creates a segregation of duties control weakness that has been recognized by management. Management has used compensating controls such as two signatures on all cheques, independent review of bank reconciliations, independent balance-sheet reconciliations, zero-based budgeting and detailed financial statement variance analysis to limit the risk. In addition, all airport employees are subject to security-clearance verification. While the various compensating controls mitigate the risk, it is recognized that it is impossible to eliminate all risk without increasing the number of employees and implementing further segregation of duties.

The improvement of this control, without increasing overall staff levels, was discussed as one of the potential benefits of the Transportation/Transit Windsor Service Delivery Enhancement Governance Model. This item is further discussed under finding No. 4 below.

Name: Jim McCormack, CPA/CA, MBA
Title: Director of Finance
Your Quick Gateway (Windsor) Inc
Date: 24/10/2014

Detailed Observations

Findings & Action Plans

Finding	Rating ¹	Recommendation & Action Plan
1. Updates to Management Agreement		
<p>Observation Internal Audit noted three areas where compliance with the existing management agreement was not attained but this is attributed to the in force Management Agreement not having yet being updated for Council Approved changes from March 2014 and July 2014:</p> <ul style="list-style-type: none"> The current Management Agreement does not take into account a recent Council Resolution (CR59/2014 - March 3, 2014. This resolution approved "That YQG is given flexibility that in the future in terms of undertaking capital projects, that they be able to do so through their own accounts, in accordance with the necessary YQG Board approval." On July 7, 2014, by way of Council Resolution CR173/2014, Council approved that the Management Agreement and the Sole Shareholder Declaration be amended to incorporate changes that: <ul style="list-style-type: none"> Delete the requirement for cash flow reports unless YQG is requiring City funds to support ongoing operational needs, Extended the time period for filing quarterly report from 60 to 90 days following the end of the quarter <p>Our testing of these three areas noted exceptions of compliance with the current in force management agreement but the exceptions are in accordance with the approved Council resolutions. As of the date of this report, proposed wording for Management Agreement amendments are being reviewed by YQG and City administration, but have not yet been finalized.</p>	<p>Overall Low</p> <hr/> <p>Impact Low</p> <hr/> <p>Likelihood Unlikely</p>	<p>Recommendation The Management Agreement should be updated as soon as possible to align with Council Resolution CR173/2014.</p> <hr/> <p>Management Action Plan Management agrees with the finding and recommendation. The proposed amendments to the management agreement are currently under review and are expected to be finalized by the end of the first quarter of 2015.</p>
<p>Implication The reporting requirements and protocols between the two entities are not adhered to in certain instances.</p>		<p>Responsibility YQG CEO and City Solicitor</p> <hr/> <p>Due Date 2015 Q1</p>

¹ See Appendix C for Basis of Finding Rating and Report Classification

<p>Root Cause Limited time between statement preparation and the reporting deadline sometimes results in insufficient time to resolve Board scheduling conflicts, which delays Board approval of statements beyond the deadline.</p> <p>Cash flow statements were originally needed to predict YQG cash operating shortages to be funded by the City. These reports became unnecessary when YQG began generating sufficient cash to meet operational needs.</p>		
--	--	--

Finding	Rating	Recommendation & Action Plan
2. Infrequent Meetings by Capital Coordinating Committees		
<p>Observation As per review of the management agreement, it was noted that there is no defined frequency of meetings for the Airport Capital Coordinating Committee. Based on inspection of Section 6.6 of the Management Agreement, it was noted that the Airport Coordinating Committee ("ACC") shall recommend an annual capital budget to Council for approval and the budget shall be prepared in accordance with the City's annual capital budget guidelines. Furthermore, section 6.19 of the agreement states that two individuals from YQG and two from the City shall be appointed to the ACC. Section 6.19 also provides a summary of the "Powers and Duties" of the ACC and include items such as: Monitor the Management Agreement, Review Capital Projects, Recommend projects to Council for approval.</p> <p>The last two ACC meetings held were on August 15, 2013 and October 29, 2012.</p> <p>It was also noted that, on an as needed basis, the representatives that sit on the ACC will meet informally and in some cases the results/decisions from the informal meetings will be presented to the Board for approval and support.</p>	<p>Overall Low</p>	<p>Recommendation YQG should review the frequency of ACC meetings and consider whether meetings should be pre-scheduled.</p>
<p>Implication Significant capital projects and initiatives may not be formally discussed and reviewed in a timely manner.</p>	<p>Impact Low</p>	<p>Management Action Plan Management agrees with the finding. City Administration will schedule in advance a minimum of 4 ACC meetings per year. Meetings can only be cancelled if both parties agree. Should additional meetings be required, they will be scheduled on an ad hoc basis.</p>
<p>Root Cause Frequency of ACC meetings has not been clearly defined.</p>	<p>Likelihood Unlikely</p>	<p>Responsibility City Engineer & YQG Director of Finance</p> <p>Due Date 2014 Q4</p>

