

The Corporation of the City of Windsor

Planning and Development

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FINAL Internal Audit Report

Prepared as of November 29, 2019

Limitations & responsibilities

This Report was developed in accordance with our engagement letter dated June 2016 and is subject to the terms and conditions included therein.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available at the time we prepared the report. Accordingly, changes in circumstances after the date of this Report could affect the findings outlined herein. We are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. 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. PwC disclaims any responsibility to others based on its use and accordingly this information may not be relied upon by anyone other than the Corporation of the City of Windsor.

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Internal audit context

Background information

The City of Windsor's Planning and Development Services Department's general mandate is to advise City Council on all matters pertaining to municipal planning as set out in the Planning Act of Ontario. The Planning Act and other related statutes govern planning in Ontario.

The City of Windsor's Planning and Building Development Department processes applications for development projects within the City. This can be for applications related to Site Plan Approvals, Official Plan Amendments, Rezoning, and Heritage Approvals. Please refer to Appendix A for key applications by volume received by the department from January 1, 2018 to December 31, 2018. The department intakes applications from customers which consist of both external customers such as residents, developers and the public, as well as internal customers such as other City departments (those working on a project involving an application). The applications are then subject to review against regulations and the City's Official Plan, and thus subsequently lead to a development decision. The Planning & Development Services Department's Development section is responsible for reviewing and analyzing development applications with regard to Provincial and Municipal plans, policies and regulations; preparing reports and recommendations to the Development & Heritage Standing Committee (DHSC) and City Council, Committee of Adjustment, depending on the type of application.

The City's Official Plan provides a policy framework related to the orderly development of the municipality over a 20-year period while taking into consideration important social, economic and environmental matters and goals. The Official Plan is a policy document adopted by Council under the provisions of the Ontario Planning Act. As such, it reflects matters of provincial interest and applies to the entire city. Using the Plan as a guide, Council may adopt more detailed planning policies such as secondary plans and community improvement plans for specific neighbourhoods, and it also directs the development of new subdivisions.

Under the Planning Act, official plans are required to be reviewed at intervals of not less than once every five years. This review ensures the plan remains relevant to the changing circumstances within Windsor and to current provincial legislation, policies and appropriate guidelines. This frequency is soon to be changed to every ten (10) years. At the time of this internal audit work, the specific regulations which dictate the change in the legislation pertaining to Official Plan updates were not officially released but, as per management, periodic discussions were being undertaken among key stakeholder groups, including the City of Windsor and the Provincial Ministry. In addition to this, the current Provincial government has also made changes to the Planning Act which has required the department to consult with the Ministry of Municipal Affairs and Housing in regards to required updates to the City's Official Plan.

The City uses the AMANDA system to manage certain planning and development applications such as Site Plan Control and Minor Variances. All the other applications are processed, managed, and tracked manually without using AMANDA or any other system due to system limitations within AMANDA. The AMANDA system is used to automatically generate a unique identification number for each application once a folder has been created for the respective application. Subsequently, the details of the application and the unique identification number are logged into a SharePoint site in a sequential order to record all received applications, track the workload amongst planners and progress against prescribed timelines as per the Planning Act.

In October 2013, the City underwent a review of the planning and development business processes to analyse and address needs taking into consideration multiple stakeholders and expectations. The review, conducted by the Consultant of Enterprise Risk & Project Management, aimed to improve business processes and service delivery to enable the Planning and Development Services Department achieve their objectives.

Certain key issues were identified such as customer complaints regarding speed of service, inconsistency of approval recommendations/process, lack of immediate knowledge/clarity regarding the current stage/phase of an application, and customers requiring to manually move the approval document from department to department.

The review yielded 88 business process improvements grouped under various themes such as improving distribution of information to approval bodies, improving communication with customer/applicant, centralizing representation of an application, centralizing application information and implementing automated workflow, improving internal communications, determining delegation of approvals, governing and managing applications being key among them.

