

The Corporation of the City of Windsor

Roseland Golf and Curling Club Internal Audit Report

Internal Audit Report

12 September 2017

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Summary of Internal Audit Results

Background Information

Roseland Golf and Curling Club (“RGCC”) is a full service recreational golf and curling facility and a separate legal entity with a Board of Directors (BoD), and a General Manager (GM) as well as an Assistant General Manager. Deputy Treasurer of Financial Accounting for the City is the Treasurer for RGCC which strengthens the communication from RGCC to the City.

RGCC has a lease agreement with the City for the property and pays an annual rent in accordance to the agreement. Term of the lease is 20 years and the agreement is dated June 29, 2015 with an effective date of May 1, 2015 and a termination date of December 31, 2025. Further, RGCC receives administration services (including legal, finance and payroll services) from the City for a service fee which is paid annually.

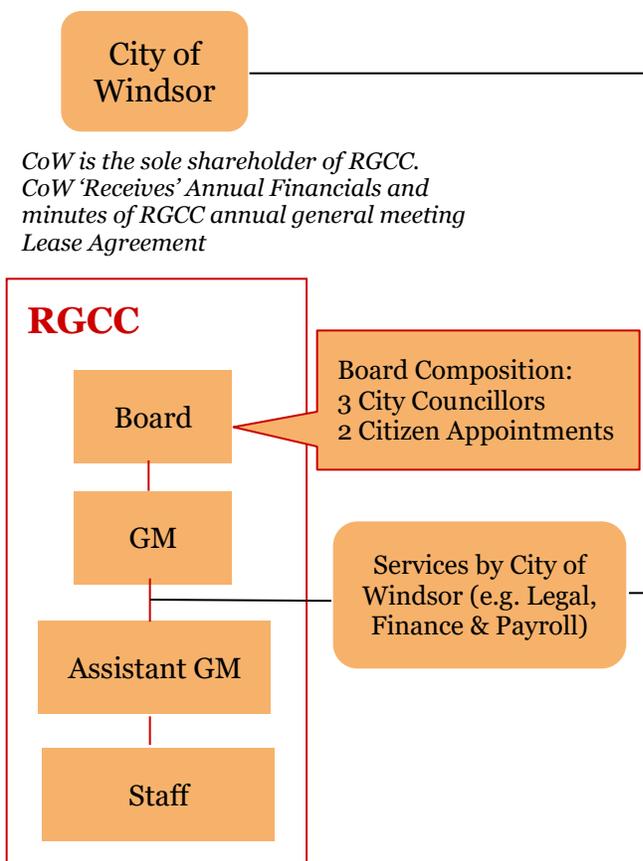
During the review period RGCC went through management changes as follows; In January, 2016 there were hiring’s for the position of Food and Beverage Manager and Golf Operations Manager. In September, 2016 New General Manager had been appointed. New General Manager is a City employee.

Recently, in June 2017 the Assistant General Manager position has been created by combining the Food and Beverage Manager and Manager Golf Operations roles. Manager Golf Operations has been promoted to the Assistant General Manager position and the Food and Beverage Manager is no longer in the employment of RGCC.

RGCC Reporting Structure:

RGCC reporting structure is illustrated by the diagram on the right:

- RGCC Board includes City Councillors and the Board reports to the City annually on the operations of RGCC.
- RGCC General Manager is responsible for the RGCC operations under the direction of the Board.
- RGCC legal, financial and payroll matters are handled by the relevant City departments for the payment of annual fee.
- Assistant General Manager assists the General Manager in administration of RGCC operations.
- Staff reports to the Assistant General Manager and executes their responsibilities according to their roles.



Scope

During the course of performing the “Targeted Review”, emphasis has been placed on key business processes, controls and systems or major projects and contracts. As part of the Internal Audit Plan development, RGCC has processes and controls associated with mitigating and managing the following corporate risks: substandard service delivery, inter-departmental coordination, fraud and corruption.

The period reviewed for the Internal Audit was the most recent 12 month period (January 1, 2016 to December 31, 2016).