Finding	Rating	Recommendation & Action Plan
3. Undocumented or Outdated Policies and Procedures		
<p>Observation When reviewing policies around governance and fraud, it was noted that:</p> <ul style="list-style-type: none"> • There is a lack of a Fraud Policy or Code of Ethics for YQG Staff. YQG employees generally are aware of the protocols for reporting concerns such as fraud or misconduct, however procedures for reporting concerns has not been documented in a Policy. • The Respect and Human Rights at the Workplace Policy was not updated or reviewed in accordance with the review time stipulated. The Respect and Human Rights at the Workplace Policy addresses acceptable behaviours however does not outline ethical principles and values. 	<p>Overall Moderate</p>	<p>Recommendation Management should define, approve and implement a fraud policy which considers describing the applicable Fraud Protocols. The policy should be communicated to YQG employees and monitored. The Fraud Protocols should be adopted by the YQG board and include procedures and channels for reporting suspected fraud concerns anonymously.</p> <p>Management should review the existing Respect and Human Rights at the Workplace Policy and identify areas for update. Any required modifications should be made and the review and adjusted policy approved. Evidence of the review, modifications (if any) and approval or re-validation should be retained.</p>
<p>Implication Outdated policies may not reflect current legislative requirements.</p> <p>There are no independently discernable mechanisms for assessing compliance with the fraud policy and practices.</p>	<p>Impact Medium</p>	<p>Management Action Plan Management agrees with the finding. A formal written fraud policy which enumerates protocols will be drafted and brought to the YQG Board for review and approval. The possibility of attaining a cost-effective anonymous reporting system by leveraging City of Windsor protocols will be examined subsequent to the City completing a review of its Fraud policy. The YQG Respect and Human Rights at the Workplace Policy will be sent for independent legal review to ensure the policy remains consistent with applicable current and proposed legislation. Changes, if any, will be communicated to staff.</p>
<p>Root Cause Fraud protocols have not been formalized.</p> <p>The Workplace Policy requires an annual update without consideration towards a cost benefit analysis of nature and extent of updates that may or may not be required.</p>	<p>Likelihood Likely</p>	<p>Responsibility Director of Finance, Your Quick Gateway (Windsor) Inc.</p> <p>Due Dates:</p> <ol style="list-style-type: none"> 1) Fraud policy draft to YQG Board - 2015 Q3. 2) Fraud anonymous-reporting analysis and recommendation to YQG Board - 2015 Q3. 3) Legal review of Respect and Human Rights at the Workplace Policy – 2014 Q4.