To address the AMANDA related improvement points as part of the 2013 review, the Planning and Development Services Department, at the time of this Internal audit, was undergoing an implementation of the Evolve system, from the vendor, EVOLTA, which is to be completed in August 2020. This system is to replace AMANDA and the SharePoint site in terms of submitting, recording, tracking and managing planning and development related applications for the department. As per management, this system is expected to digitize the application submission and processing phases, which currently are manual across the different types of applications.

Scope

The scope of this internal audit included an assessment of the controls in effect for the period January 1, 2018 through to December 31, 2018.

Internal audit objectives

Overall purpose of this internal audit project was to review controls over the Planning and Development area and to provide insights into the process which may be considered by management in improving the effectiveness, efficiency and economy of current control practices:

Policies and procedures for planning and development

- planning and development policies and procedures exist, are periodically reviewed to remain relevant to current legislation and changing circumstances, and support adherence with requirements on interaction points between various stakeholders /departments;

Planning & development application processing

- pre-development assessments are conducted and monitored as per requirements of the Official Plan, in a timely manner, and incorporate necessary changes as identified through documentation of information received to support decisions;
- interactions between internal and external customers/applicants and key City departments occur and defined/required information is exchanged in a timely manner to support management in the planning and development decision making process; and
- processes are designed and implemented to enable continuous oversight of the results/outcomes desired by Planning and Development Services for consistent processing of internal and external applications.

Specific scope exclusions

Given the nature of the work, risk considerations and budgeted effort, the following elements were excluded from the scope of this internal audit:

- the design, implementation and operation of the Information and Technology (IT) environment and IT general controls, end user computing controls, IT application controls, data integrity of reports used in IT dependent manual controls;
- controls over the completeness, accuracy, reliability and validity of the evidence, information and data provided by management during the course of this review;
- capital project management;
- processes related to the building department including policies and procedures, and processing of applications for building permits;
- processing of planning applications other than zoning, site plan control, subdivision, condominium, part-lot, and minor variances;
- adequacy of the Official Plan and Zoning bylaws in adherence to the Planning Act (i.e. extent to which it remains relevant to the changing circumstances within Windsor and to current provincial legislation, policies and appropriate guidelines);
- appropriateness of key performance metrics to measure customer satisfaction/experience;
- appropriateness of authority levels and chain of command;
- adequacy / reperformance of assessments conducted to evaluate compliance of applications with key requirements;
- determination of development charges and other user fees; and
- customer service, complaints and customer satisfaction.







Summary of Internal Audit results

Report classification

During the course of the internal audit, specific controls were identified which generally address the control objectives of the internal audit relating to Planning and Development; however, there were a few design deficiencies noted during the internal audit, which are described below:

- The Official Plan exists to provide guidance in relation to requirements regarding the different applications as set in the Planning Act and Zoning By-laws. The planners reviewing the application can make references to these documents,
- The Official Plan is updated on a periodic basis and in conjunction with open-dialogue and collaboration with the Ministry of Municipal Housing and Affairs.
- Application and submission processes are fairly manual where the AMANDA system is used in a limited capacity to generate unique IDs for applications and store information regarding minor variances and site plan control applications. All other application processing activities are manual without the use of any systems. A SharePoint site is used to list the number of applications received in a sequential manner and is used to assess workload amongst the staff. The City should continue using a central system, Evolve that can be used to onboard the application submission, tracking, and processing processes to allow for greater oversight and efficiency in handling the applications.
- The Planning Department uses standardized forms which include detailed preliminary requirements for reference of the applicant. Standardized reporting templates are also used to guide planners in drafting the final report for the application which is reviewed by the final approver.
- The Planning and Development Services Department has a Development Triage Team which informally meets on a weekly basis to discuss applications in process and any issues relating to them. These meetings are in addition to the Site Plan team meetings, Planning and Development Leadership Team meetings, and Agenda setting meetings which serve as points to discuss and identify issues relating to any application which would require further analysis and resources from the department.
- Pre-consultation meetings are mandated by the City for applicants to discuss their requirements with the Planning and Development Services Department. This enables for a smoother application processing phase as the applicant would be better aware of the specific documentation required for submission.
- There was evidence to suggest, on a sample basis, that key requirements from the Official Plan and Planning Act were met during the application processing process along with timely communication with customers and other relevant stakeholders for the decision making process.