Internal Audit Objectives

In conducting this Internal Audit we considered the process and control mechanisms management has in effect to achieve the following control objectives:

- Clear accountabilities, expectations, reporting relationships and protocols are established for the City/RGCC relationship. Both parties are aware of those agreed to expectations.
- Management has mechanisms in effect to enable 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.
- RGCC has key policies related to confidentiality, conflict of interest, employees’ responsibilities, privacy, cash handling, reporting, etc. and mechanisms to assess compliance.
- Two way communications between the City and RGCC occurs and defined/required information is exchanged in a timely manner.
- Management has a mechanism for assessing the integrity of information used in decision making based on the sources used.
- RGCC has a policy and position on fraud risk management and mechanisms for enabling compliance. RGCC investigates all possible fraud when there is a concern or suspicion for wrongdoing within the entity.
- Management ensures that there are appropriate controls over cash collection, deposits and payments to mitigate losses and optimize cash flow. There are adequate segregation of duties, review and approval, and reconciliations used to mitigate against risk of theft of cash
- 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.

Refer to Appendix B for control descriptions associated with the control objectives that are in place at RGCC.

Scope Exclusions

The following areas were not included within the scope of this Internal Audit:

- The effective design, implementation and operation of the Information and Technology (“IT”) environment and IT general controls.
- 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.
- Controls over the completeness, accuracy, reliability and validity of the evidence, information and data provided by management during the course of this review.

Linkage to the Internal Audit Plan

Roseland Audit is part of the Council approved 2016/17 Internal Audit Plan, Internal Audit has been tasked to perform a “Targeted Review” of Specified Objectives which focus on predetermined key City business objectives where the 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.

Report Classification

For the scope period January 1, 2016 to December 31, 2016, the review of the in-scope processes revealed the need for management of Roseland to formalize compliance with control framework. Further, there were several design deficiencies which required management attention and are discussed below:

- Strategic priorities of RGCC require to be documented, approved and aligned with the City.
- RGCC policy manual should be updated to cover certain key elements and a schedule for periodic review should be introduced.
- RGCC requires the documentation of a fraud policy that documents the protocol for investigation and reporting of fraud.

During the scope period, there was a change in the management of RGCC, with a new General Manager announced in August 2016. As part of the transition, the new GM indicated to internal audit that there are a number of initiatives in motion to improve the design of current controls. It has been noted that efforts have been positively structured towards introduction of formal processes and procedures in line with the City policies and procedures.

Based on the controls identified and tested as part of the Internal Audit of the RGCC processes 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 Governance, Strategy and Reporting Relationship | | | | |
| 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 Policy framework and evidence of compliance | | | | |
| 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: |  | | | |

| | No or limited scope improvement | No major concerns noted | Cause for concern | Cause for considerable concern |
|--|---|--|-------------------|--------------------------------|
| For the objectives related to Integrity of management information | | | | |
| 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 Fraud risk management | | | | |
| 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 Cash management 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 Media monitoring and escalation | | | | |
| 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: |  | | | |

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

Summary of Positive Themes

The following process strengths are in addition to the points noted above:

Board of Directors:

- Board comprises of 2 Citizen Appointments by the striking committee and 3 City Councilor appointments, providing a balanced structure.
- Councilor representation on the Board assists in alignment of RGCC objectives with the City objectives.

Financial Planning and Reporting:

- Operational and Capital budgets were separately presented for the first time to the Board, with a projection of capital budget for the next five years.
- General Manager provides Budget vs Actual reports to the Board upon request.
- Managers are included as part of the budgeting process.
- Managers are made aware and are accountable for budget utilizations.
- The Treasurer for RGCC is also the Deputy Treasurer for the City strengthening the communication between both parties.

Performance Management:

- RGCC is adopting City policies to improve the policy governance of processes and has implemented 15 policies including the Cash Receipts Control Policy enabling it to improve key controls over cash collection, storage and deposits. Refer to Appendix D for a list of adopted City policies.
- RGCC is leveraging City services for handling the finance function improving segregation of duties.
- RGCC has appointed the General Manager as the media spokesperson.
- Media file is being maintained at RGCC to monitor and record any media coverage received by RGCC.