Finding	Rating	Recommendation & Action Plan
<p>4. Segregation of Duties</p> <p>Observation There were a few incompatible duties noted to be performed by the same YQG employee, for which there are no preventative controls, as described below:</p> <ul style="list-style-type: none"> • Reconcile Cash accounts • Record Cash transactions • Access to Cash (combination to the safe); • Prepare bank deposits • Take deposit to the bank. <p>If one individual has responsibility for more than one of these functions, that individual has the ability to misappropriate assets and conceal the misappropriation.</p> <p>In relation to processing cheques, duties for mailing cheque conflicts with preparing cheques as the same YQG employee who prepares cheques also collects the cheques after signing.</p> <p>The Finance Manager has access to CIBC online banking system and can process e-payments.</p> <p>It should also be noted that there are compensating detective controls over invoice approval, check signing and detailed financial reviews performed by the Director of Finance, which do serve to detect errors or mitigate the risk of fraud. There may be a delay between the occurrence and detection of an issue.</p>	<p>Overall Significant</p> <hr/> <p>Impact High</p> <hr/> <p>Likelihood Likely</p>	<p>Recommendation Management should identify and implement appropriate controls to address the segregation of duties issues noted.</p> <p>For instance, signed cheques should be delivered by someone independent of both the preparer and the initiator of the check for prompt mailing after cheques are signed, in order to minimize the potential for concealment of fraud.</p> <p>Once management has appropriately segregated incompatible duties or put in place adequate compensating/monitoring controls, Management should consider formally documenting their cash handling procedures.</p> <p>It is understood that the “Transportation/Transit Windsor Service Delivery Enhancement Governance Model” approved by Council on June 30, 2014 considers opportunities for enhanced internal control at all entities, particularly in the areas of segregation of duties and enhanced analysis capabilities.</p>
<p>Implication Payments may be re-directed or opportunity for misappropriation of funds.</p> <p>Daily cash receipts are reconciled by the same employee who has custody of the cash.</p>		<p>Management Action Plan Management agrees with the finding. To help limit the risk and impact of fraud due to delayed detection, a separate funds limited bank account will be set up for processing electronic payroll transactions. All other e-payments will continue to be disallowed through the financial institution controls already in place. Segregation of incompatible duties to be examined in the broader context of the “Transportation/Transit Windsor Service Delivery Enhancement Governance Model”.</p>
<p>Root Cause Finance is a one-person department.</p>		<p>Responsibility</p> <ol style="list-style-type: none"> 1) YQG Director of Finance – Separation of bank accounts 2) Corporate Leader Transportation – Segregation of incompatible Duties <p>Due Date</p> <ol style="list-style-type: none"> 3) Separation of bank accounts – 2015 Q1 4) Segregation of duties analysis – 2015 Q4

Considerations for Improvement

No additional considerations for improvement noted.

Appendix A: Background & Scope

Linkage to the internal audit plan

As part of the Council approved 2013/14 Internal Audit Plan, Internal Audit performed a “Targeted Review” of Specified Objectives which focus on predetermined key City business objectives where the Agencies, Boards, Commissions (“ABCs”) have a direct impact. In many instances the issues and risks of both the City and the ABCs are similar in their inherent nature.

As part of the internal audit plan development this business process area has processes and controls associated with mitigating and managing the following corporate risks: Operational oversight, Funding oversight, Program delivery, Governance, Structure/culture, Legislative & regulatory, Public reaction/expectation, Information for decision making, Inter-departmental co-ordination, Asset protection, Value creation, Accountability, Fraud & corruption, Loss/theft of assets, Compliance.

Scope

Overview of the business/process to be reviewed

As part of internal audit of the business processes and controls in effect internal audit considered:

1. City Reporting relationship & agreement
2. Compliance with city reporting relationship and Tone at the top
3. Policy framework and evidence of compliance
4. Regular reporting to the City
5. Integrity of management information
6. Fraud risk management protocols
7. Cash management process
8. Media monitoring and escalation

Given the City’s relationship with ABC’s and the significant oversight for ABC’s funding and operations, it was determined that an internal audit to review these areas was necessary to ensure that the current processes in place are sufficient and appropriately address the risks facing the City of Windsor and to ensure there is a consistent understanding of what is important.

During the course of performing the “Targeted Review”, an emphasis may be placed on key business processes, controls and systems or major projects and contracts.

Generally, our scope covered the most recent completed year (i.e. January 1, 2013 to December 31, 2013).

Specific Scope Limitation

Consistent with commonly accepted practices, our work was dependent on the following management activities which are excluded from the scope of this review:

1. The effective design, implementation and operation of the Information and Technology (IT) environment and IT general controls.
2. The effective design, implementation and operation of business system and application controls related to the capture, processing, storage, reporting/presentation and exporting of information and data.
3. Controls over the completeness, accuracy, reliability and validity of the evidence, information and data provided by management during the course of this review

Appendix B: Summary of Controls Reviewed

Controls identified and mapped to Control Objectives

The following table summarizes the control objectives which were subject to review and the associated (16) key controls identified to achieve each control objective. This table also provides a reference to the summary of findings and considerations for improvements noted in the body of the report.

