

# *The Corporation of the City of Windsor*

## Essex-Windsor Solid Waste Authority

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*Final Internal Audit Report*

**20 November 2015**

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# ***Summary of Internal Audit Results***

## ***Background Information***

The Essex – Windsor Solid Waste Authority (“EWSWA” or “Authority”) operates under an agreement between the City of Windsor and the County of Essex. The board of directors (“BoD”) for EWSWA has three (3) standing members appointed by City Council plus the Mayor and three (3) members appointed by County Council and the Warden (or designate). Effectively, the City and the County through an agreement in 1994, established a joint Board of Management, known as the Essex Windsor Solid Waste Authority, to operate and manage aspects of waste management and service in the City and County.

In addition, one (1) member from County and one (1) from the City alternate every year as the 9<sup>th</sup> board member at any given time. The board members of the Authority shall elect from among themselves, a Chairperson who shall serve for a one-year term from January 1<sup>st</sup> to December 31<sup>st</sup> in each year. The position of Chairperson shall alternate from year to year between the City and County Authority members. The vice-chair must be appointed by the opposite Council to that which has been the elected chairperson. The BoD meetings are based on a regular schedule and occur approximately monthly.

Waste collection in the City of Windsor is a contracted service and forms part of the City’s budget. Recycling collection in the City of Windsor is also a contracted service administered by the City but included as part of the Authority’s budget. The waste transfer station and public drop-off depot are staffed and directed by the City but included in the Authority’s budget. Furthermore, waste collection in the County of Essex will remain the responsibility of the individual local municipalities. The collection of recyclables (Blue Box Program) for the County municipalities is contracted out and is included in the Authority’s budget.

There are approximately twenty-six (26) full-time and two (2) part-time employees directly employed by the EWSWA. Nineteen (19) of the staff are County of Essex employees who are directed and supervised by EWSWA management and supervisors and the others are employees of the EWSWA.

The business structure and core operations for EWSWA can be divided into two areas, 1) Waste Diversion and 2) Waste Disposal/closed landfills.

The EWSWA has one active Regional Landfill in operation and two (2) transfer stations. There are two (2) inactive landfills. In addition, there is one Public Drop off Depot in Windsor and one Regional Recycling Depot in Essex County. For 2015, approximately 55% of revenue/funding is derived from charges/allocations to municipalities as well as fees charged to residential customers; while 45% of revenue is derived from the sale of recyclables (Blue Box funding), fees assessed to businesses disposing of refuse and other miscellaneous revenue. The Blue Box Program involves the collection of recyclable material for the City of Windsor by a third party organization (Green for Life; formerly called Turtle Island Recycling). The contract for these services is directly between the City of Windsor and Green for Life and expires on August 31, 2016. The cost for this service is included in the EWSWA budget and information is directly provided by the City of Windsor to EWSWA.

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

## Report Classification

Management has implemented multiple levels of review over reporting information provided to external parties, namely the Ministry of Environment (“MOE”). This process ensures that information reported is timely, complete and accurate in accordance with MOE Environmental Compliance Approval requirements. In addition the members of the EWSWA Board are independent of management.

On an as-needed basis, the Authority undergoes a detailed business review exercise performed by a third party consultant. The Authority has a documented Master Plan, which is updated at regular intervals, as well as a long-term waste diversion strategy. From a financial oversight and accountability perspective, the Authority has a formal Delegation of Authority which includes cheque signing authorization limits.



The Authority has adopted City and Council policies where relevant, however a policy documentation and review framework applicable to the Authority’s own policies is currently not implemented and documentation is not complete.

A complete financial variance analysis package is reported to the Board semi-annually and annually and management should work with the Board Members to identify and agree upon specific frequency of reporting information needs/requirements. To enable efficient, consistent and timely preparation of financial reports, monthly financial close processes should be developed to align to the reporting schedule to the board.