Summary of Findings

| Finding # | Topic | Rating ¹ | | | Management Action Plan |
|---|---|---------------------|----------|-----|---|
| | | Significant | Moderate | Low | |
| Governance, Strategy and Reporting Relationship | | | | | |
| 1 | Document a reporting and services agreement between the City & RGCC | - | X | - | Document a reporting and services agreement encompassing list of services exchanged and reporting protocols. |
| 2 | Define and document strategic plan | X | - | - | Develop a 5 - 10 year strategic plan through engaging a qualified consultant and approval of Board and the City. |
| Policy framework and evidence of compliance | | | | | |
| 3 | Update policy manual | X | - | - | Review 2008 Policy Manual and incorporate City policies, policies specific to golf operations, employee code of conduct, incorporate an Organization Chart and present to Board for adoption. |

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

| Finding | Topic | Rating¹ | | | Management Action Plan |
|--|---|---------------------------|----------|----------|---|
| Integrity of management information | | | | | |
| 4 | Independent review of Board Reports | - | - | X | Form a management committee with a charter approved by Board which shall review reports prepared by GM. |
| Fraud risk management | | | | | |
| 5 | Document fraud management policy and protocol | X | - | - | Adopt fraud management policy and protocol from City of Windsor. Present for adoption by Roseland Board of Directors. |
| Cash management process | | | | | |
| - | No findings noted | - | - | - | Not Applicable |
| Media monitoring and escalation | | | | | |
| - | No findings noted | - | - | - | Not Applicable |
| Total Audit Findings | | 3 | 1 | 1 | |

Summary of Significant Findings:

The Internal Audit identified three areas for significant improvement related to the design of controls, specifically:

- 1) RGCC does not have an approved strategic plan to ensure their strategic priorities are documented, approved and aligned with the City.
- 2) RGCC Policy manual was last updated in 2008 and does not address RGCC specific needs, lacking certain key elements.
- 3) RGCC does not have a fraud policy or documented protocol for investigation of fraud.

Management Comments

Management agrees with the findings within this report. The audit has noted several positive themes with respect to the Board of Directors, Financial Planning and Reporting, and Performance Management. The scope period of this audit occurred during a period of time when Roseland was under the direction of the previous General Manager.

It may become more apparent the working relationship with the City of Windsor, under the direction of the current General Manager, will be closer and with more business continuity to the City. There is more focus on Roseland to access and adopt policies and practices of the City with the intention to bring Roseland more step in step with the operating process of the City, all while maintaining an arm's length relationship to satisfy the corporate requirements.

Name: Phil Roberts
 Title: General Manager, Roseland Golf and Curling Club
 Date: September 11, 2017

Detailed Observations

| | | | |
|---|--------|---------------------------|--|
| 1. Document a reporting and services agreement between the City and RGCC (Design Effectiveness) | | | Overall Rating: Moderate |
| Impact: | Medium | Likelihood: | Likely |
| <p>Observation: Upon inquiry from RGCC General Manager, it has been noted that RGCC has no direct reporting to the City. City receives a copy of the Board minutes along with attachments and annually the Board reports to the City; however, there is no documented reporting agreement between RGCC and the City. Furthermore, RGCC receives services from the City for legal matters, including but not limited to development of agreements, financial services, including bank reconciliations, preparation of payment cheques, posting of journal entries, assistance in purchasing, and payroll processing. RGCC is charged a fee for the provided services; however, there is no documented agreement that governs the scope of services, service fee, and roles/responsibilities of both parties.</p> <p>There is a lease agreement between the City and RGCC.</p> | | | |
| <p>Implication: In absence of an agreement defining the respective reporting requirements RGCC activities, operations and reporting may not be in line with the requirements of the City. Not having a service agreement between the parties affects the management's ability to determine the assignment/allocation of roles/responsibilities and extent of services contracted. There is a risk of a process failure without clarity of scope of work for each party and roles/responsibilities.</p> | | | |
| <p>Possible root cause: An agreement that defines the respective responsibilities for reporting requirements and shared services, with associated fees is not clearly defined/documented.</p> | | | |
| <p>Recommendation: An agreement that defines the respective responsibilities for reporting requirements and shared services, with associated fees, should be developed and implemented. Reporting elements should include: form, content, nature, frequency and timing. Shared services elements should include: service requirements, metrics, frequency, service levels, fees and escalation protocols.</p> | | | |
| Management Action Plan | | | |
| <p>Roseland Management agrees with the finding. While Roseland Management agrees with the finding, this document will need to be framed in cooperation with the City of Windsor. It is generally understood that the current annual fee covers services from the payroll, human resources, finance and legal departments.</p> <p>Action Plan:</p> <ul style="list-style-type: none"> • Develop a comprehensive list of services provided to Roseland from the City of Windsor. • Develop a comprehensive procedure for reporting from Roseland to the City of Windsor. • Prepare a document outlining reporting procedure and service agreement. • Prepare a presentation for adoption by the Roseland Board of Directors. | | Responsible Party: | Roseland General Manger in conjunction with City of Windsor Administration |
| | | Due Date: | Q2, 2018 |

