# 2023 Management Action Plan Validation

## Report

06.30.2024
—

Office of the Municipal Auditor General,
The Corporation of the City of Windsor

# Executive Summary

| Report Rating | Progress Since Last Report | Prior Ratings |
|---|---|---|
| Well-controlled ✦ | ↑ | 2022: Controlled |
| Controlled | | 2021: Not Controlled |
| Opportunity exists to enhance implementation rates | | 2020: Not Controlled |
| Not Well Controlled | | 2019: Not Controlled |
| | | 2018: Well Controlled |

**Scope Period:**
January 1, 2023 through December 31, 2023

**Approach:**
For validating the management action plan, the activities undertaken by the Office of the Auditor General included:

- Requesting status updates and contact information from management;
- Testing/validating evidence of management's resolution/disposition of the original finding for items expected to be closed and/or indicated as closed by management;
- Preparing a report on the outcomes of the management action plan internal audit activity.

**Conclusion:**
In total, seventeen (4) (100%) of the four (4) management action plans intended for closure in the period were completed, resulting in an overall final conclusion of one hundred percent **(100%) - "Well Controlled"**. Two additional actions were closed in advance, one of which was risk accepted.

**Additional Considerations:**
Management is showing strong progress on most open action plans. This year, the total number of open action plans is the lowest in eleven (11) years.

Management has made significant progress in addressing open findings. Of the findings closed in the period:

- one (1) was closed in advance,
- four (4) were resolved in the period,
- one (1) was risk accepted.

The end result is no open findings.

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# Management Action Plan Progress

## Overall Assessment:

Based on the actions undertaken by management in the period, our assessment of the progress is as follows (see Appendix D for rating descriptions):

| Not well controlled (0-49) | | | | | Opportunity for improvement (50-69) | | Controlled (70-99) | | | Well Controlled (100) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |

## Summary of Key Indicators

### Running Balance of Open Management Action Plans to Address Previously Reporting Findings

| Rating | Opening Balance | Additions in Period | Resolved in Period | Open at the End of the Period | Open and On Track | Open and Delayed |
|---|---|---|---|---|---|---|
| Significant | 1 | | 1 | 0 | | |
| High | | | | 0 | | |
| Moderate | 1 | | 1 | 0 | | |
| Low | 4 | | 4 | 0 | | |
| Not Rated | | | | 0 | | |
| **Total** | **6** | | **6** | **0** | | |

### Expected to Close versus Actual Closed Management Action Plans

| Rating | Expected to Be Closed in Period | Resolved in Period (A+B+C) | A. Validated as Closed in Period as Planned | B. Validated as Closed in Advance | C. Risk Accepted in Period |
|---|---|---|---|---|---|
| Significant | 1 | 1 | 1 | | |
| High | | | | | |
| Moderate | 1 | 1 | 1 | | |
| Low | 4 | 4 | 2 | | 2 |
| Not Rated | | | | | |
| **Total** | **4** | **6** | **4** | | **2** |

## Assessment:

Four (4) [100%] of the management action plans intended for closure in the period were completed, resulting in an overall final conclusion of one hundred percent (100%)—"Well Controlled."

- Closed as planned and closed in advance: In the period, six (6) items were closed versus an expected four (4), a total closure rate of one hundred percent (100%):
    - Four (4) management action plans were closed as planned in the period
    - One (1) management action plan was closed ahead of schedule
    - One (1) management action plan was closed via formal risk acceptance

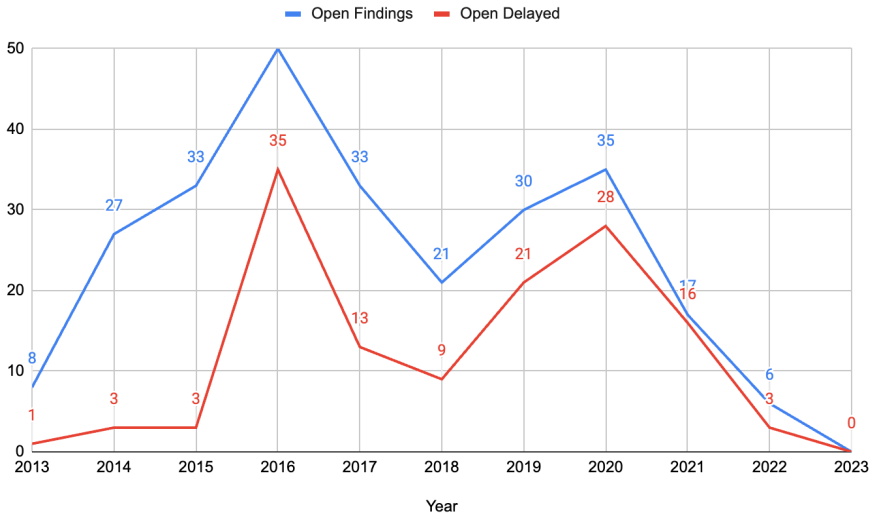
## Summary of Key Findings Disposition in Period