Based on the controls identified and assessed for design as part of the internal audit of Planning and Development, 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
For the objectives related to: Planning and development policies and procedures exist, are periodically reviewed to remain relevant to current legislation and changing circumstances, and support adherence with requirements on interaction points between various stakeholders /departments.				
Controls over the process are designed in such a manner that there are:				
For the objectives related to: Pre-development assessments are conducted and monitored as per requirements of the Official Plan, in a timely manner, and incorporate necessary changes as identified through documentation of information received to support decisions.				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives related to: Interactions between internal and external customers/applicants and key City departments occur and defined/required information is exchanged in a timely manner to support management in the planning and development decision making process.				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives related to: Processes are designed and implemented to enable continuous oversight of the results/outcomes desired by Planning and Development Services for consistent processing of internal and external applications.				
Controls over the process are designed in such a manner that there are:				

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

Summary of positive themes

Based on the data testing and fieldwork conducted by Internal Audit, the following positive themes were noted:

Policies and procedures for planning and development

- **Review and Update to the Official Plan** - The Official Plan is reviewed on a 5 year cycle, initiated by the City Planner through research and analysis on the City's demographic, population, economic, and environmental trends to identify which sections require an update. A report is subsequently presented to council identifying sections requiring an update. The City Council makes a decision on the proposed updates, after which a draft of the updated Official Plan (or sections) is sent to the Ministry of Municipal Housing and Affairs for final review and approval. The past five (5) updates to the Official Plan between 2012-2013 were all approved by the Ministry.
- **Authority for Approval of Planning and Development Applications** - As per legislation set out in the Planning Act of Ontario, the authority to approve Site Plan Approval and Minor Variance applications are delegated to City staff or the Committee of Adjustment respectively. Other applications such as Rezoning, Subdivision, and Condominiums are reviewed by the Development and Heritage Standing Committee and finally approved by the City Council. Internal Audit inspected a sample of 10 planning and development applications and noted that all of them were approved by the authorized approver as per the Planning Act.
- **Standardized Forms and Reporting Templates** - Through inspection of the application forms and reporting templates for Site Plans, Rezoning, Minor Variances, Subdivisions/Condominiums, and Part Lots, it was noted that the Planning and Development Services Department has a set of standard forms and reporting templates for each of the various types of application processed through the department. The forms to be filled out by applicants outline key requirements (such as drawings, evidence and report of specific studies performed, etc.) for each application type which provides guidance for both staff and themselves in the application submission process. The reporting templates provide the planner on file guidance on the key steps to be completed/analysis performed such as consultations with public, internal departments, and external agencies which he/she fills out based on the application review and processing and is sent to the authorized approver for final review and approval.

Planning & development application processing

- **Pre-consultation meetings** - An application pre-consultation meeting is mandated by City by-law which allows the applicant to meet with the members of the Planning and Development Services department, in addition to any other relevant departments such as Traffic, Public Works, etc. to identify documentation including studies performed, drawings, etc that may be required for their specific circumstances. This allows for a smoother application processing in the later phases. For 10 applications sampled, all applications had an appropriate pre-consultation meeting performed. In addition, there also exists a pre-submission form which can be filled out if the applicant requires multiple types of approvals such as Rezoning, Site Plan, and an Official Plan Amendment. This form enables the applicant to share such details for preliminary review and analysis by the Planning and Development Services Department before the application is formally submitted.
- **"Planning Site Plan Applications Control" Report** - The Manager of Urban Design receives a report on a monthly basis, generated automatically from the AMANDA system, which has the list of current Site Plan Approval applications within the AMANDA system (including closed/completed) with details such as property addressed, status of the application, start date, and processing time up to date. The periodic review of this report allows the Manager of Urban Design to assess the progress of applications and identify which are delayed in order to investigate further. Issues identified serve as a key input for discussion at the Site Plan Approval weekly meetings mentioned below.
- **Development Triage Team** - The Planning and Development Services department has a development triage team with representation from Planning, Building, and Operations department. The team meets on a weekly basis to discuss status, progress and issues related to complex applications that have been received by the Planning and Development departments which require consultation with staff from various departments to reach a resolution and move ahead the application. Members of other departments are invited to these meetings on an as-needed basis. In addition to this any upcoming applications (that has gone through the pre-submission process) are also brought up, as necessary, by one of the members of the Planning Department.
- **Periodic Team Meetings** - Through inspection of meeting minutes and agendas it was noted that the Planning and Development Services department has multiple meetings on a periodic basis in addition to the Development Triage Team meetings mentioned above.