| 2. Define and document strategic plan (Design Effectiveness) | | Overall Rating: Significant | |
|--|---------------------------|--|--------|
| Impact: | High | Likelihood: | Likely |
| <p>Observation: Reporting of management's operational budget to the Board occurs annually, at a minimum. However, subsequent to the period under review, management presented a capital budget for the first time to the Board although in the period subject to review or afterwards, there was no broader, Board-directed and approved strategic plan documented. Further, Board does endorse significant strategic decisions such as golf rates, approval of significant capital expenditures, approval of cheque register and staffing activation reports.</p> | | | |
| <p>Implication: Without this plan, there is no accountable and independently verifiable direction for RGCC, which may result in lost opportunities or inferior results. In addition, without clear articulation, the strategy is open to increased misinterpretation.</p> | | | |
| <p>Possible root cause: The strategic plan is not clearly defined/documentated.</p> | | | |
| <p>Recommendation: The Board should define the strategic vision and direct management to develop a draft strategic plan which considers the unique needs of RGCC, for Board consideration. Such a strategic plan should be drafted with input from the Board.</p> <p>A strategic plan should consider the goals/objectives of RGCC, a plan to overcome anticipated challenges, and to provide a means for management to measure itself against its targets. This plan should be developed considering a Reporting Agreement with the City and alignment to City strategic needs to allow RGCC to be aware of its opportunities and barriers to success.</p> | | | |
| Management Action Plan | | | |
| <p>Roseland Management agrees with the observation with the finding.</p> <p>Roseland Management has recently presented elements of a strategic plan for consideration by the Roseland Board mainly relating to Clubhouse and Golf Operations. This was done as a preamble to for the 2017 budget deliberations which was prepared by the Roseland Management committee. As Roseland is an asset of the City of Windsor, it may be reasonable for a strategic plan to be developed by a qualified consultant for overall consideration by the owner.</p> <p>Action Plan: Take this observation and finding to the Roseland Board of Directors and the City of Windsor for interest in further plan development including engaging a qualified consultant to develop a 5 - 10 year strategic plan.</p> | Responsible Party: | Roseland General Manger, | |
| | Due Date: | Decision on approach to strategic plan – Q4, 2017 Completion of strategic plan – Q4, 2018 | |

