



# **Audit Services MOU**

**January 20, 2016**

**Town of Newmarket**



# **Definition of Internal Audit**

“An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

# Background

The First Audit Services Memorandum of Understanding (MOU) signed in 2005

This MOU has been renewed continuously since inception.

Participation has increased from original 4 members to 6 members

# Audit Universe

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A risk based audit universe was updated in 2011 and may potentially be updated in 2016.

Interviews with senior management

The risk assessment is one tool used by audit services in determine where to allocate audit resources. In addition, we have annual meetings with the CAO to discuss areas of audit.

# Risk Factors

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The 5 key risk areas that were examined to develop the audit universe are:

Complexity

Susceptibility to Fraud

Sensitivity

Financial

Dependence on People

# Complexity

How complex are the programs, services, processes, activities or systems?

Consider such factors as:

- Degree of technical or specialized knowledge required to perform or deliver services

- Requirement to comply with regulatory and legal policies and rules

- Involvement of multiple branches or locations

- New activity or program

- Reliance on outside suppliers for all or part of performance or delivery

# **Susceptibility to Fraud**

Where susceptibility refers to the degree of ease or difficulty for person(s) to misappropriate the assets of the Municipality, or process unauthorized transactions (assuming no detective or preventative controls are in place).

Fraudulent activities can be instigated either internally or externally.

# Sensitivity

The degree or order of magnitude

Consider:

Impact on reputation and image of the  
Municipality

Potential political ramifications or  
outcomes



# Financial

As measured by the Approved Business Plan and Budget for the Municipality.

# **Dependence on People**

To what extent does the process, activity or program, and service delivery rely on underlying computer systems?

Are automated systems supported locally or outside the Municipality?

# Ranking

For each of the previous categories, a ranking system out of 5 was used with 5 being high risk and 1 being low risk.

# Results of Risk Assessment

	COMPLEXITY	SUS. TO FRAUD	SENSITIVITY	FINANCIAL	DEP. ON PEOPLE
Average Score	3.2	2.1	3.5	1.3	3.2
High Risk		1			
Medium risk		23			
Low Risk		9			

# **Assignments since last report to Audit Committee**

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Northern 6 Project - – Looking at financial risk of OMEX and how to manage.

Vehicle and Equipment Replacement Program

Employee Benefits Review (yet to be finalized)

Employee Expense Report Controls (yet to be finalized)

# 2016 Audit Plan

Infrastructure Levy Best Practices  
Review

Northern 6 Project to be determined

Update Risk Assessment to be  
determined

One project for 2016 to be determined

# Questions?

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