- **Planning and Development leadership team meetings** - These meetings are held bi-weekly between the leadership team of the Planning and Development Services Department, including the City Planner, Deputy City Planners, and the Chief Building Official to discuss planning and Development applications. They provide an opportunity to the City Planner to give guidance and directions regarding the current planning applications that are in progress. In addition, any potential issues relating to building permits for these applications to move ahead are also discussed at these meetings with the Development department through the Chief Building Official and his team.
 - **Site plan approval team** - Led by the Deputy City Planner/Manager of Urban Design, the Site Plan Approval team meets on a weekly basis internally to discuss and review progress and issues with site plan applications. These meetings allow the planners on file to bring up specific issues such as identification of studies to be performed, additional requirements due to comments from other departments and external agencies, delays in processing, etc relating to an in-progress application or a new potential application that has gone through the pre-submission/pre-consultation phase. Any significant issues are escalated to the Development Triage Team and the Planning and Development Leadership team to discuss.
 - **Agenda setting meetings** - Every month, the Planning and Development Services team meet to discuss and set the agenda for the upcoming Development & Heritage Standing Committee meeting. This involves a review of the status of each applicable application by the planner on file to make a decision on whether it is ready to be presented to the Standing Committee.
- **SharePoint application listing** - The Planning and Development Services Department maintains a Sharepoint site, which contains a list of all types of planning and development applications which are logged in by a member of the team once the application has been received by the Department and a unique identification number from AMANDA is generated . The site tracks the details on the application such as applicant name, property address, date of submission, and the planner assigned. It is used to keep track of workloads among the team, along with the deadline according to the Planning Act for each application.
- **Adherence to Planning Act and Official Plan** - Through inspection of ten (10) sampled planning and development applications during 2018, Internal Audit noted that:
 - The pre-consultation meeting was performed for all sampled applications.
 - The sampled applications had their completeness confirmed within the prescribed timeline from the date of submission of the application.
 - The sampled applications had a file manager assigned to it, responsible for seeing the application through the various phases through to completion and final approval.
 - Where applicable, a draft report with preliminary comments and requirements was shared with the applicant outlining required items for final approval.
 - The sampled applications were approved by the authorized approver such as the Deputy City Planner, City Council, and the Committee of Adjustment.
 - The sampled applications were processed and approved within the timelines prescribed in the Planning Act.
 - Where applicable, notice of hearing/decision on an application was communicated to the public within the prescribed requirements in the Planning Act.

Summary of findings

Finding #	Topic	Rating ¹			Management action plan
		Significant	Moderate	Low	
Policies and procedures for planning and development					
1	Develop Working Procedures for Planning and Development Application Processing (Design Effectiveness)	-	-	X	A procedure/ guideline to assist staff in Planning and other Departments will be prepared. The focus will be to list items to be considered when reviewing and processing development applications. Q3 2020
Planning & development application processing					
2	Prioritize Action Plan Implementation of 2014 Business Process Review Findings (Design Effectiveness)	-	-	X	Administration will continue to implement the remaining (14 of 88) business improvement findings as part of the Evolve Project. Q4 2020
Total		0	0	2	

Summary of significant findings

No significant findings were noted within or during the scope of work.