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
1. City Reporting relationship & agreement	1.1 Clear accountabilities, expectations and reporting relationships and protocols are established for the City/YQG relationship. Both parties are aware of those agreed to expectations.	Monitor Airport Management Agreement	1.1.1 Management Agreement outlines YQG's responsibilities to manage airport operations and the City's responsibility to manage Capital projects. Management routinely monitors projects and initiatives to ensure that no other agreement between the City and YQG contradict the clauses Management Agreement. Where necessary, the City's Legal department is consulted to resolve disputes and/or provide advice on agreements with third parties.	Finding # 1
		Approval of major strategic issues	1.1.2 At least Quarterly, the YQG board meets to approve major strategic issues and review Budget, or variance to budgets.	
2. Compliance with city reporting relationship, Tone at the top	2.1 Management has mechanisms in effect to ensure that agreed to reporting relationships and expectations are adhered to, that appropriately scaled governance is in effect and that information is protected from disclosure outside of this relationship.	Airport Coordinating Committee ("ACC") meetings	2.1.1 Windsor International Airport Coordinating Committee meets, upon request, to discuss and review capital improvement projects and ensures initiatives are aligned with the Airport's Master Plan. The committee is comprised of representatives from the City and YQG. Approvals by the City Council are required prior to implementing a Capital related decision. The Airport Coordinating Committee also approves the 5-year Capital Improvement Plan (last approved in 2012 for 2013-2017) which is then recommended to Council for approval.	Finding # 2
		Accountability to an Independent Board of Directors	2.1.2 The YQG Board of Directors consists of 2 City Councillors and 7 other members and is chaired by the Mayor (interim CEO). The YQG Board Members are subject to the City of Windsor Code of Conduct by nature of that appointment. The BoD mandate has been clearly documented. Members of the BoD that are appointed by the City are required to comply with the City's Code of Conduct.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
		Airport Management Meetings (AMM)	2.1.3 Airport Management Meetings ("AMM") take place (about weekly) where the CEO and YQG Management team to discuss strategic decisions, projects on the horizon, feedback on performance, challenges and issues in the media. Each YQG Director reports on the progress for relevant projects/initiatives and the team decides which information is shared with the Board. Action items are tracked and followed up on at subsequent meetings until the status of action items is closed.	
3. Policy framework and evidence of compliance	3.1 YQG has key policies related to confidentiality, conflict of interest, employees' responsibilities, privacy, cash handling, reporting, etc. and mechanisms to assess compliance.	Policies	<p>YQG Policies are shared with employees and are maintained on a shared drive on the YQG server. Some of the key policies reviewed include the, Purchasing & Expense Policy and Respect and Human Rights at the Workplace Policy.</p> <p>Refer to 2.13 above for a description of a control which is designed to assess compliance with policies through weekly management meetings.</p> <p>YQG has adopted the following City policies: IT Acceptable Use policy and Purchase Card Procedures. Furthermore, as per Section 9.3 of the Management Agreement, Capital Improvements greater than \$150k are to follow the City's Purchasing By-Law.</p>	Finding #3
4. Regular reporting to City	4.1 Two way communications between the City and YQG occurs and defined/required information is exchanged in a timely manner.	Quarterly Financial Reports to Council	4.1.1 As per Management Agreement, YQG submits quarterly financial reports (Balance sheet and income statement) to City's Treasurer. Annually, a report is prepared for council with the audited financial statements and a resolution is made by Council as the sole shareholder of YQG (i.e. required as part of the Corporations Act for Annual General Meeting).	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
5. Integrity of management information	5.1 Management has a mechanism for assessing the integrity of information used in decision making based on the sources used.	Management monitors agreements	<p>5.1.1 Management monitors terms of agreements with affiliates (airline companies, cargo companies, rental car companies, advertising clients, concessions, security contractors and other sub-contractors etc.) and/or consults with independent Consultants to conduct service delivery reviews.</p> <p>All major deals are negotiated by management with BoD support and approval. Landing Fees, Terminal Fees, Airport Improvement fees and other rates are approved annually, or as required, supported by market research and changes in cost structure.</p> <p>BoD's approval of Management's recommendations are based on accurate and complete information (including research and recommendations from a project steering committee, if applicable). Project Charters are in place to define roles/objectives, as necessary.</p>	
6. Fraud risk management protocols	6.1 YQG has a policy and position on fraud risk management and mechanisms for enabling compliance. YQG investigates all possible fraud when there is a concern or suspicion for wrongdoing within the entity.	Reporting Concerns	All YQG employees have access directly to the CEO, a department manager, and the Director of Finance for reporting any breaches by other employees. All management employees have access to the Mayor, the YQG Board, the YQG Director of Finance, and the City CAO.	Finding #3
	6.2 YQG investigates all possible fraud when there is a concern or suspicion for wrongdoing within the entity.	Financial Reviews	Management Oversight and Financial Reviews: All finance documents (Financial statements, budgets and briefing notes) are reviewed by the CEO before Board meetings.	
7. Cash management process	7.1 Management ensures that there are appropriate controls over cash collection, deposits and payments to mitigate losses and optimize cash flow.	Bank Reconciliations	Monthly, the Finance Manager prepares and Director, Finance reviews the bank reconciliation to ensure all transactions are recorded accurately and completely and discrepancies are resolved and documented in a timely manner.	
		Cheque Authorization	As needed, the cheque/EFT's require dual signatures in accordance with the Signing Authority granted by the BoD. Prior to signing, the Director of Finance agrees the details of the payment to supporting documentation as evidenced by initials/signature.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
		Cash Flow Forecasting	Cash flow Forecasting is performed monthly and updated for significant/material commitments and/or initiatives for planning purposes. Cash flow forecasting is done regularly through a discussion between Accounting Manager and the Director of Finance.	
	7.2 There are adequate segregation of duties, review and approval, and reconciliations used to mitigate against risk of theft of cash	Segregation of Duties	The employee who opens the mail is not responsible for managing the Accounts Receivable register.	Finding #4
8. Media monitoring and escalation	8.1 A mechanism for maintaining awareness as to media mechanisms and potential items of disclosure. A mechanism for identifying and informing stakeholders of critical media content impacting brand/reputation exists and is used.	Media monitoring and escalation Media monitoring and escalation	YQG's designated spokesperson for handling interactions with the media is the CEO. Employees of YQG understand that they are to direct all media questions to the designated spokesperson. The Mayor's office is responsible for monitoring relevant media coverage and addressing concerns.	
		Control over media mechanisms	Facebook, Twitter and Website are managed by an Executive Assistant with the assistance of a third party vendor (WebPlanet). Citizens/Passengers may provide comments through various online forms.	