| 3. Update policy manual to address organization specific needs (Design Effectiveness) | | | Overall Rating: Significant |
|---|------|---------------------------|---|
| Impact: | High | Likelihood: | Likely |
| <p>Observation: In a review of policy and procedure elements Internal Audit noted that:</p> <ul style="list-style-type: none"> a) RGCC has a policy manual in place; however, it has not been updated since 2008. b) Policy manual does not address RGCC specific needs and lacks certain key policy elements. c) No evidence of staff training on policies and procedures. d) Process for periodic review of policies and procedures appears not to be defined. | | | |
| <p>Implication: Not having a detailed policy documents affects management's ability to improve processes on a continuous basis or demonstrate adequate assignment/allocation of roles/responsibilities. People dependent processes increase the risk of a process failure or inefficiency when personnel are not accessible.</p> | | | |
| <p>Possible root cause: Policy manual has not been updated in over 9 years and is missing elements. Evidence of employee policy awareness of policy requirements was not available.</p> | | | |
| <p>Recommendation: Management should update the current policy manual to be in line with good practices. Process flows for operational procedures should be developed which explain the roles, tasks, inputs, systems, and outputs relating to each department to create a sustainable process and to continually improve it. For a list of suggested policy elements, please refer to Appendix C.</p> <p>Training of policies should be tailored to specific individuals. Certain policies may require sign-off or acknowledgement from staff/employees.</p> <p>At a minimum, all policies should be reviewed and modified or re-endorsed every five years or based on policy specific triggers. This minimum requirement should be applied to all policies; however, some may require more frequent validation. Each policy should indicate the associated review cycle requirements.</p> | | | |
| Management Action Plan | | | |
| <p>Roseland Management agrees with the observation with the finding. Management will:</p> <ul style="list-style-type: none"> • Review 2008 Policy Manual. • Incorporate adopted and implemented City policies. • Incorporate policies specific for golf operations, employee code of conduct. • Incorporate an Organization Chart in identifying reporting structure and roles and responsibilities. • Present to Roseland Board of Directors for adoption. • Implement document control with a procedure for a master copy, identified by colour, location and possession. • Approval of all Roseland specific and City adopted policies by the Roseland Board of Directors • Include policies manual with employee enrollment package for review and sign off. • Organize a policies manual review session for current employees. • Make a copy of the Policies Manual centrally available in three locations, Little River Pro Shop, Roseland Pro Shop and Roseland Clubhouse Servery. | | Responsible Party: | <p>Roseland General Manger,</p> <p>Roseland Assistant General Manager,</p> <p>Roseland Golf Professional.</p> |
| | | Due Date: | Q3, 2018 |

| | | | |
|---|-----|-------------------------------|--------------------------|
| 4. Independent review of Board Reports (Design Effectiveness) | | Overall Rating: Low | |
| Impact: | Low | Likelihood: | Likely |
| <p>Observation: General Manager is responsible for preparing and submitting the Board reports to the City clerk for sharing with the Board.</p> <p>There does not appear to be a formal control point to ensure information presented and recommendations made to the BoD are independently reviewed prior to release.</p> <p>Although there is no formal sign-off, the General Manager himself is responsible for preparing and submitting the information presented in Board reports. Further, the position of Assistant General Manager has been approved in June, 2017 by the Board. Role of the Assistant General Manager will contribute to the preparation of Board reports.</p> | | | |
| <p>Implication: Intentional or unintentional errors might get incorporated within the reports to the Board, resulting in incorrect decision making.</p> | | | |
| <p>Possible root cause: Management has acquired experience as to how to present/prepare board reports and thus an independent review has not been considered.</p> | | | |
| <p>Recommendation: General Manager should obtain an independent review of board reports in detail and providing comments and signing off formally, any time there is a change to the standard report format.</p> <p>Evidence to demonstrate confirmation from General Manager that information is accurate and complete prior to board meetings should be retained (i.e. email, signature, etc.).</p> | | | |
| Management Action Plan | | | |
| <p>Roseland Management agrees with the observation with the finding.</p> <p>While Roseland Management agrees with this observation, Roseland does not have a hierarchy of management staff or departmental resources to vet reports being prepared for the Board by the General Manager. Roseland also does not have daily oversight by any other City department for operational matters which make up the majority of the General Manager's report to the Board. Financial, Legal and Human Resources reporting does have oversight from other City Departments and is reported with consultation.</p> <p>Action Plan:</p> <ul style="list-style-type: none"> Define the composition, purpose, responsibilities, and regularity of meetings of a Roseland management committee through a Charter to be approved by the Roseland Board of Directors. Have the Management committee review reports being prepared for the Board by the General Manager for accuracy prior to submission to the Roseland Board. Have the Assistant General Manager attend all Board meetings. | | Responsible Party: | Roseland General Manager |
| | | Due Date: | 2017 Q4 |