Management comments

Management agrees with the observations contained within the report particularly the need for formalized processes and the implementation of the remaining business improvement recommendations identified in the "Property Development Approval Service Review". The audit report documents a number of positive themes which demonstrate the department's effectiveness in achieving legislated timelines for the process of all types of development applications and the positive benefits that have come with the introduction of Development Triage meetings.

Management has implemented 84 percent (74 of 88) of the business improvement findings in the above referenced report and the remaining 16 percent are expected to be implemented in 2020 as part of the Evolve project that is already underway.

The implementation of any system or change in procedure requires staff training. This will be included during the implementation period so that staff are not only aware of how to maximize system efficiencies but are cognizant of the importance of doing so.

Name: Thom Hunt, City Planner

Date November 29, 2019

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

Detailed observations

1. Develop Working Procedures for Planning and Development Application Processing (Design Effectiveness)			Overall Rating: Low
Impact:	Low	Likelihood:	Likely
<p>Observation: While the Official Plan and Planning Act provide guidance on how to process planning and development applications, Internal Audit noted that currently the Planning Department has working procedures for Site Plan Control applications; however there are no working procedures/guidelines established for reference to the staff (clerks, customer service representatives, etc) for the other applications. Such procedures would provide a list of items to review/consider while reviewing and processing the applications.</p>			
<p>Implication: Key steps in the application processing phase may be missed such as gathering of necessary information, documentation, recording information in the system/retaining information in physical form, and performing required consultations.</p>			
<p>Possible root cause: Complex and subjective nature of applications may have deterred development of procedures manual while reliance was placed on on the job training and experience of senior members of the team to provide guidance.</p>			
<p>Recommendation: The Planning and Development Services Department should develop procedures for each of the different types of application that will provide guidance to staff on key steps to follow in the application receipt, processing, and approval process. This will minimize the risk of key requirements in terms of studies/analysis, and considerations being missed for a given application, and will also set a minimum standard of requirements for the staff in terms of retention of documentation and information, either manually or through a system.</p>			
Management Action Plan			
Management agrees with the findings and recommendations listed above. Administration will work with key staff responsible to identify key procedures for the various types of development applications. Additionally, the procedures will be shared with appropriate staff to ensure there is a better understanding of their involvement in the review and processing of development applications.	Responsible Party:	City Planner; Manager of Urban Design; Manager of Planning Policy	
	Due Date:	Q3 2020	

2. Review and Prioritize Action Plan Implementation of 2014 Business Process Review Findings (Design Effectiveness)			Overall Rating: Low
Impact:	Low	Likelihood:	Likely
<p>Observation: A significant number of findings/improvements noted in the “2014 Property Development Approval Service Review” are expected to be addressed via the planned Evolve Project implementation (currently in the testing phase), management did not formally assign a prioritization framework/criteria to the findings and perform periodic (i.e. quarterly/semi-annual) reporting in regards to the action plan status of those findings.</p>			
<p>Implication: The City may be vulnerable to significant, if any, risks identified several years ago.</p>			
<p>Possible root cause: Management initially provided reporting to City Council in 2013 and conducted verbal discussions on findings and action plans since then.</p>			
<p>Recommendation: Management should review the findings from the “2014 Property Development Approval Service – Business Process Review” to rationalize and assign a risk rating to each finding. This may enable management to identify significant findings which require tracking of the status of implementation or documentation of acceptance of risk and workaround to lower the level of risk.</p> <p>Furthermore, Management should also identify which of the findings would be addressed by the upcoming implementation of the Evolve system, and also identify which findings (if any) would require an alternative action plan/solution</p>			
Management Action Plan			
<p>Management agrees with the findings and recommendations. Administration will continue to implement the remaining business improvements that will be addressed by the Evolve Project.</p> <p>This will include recording of the implementation and also the identification of any remaining business improvements that will require an alternative action/plan or solution.</p> <p>Beyond the Evolve project, a small number of the remaining business improvements will be reviewed by the management team to determine how they might be implemented or if they remain as relevant.</p>	Responsible Party:	City Planner; Chief Building Official; Manager of Urban Design; Manager of Planning Policy	
	Due Date:	Q4 2020	

Considerations for improvement

1. Implement Paperless Application Submissions and Processing

Observation: While the Planning and Development Department Services utilizes AMANDA to log and track key phases for Site Plan and Minor Variance applications, all other applications are tracked and processed manually.