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"> History of regular occurrence of the event. The event is expected to occur in most circumstances.
Likely	<ul style="list-style-type: none"> History of occasional occurrence of the event. The event could occur at some time.
Unlikely	<ul style="list-style-type: none"> 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	<p>Internal Control Significant control weaknesses, which would lead to financial or fraud loss.</p> <p>An issue that requires a significant amount of senior management/Board effort to manage such as:</p> <ul style="list-style-type: none"> • Failure to meet key strategic objectives/major impact on strategy and objectives. • Loss of ability to sustain ongoing operations: <ul style="list-style-type: none"> - Loss of key competitive advantage / opportunity - Loss of supply of key process inputs • A major reputational sensitivity e.g., Market share, earnings per share, credibility with stakeholders and brand name/reputation building. <p>Legal / Regulatory 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>Internal Control Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage, and cumbersome workflow procedures.</p> <p>An issue that requires some amount of senior management/Board effort to manage such as:</p> <ul style="list-style-type: none"> • 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. <p>Legal / Regulatory 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>Internal Control Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies.</p> <p>An issue that requires no or minimal amount of senior management/Board effort to manage such as:</p> <ul style="list-style-type: none"> • Minimal impact on strategy • Disruption to normal operations with no effect on achievement of corporate strategy and objectives • Minimal reputational sensitivity. <p>Legal / Regulatory Regulatory breach with minimal consequences.</p>

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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.