| | | | |
|---|------|---------------------------------------|-------------------------|
| 5. Document fraud management policy and protocol <i>(Design Effectiveness)</i> | | Overall Rating: Significant | |
| Impact: | High | Likelihood: | Likely |
| <p>Observation: There is no Fraud Policy at RGCC. Although, general protocols for reporting concerns such as fraud or misconduct, are known by management and procedures for reporting concerns have not been documented in a Fraud Policy.</p> <p>Based on discussion with RGCC General Manager, it was noted that no formal training on fraud reporting protocols has been implemented. Mechanisms to create and enhance employee awareness of the policy require improvement.</p> | | | |
| <p>Implication: There are no independently discernable mechanisms for assessing compliance with the fraud policy and practices.</p> | | | |
| <p>Possible root cause: Fraud protocols have not been formalized.</p> | | | |
| <p>Recommendation: RGCC management should define, approve and implement a Fraud Policy which considers describing the applicable Fraud Protocols. The Fraud Policy should be communicated to RGCC employees and monitored. The Fraud Protocols should be adopted by the RGCC Board and include procedures and channels for reporting suspected fraud concerns anonymously.</p> <p>Regular awareness of Fraud Policy requirements should be provided to all personnel.</p> | | | |
| Management Action Plan | | | |
| <p>Roseland Management agrees with the observation with the finding.</p> <p>Action Plan: Adopt fraud management policy and protocol from City of Windsor for Roseland and incorporate into Policies Manual.</p> <p>Present for adoption by Roseland Board of Directors.</p> <p>Include fraud policy with employee enrollment package for sign off.</p> <p>Organize a policy review session for current employees.</p> | | Responsible Party: | Roseland General Manger |
| | | Due Date: | 2018 Q2 |

Considerations for Improvement

1. Establish a Capital Planning Committee

Observation: RGCC has been running without significant capital investment which is required to improve the facility and to bring it in line with the competition and industry standard. Management has presented the following Capital budget items that have been referred to 2017 budgeting process by the Board:

- POS System Upgrade (Business Case)
- Golf Cart Purchase from Beach Grove Golf Course
- Entertainment Player Assistant Position
- Engage an architect for construction drawings – veranda project.

Recommendations:

As capital needs and funding sources become known and significant, management and the BoD should consider establishing a capital planning committee (or similar body in charge of long term asset management). A formal mandate could be developed for such committee, which includes the requirement to recommends an annual capital budget guidelines and alignment to a multi-year strategic plan, for BoD approval.

The mandate should be documented as part of the Policy manual and include items such as: review capital investment requirements, identify funding sources for capital plans, review progress of major capital projects, and recommend projects to Board for approval.

As part of formalizing the operating relationship with the City of Windsor there may be an opportunity to align capital planning to the City's Asset Lifecycle Management framework or guidelines there too.

2. Define minimum number, frequency and periodic reports for Board meetings

Observation: RGCC Board meetings are conducted regularly upon request by the Chair; however, as per review of the RGCC policy manual it has been noted that the frequency and minimum number of Board meetings required per annum is not defined. During the scope period, there were 8 board meetings held not including the Annual General Meeting. Board meetings were held frequently in light of the management changes introduced within the scope period. 3 board meetings each were held in 2014 and 2015. Furthermore, there are no defined requirements of periodic financial (Finance Report - budget vs actual) and non-financial (General Manager's Report, Cheque Register, Budget Proposal, etc.) reporting to the Board.

Recommendations:

RGCC policies should be updated to document the Board meeting related specifics including the quorum of meetings, minimum number of meetings per annum along with timeline, frequency, and desired content of management reports, both financial and non-financial, that the Board would like to review periodically.

Appendix A: 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. · 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. |