In addition to this, the department does not track the status of each application in terms of its current phase (under review by planner, draft report, consultation required from external agencies/other departments, under review by approver, etc) in one centralized location that allows reporting to be accessible and reviewed by the managers within the department.

Consideration

Management should consider implementing application submission and processing phases including collection and retention of documents, collecting comments from other departments and external agencies, documenting approvals and comments/discussions regarding each application (as applicable) within the upcoming Evolve system for all types of applications that are processed by the Planning and Development Department Services. Additionally, considerations should be made to implement a status tracking and reporting functionalities within the system that provide updated status on each application based on its phase in the entire process and reporting on trends and issues (i.e. due to date) for monitoring purposes.

This may enable more efficiencies and enhance oversight in the application processing as all relevant information and documents for each application will be in one location in electronic form, allowing it to be accessed and reviewed anytime and anywhere.

2. Develop Coordination with other Departments

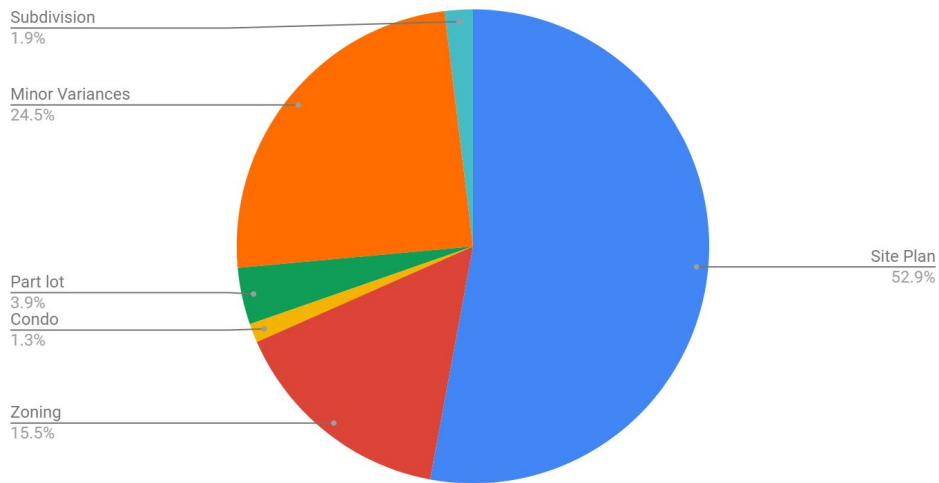
Observation: While the Planning and Development Services Department is able to identify capital projects undertaken by other departments through discussions during the Development Triage Team meetings, it is currently not able to detect/be notified of smaller operations projects (streets, parks, and other public realm projects etc.) such as renovations/modifications to buildings undertaken by the other departments which could potentially require one or more planning and development application and result in a permit for the said project.

Consideration

Planning and Development Services Department should explore options including tools/databases that can be leveraged for earlier detection of projects (that are operating in nature) for timely detection/response/notification of potential follow up or consultations required.

Appendix A: Planning and development applications in 2018

Planning and Development Applications - January 1, 2018 to December 31, 2018



Appendix B: Basis of findings 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. <ul style="list-style-type: none"> · 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 <ul style="list-style-type: none"> · 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 <ul style="list-style-type: none"> · 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 backup 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.

Appendix C: Limitations and responsibilities

Limitations inherent to the Internal Auditor's work

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and Internal Auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