| **Findings Closed In Period*** | **Findings Formally Risk Accepted in Period** (See Appendix A) | **Findings Retargeted In Period** (See Appendix B) |
|---|---|---|
| 205 - Your Quick Gateway (YQG) - Managing Inventory, Repairs and Maintenance: Enhance purchasing policy and document inventory and asset management procedures | 267 - Road Infrastructure Maintenance Processes: Explore options to enhance data granularity in regards to road treatment spending and funding allocation by function class | |
| 262 - Liquidity Management Review : Formal early warning indicators and liquidity contingency plan | | |
| 264 - Road Infrastructure Maintenance Processes: Establish a formal process relating to road maintenance coordination and road project deficiencies | | |
| 265 - Road Infrastructure Maintenance Processes: Document a formal process to assist in identifying opportunities to merge related projects | | |
| 268 - SmartCity Cyber & Privacy Risk Mitigation Review: Formalize risk identification criteria or guideline with respect to IT/Cyber/Privacy risks | | |

** The closure summaries/details for each closed finding are published in the management report presented to the Council*

## Open and Delayed Findings Trending

Overall progress has been made in management's resolution of open findings, with the lowest number of open findings in the last eleven (11) years




## 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 to prevent and detect irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for designing and operating these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses. If detected, we shall carry out additional work to identify consequent fraud or other irregularities. However, internal audit procedures alone, even 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.

# Action Plan Status by Internal Audit Report

| Rating | A. Opening Balance | B. Additions in Period | C. Resolved in Period | D. Risk Accepted in Period | E. Closed In Period | F. Expected to Close In Period | G. Open at the end of Period | H. Open and On Track | I. Open and Delayed |
|---|---|---|---|---|---|---|---|---|---|
| **City Based Projects** | | | | | **C+D** | **F** | **A+B-E** | | |
| Service Provider | | | | | | | | | |
| Managing Transition of Projects into Operations | | | | | | | | | |
| Social Media Strategy Assessment | | | | | | | | | |
| Cyber Incident Response Assessment | | | | | | | | | |
| Planning and Development | | | | | | | | | |
| Liquidity Management Review | 1 | | 1 | | 1 | 1 | | | |
| Road Infrastructure Management | 3 | | 2 | 1 | 3 | 1 | | | |
| SmartCity Cyber & Privacy Risk Mitigation | 1 | | 1 | | 1 | 1 | | | |
| CCEP Findings | | | | | | | | | |
| **Sub-total** | **5** | | **4** | **1** | **5** | **3** | | | |
| **ABC Based Projects** | | | | | **C+D** | **F** | **A+B-E** | | |
| WDTC | | | | | | | | | |
| Solid Waste | | | | | | | | | |
| Your Quick Gateway (YQG) | 1 | | 1 | | 1 | 1 | | | |
| **Sub-total** | **1** | | **1** | | **1** | **1** | | | |
| **Total** | **6** | | **5** | **1** | **5** | **4** | | | |

# Appendix A - Risk Acceptance In Period

In this appendix, we provide a high-level overview of two key risk perspectives:

1. **Formal risk acceptance -** The risks and associated action plans that management committed to, but where management decided to accept the risk and not incur further efforts for resolution as outlined in the rationale section. To maintain independence, the Auditor General and Internal Audit do not participate in management's determination to accept a risk. Our work consists of reporting the rationale management presents and observing evidence that a City Commissioner has approved the risk acceptance and rationale.
2. **Implied short-term risk acceptance -** This section provides a summary listing of management action plans that have been or are expected to remain open for more than eighteen (18) months from the date of the report issuance. In these instances, given the time required for management to undertake the action, the City is implicitly accepting the short-term risk of the original finding until the point in time of its resolution.