Appendix B: Control Descriptions

| Review Area | Control Objectives | Control Title | Control Description | Reference to Finding |
|---|--|------------------------------------|---|-----------------------------------|
| Governance, Strategy and Reporting Relationship | Clear accountabilities, expectations and reporting relationships and protocols are established for the City/RGCC relationship. Both parties are aware of those agreed to expectations. 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. Two way communications between the City and RGCC occurs and defined/required information is exchanged in a timely manner. | 1. Board composition | RGCC Board of Directors comprises of Councillors appointed by the City and Citizen appointments made by the striking committee. | |
| | | 2. RGCC and City agreement(s) | City and RGCC are aware of the arrangement of administration services (legal, financial and payroll services) to be provided by the City to RGCC for a fee. | Finding # 1 |
| | | 3. City reporting | RGCC Board of Directors report to the City concerning the significant matters and operations of RGCC. Deputy Treasurer of the City of Windsor is the appointed Treasurer for the RGCC. | Consideration for Improvement #1 |
| | | 4. Board Meetings | Board meetings are conducted regularly and Board reviews budget reports comparing actuals to budgeted amounts. | Consideration for Improvement # 2 |
| | | 5. Strategic Planning | Board defines the strategic direction and reviews the strategic plan ensuring that it is in line with the strategic objectives. | Finding # 2 |
| Policy Framework and Evidence of Compliance | RGCC has adopted key City policies related to code of conduct, confidentiality, conflict of interest, employees' responsibilities, privacy, cash handling, reporting, etc. and mechanisms to assess compliance. | 6. Policy awareness and compliance | RGCC has a documented policy manual. Management is aware of the RGCC policy manual. RGCC has adopted City policies where applicable and management has implemented the applicable policies. | Finding #3 |
| Integrity of management information | Management has a mechanism for assessing the integrity of information used in decision making based on the sources used. | 7. Information processing | Board reports are prepared by the General Manager of RGCC and submitted to the City clerk for sharing with the Board. | Finding # 4 |

| Review Area | Control Objectives | Control Title | Control Description | Reference to Finding |
|---------------------------------|---|---|---|--|
| Fraud risk management protocols | RGCC has a policy and position on fraud risk management and mechanisms for enabling compliance. RGCC investigates all possible fraud when there is a concern or suspicion for wrongdoing within the entity. | 8. Fraud policy and procedures | RGCC has a protocol for handling and investigating incidents indicating a possibility of fraud and for reporting the incident. | Finding # 5 |
| Cash management process | Management ensures that there are appropriate controls over cash collection, deposits and payments to mitigate losses and optimize cash flow. | 9. Bank reconciliations (Not tested, managed by the City) | City finance department performs reconciliations on behalf of RGCC and reports bank reconciliation details to the General Manager of RGCC. | |
| | | 10. AP Control Stamps and Petty Cash | All expenses require signed and stamped approval from the RGCC General Manager before processing. | |
| | | 11. Cash receipt | Record is maintained for cash sales, funds are deposited in a secure safe on a daily basis with restricted access. | |
| | | 12. Bank Deposits | Bank deposit slips are prepared by managers, tallied with record of sales and reviewed by the General Manager. | |
| | | There are adequate segregation of duties, review and approval, and reconciliations used to mitigate against risk of theft of cash | 13. Segregation of duties | RGCC has defined roles and responsibilities pertaining to cash handling, deposit and reconciliation processes to mitigate the risk of theft. |
| Media monitoring and escalation | 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. | 14. Media policy | RGCC has a defined policy identifying an appropriate authority as the media spokesperson and a protocol for identifying and maintaining record of media blasts. | |

Appendix C: Suggested Policy Elements

- 1) Purpose, owner and applicability
- 2) Version control
- 3) Strategic objectives
- 4) Reporting structure and roles/responsibilities
- 5) Departmental policies and procedures
- 6) Applicable City policies
- 7) Human Resource policies (including but not limited to code of conduct, Confidentiality, Conflict of interest, Employees' Responsibilities, Privacy policy)

Appendix D: Adopted and implemented City policies

- 1) Accessibility Policy
- 2) Amanda Controlled Access Procedure
- 3) AP Stamp Procedure
- 4) Cash Receipts Control Policy
- 5) Drivers Licence and Driver's Abstract Procedure
- 6) Notice of Trespass Procedure
- 7) Payroll Signing Authorities Procedure
- 8) PC Procedure-03-2015
- 9) Smoking In The Workplace Procedure (HRHAS - PRO - 0016)
- 10) Trespass Policy
- 11) Working Alone Procedure (HRHAS - PRO - 0029)
- 12) Workplace Harassment Policy
- 13) Workplace Harassment Procedure
- 14) Workplace Violence Policy
- 15) Workplace Violence Procedure

Appendix E: Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

We have undertaken the targeted Internal Audit of Roseland Golf and Country Club, subject to the limitations outlined below.

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.



This document has been prepared only for The Corporation of the City of Windsor and solely for the purpose and on the terms agreed with The Corporation of the City of Windsor in our agreement dated 18 April 2013. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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