## A.1 Formal risk acceptance

This section indicates those findings for which management accepts the risk of not having independently verifiable control(s).

| **Audit Report** | Road Infrastructure Maintenance Processes |
|---|---|
| **Observation # and Name** | 267 - Explore options to enhance data granularity in regards to road treatment spending and funding allocation by function class |
| Initially Identified | April 29, 2022 |
| Original Risk Rating | Low |
| Background | Two of the following agreed upon KPI's were not fully assessed due to the lack of data granularity. As a result, the required analysis and relevant results could not be identified. The two KPI's that could not be completed as originally intended were the following:<br><br>KPI 2: Variance in actual to planned spend per lane km by road treatment category<br>● To complete this analysis, we requested the budget and actual spending for 2016-2020 and projections for 2025 broken out by road rehabilitation treatments. The intention was to determine the volatility in actual spend to budgeted spend to uncover if there were any trends for consistent overspend or underspend and identify which particular road rehabilitation treatment methods were causing the greatest amount of variability. |

| | |
|---|---|
| | Management communicated that data for road rehabilitation cannot be easily categorised by type of road rehabilitation treatment as each tender in each project includes various types of rehabilitation treatments and function classes. It was noted management does not have an efficient way to allocate "non-tender" costs to these rehabilitation treatment categories/function classes. Therefore, we were unable to conduct the analysis of this KPI at the level of specification originally anticipated.<br><br>The City is able to compare budget and actuals for a PeopleSoft Project number, however the PeopleSoft Project number is not linked to the overarching Questica Project (Program) number. Management has indicated that compiling budget and actual cost data for the Questica project IDs would be extremely time consuming as this would have to be compiled manually from PeopleSoft and there is no link between the systems. There are multiple PeopleSoft Project numbers for each Questica Project number.<br><br>KPI 3: Increase in Funding allocation<br>● To complete this analysis, we requested the funding sources for the various function classes (C1 & C2 Collector, C1 & C2 Arterial and Expressways) for 2016-2020, with projections for 2025. The intention was to determine if the amount of funding was increasing year over year at least by the amount of 1.16% (dedicated tax levy for AMP).<br><br>Management confirmed that funding cannot be categorized by function class (ie. Arterial, Collector and Expressways) as the budget is approved at a high level. Having the budget approved at "Road Infrastructure" level allows for greater flexibility. |
| Management's Risk Acceptance Rationale | Asset Planning has established several models in Assetic to analyse and forecast data for the City's linear assets. We are currently working in coordination with WUC to be able to merge the City's model with WUC's model (currently hosted on the Predictor Cloud). A formal process for updating the linear asset data, rehabilitation/treatment costing profiles and budgetary parameters within the models is under development in consideration of the annual timing requirements surrounding City Capital Budget development, annual project tender submissions and overall construction planning timelines. A committee has been put together (the Assetic Sub-Committee) with several cross-departmental members to facilitate discussion around required/suggested model parameters and the confidence levels of the City's linear asset data. The subcommittee structure has allowed us to validate information used in developing our models and through this group, we are ensuring that processes are formalized and documented to support the continued use of Assetic in our capital planning. This is ongoing work that will continue to be carried out and refined, as required. |
| CLT Approver | Commissioner of Corporate Services & CFO |

# Appendix B - Management Action Plans which are “Open - on track”

This section indicates those management action plans which were not due in the period and where management anticipates that actions will be completed as originally planned.

None

# Appendix C - Open and Delayed Management Action Plans

In this appendix we provide a high-level overview of

**1. Management action plans retargeted during the period**
This section provides a listing of the management action plans that were expected to be closed in the period; however, management, for various reasons, has provided a revised completion date. The basis for management's revision of the due date is provided in the "Rationale" column below for each individual finding. Internal Audit has requested that management provide a retargeted due date for us to follow up with them when we next perform findings follow-up. In this table, we give an overview of the number of times management has provided revised due dates and a perspective on how long the item, and therefore associated risk, has been in place since we reported it to management and City Council.

In the period of this report, Management revised the due dates to zero (0) management action plans.

**2. Implied short-term risk acceptance**
This section provides a summary listing of management action plans which have been or are expected to remain open for longer than 18 months from the date of the report issuance. In these instances, given the time required for management to undertake the action, the City is implicitly accepting the short-term risk of the original finding until the point in time of its resolution.

In the period of this report, zero (0) management action plans had previously been retargeted and were in the "Open & Delayed" status as expected.

## C.1 Management action plans retargeted during the period

None

## C.2 Previously retargeted management plans

None

# Appendix D - Basis of Classification

Findings follow up rating scale Overall, and auditable entity ratings are based on (1) the completion of planned management action plans and (2) the volume of retargets for individual observations.

| Impact rating | Assessment rationale |
|---|---|
| Well-controlled | Strong 100% of the audit recommendations due to be implemented in the current period were completed. |
| Controlled | 70% - 99% of the audit recommendations due to be implemented in the current period were complete. Opportunity exists to improve implementation rates |
| Opportunity exists to enhance implementation rates | 50% - 69% of the audit recommendations due to be implemented in the current period were completed. |
| Not controlled | Less than 50% of the audit recommendations due to be implemented in the current period were completed. |