The Operating Agreement between the Authority, City and County lays out expectations, requirements and standards between the two entities in regards to daily operations and strategic management. However, there is no standard set for how frequently the Operating agreement between the City, Authority and the County should be reviewed. Furthermore, a formal agreement should be developed which outlines oversight responsibilities, contract ownership and expectations regarding the Blue Box collection, to avoid risk of either party denying or disputing their responsibility of overseeing controls of the third party service provider.

In addition, segregation of duties is not currently in effect across all key responsibilities (i.e. blank cheque stocks are accessible to the Accounting Clerk) and management may want to perform spot checks on a random basis to ensure that changes are made with appropriate documented approval.

Based on the controls identified and tested as part of the Internal Audit of the Authority’s process and controls we have determined that there is reasonable evidence to indicate that:

	No or limited scope improvement	No Major Concerns Noted	Cause for Concern	Cause for Considerable Concern
Controls over the process are designed in such a manner that there is:				
Sample tests indicated that process controls were operating such that there is:				

See Appendix C for Basis of Finding Rating and Report Classification. Management has provided comprehensive action plans, which we believe will address the deficiencies noted.

## Summary of Positive Themes

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

- Management has accountability to an independent Board of Directors, which includes representatives from the City of Windsor and the County of Essex;
- EWSWA has key policies (including, but not limited to: Employee Code of Conduct, Travel and Operating and Capital expenditure approval) and have a process to ensure policies address the specific needs and conditions of its business;
- A detailed cheque signing policy is in place which requires authorization by a minimum of two signing authorities at all times;
- A capital expenditure approval policy is in place which outlines approval and quoting requirements and provides sufficient detail regarding involvement by the Area Manager, General Manager and Board of Directors, depending on the expenditure value;
- Board of Director’s meeting minutes are adopted by the City of Windsor Environmental Standing Committee.

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

## Summary of Findings

A summary of the four (4) internal audit findings, corresponding ratings and summary of agreed upon actions by management are provided in the following table. The “Detailed Observations” section of this report provides additional information about each finding and proposed action plans. In addition to the findings noted below, one (1) consideration is improvement was noted on page 11 of the report.

Finding #	Topic	Rating <sup>1</sup>			Management Action
		Significant	Moderate	Low	
<b>Policy Framework and Fraud Management</b>					
1	Policies and Procedures		X		Undertake a policy review process and implement a formal cash controls procedure – General Manager & Manager of Finance & Administration – 2016 Q1
<b>Financial Reporting to Board of Directors</b>					
2	Frequency of Financial Reporting		X		Add a first quarter financial report for the Board of Directors – Manager of Finance & Administration – 2016 Q1
<b>Agreement with City of Windsor</b>					
3	Agreement Between City of Windsor and EWSWA		X		City administration to explore agreement review process with County of Essex – City of Windsor CAO – 2016 Q2
<b>Disbursements process</b>					
4	Segregation of Duties	X			Implement a vendor master file process – Manager of Finance & Administration – 2016 Q1
<b>Total</b>		<b>1</b>	<b>3</b>	<b>0</b>	

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## *Summary of Significant Findings*

Internal audit has identified one (1) significant deficiency in the design of controls:

1. Segregation of Duties (finding #4): Through review of the purchasing and payables process, it was noted that the Accounting Clerk is able to prepare cheques, edit the vendor master file and also has access to blank cheque stocks. Incompatible duties performed by one (1) individual may increase the risk of inappropriate payments, payments to unauthorized vendors, redirected or misdirected payments or release of funds. Such incidents may not be detected in a timely manner through compensating monitoring controls. Management has proposed implementing corrective actions which are designed to mitigate risk exposure.

Management was cooperative with internal audit in providing supporting documentation and resources to facilitate an effective and efficient internal audit.

## *Management Comments*

The Authority is a small organization with limited finance staff and therefore it is challenging to maintain appropriate segregation of duties over areas such as cash, receivables, and payables. In order to compensate for this there is a significant amount of management review and oversight of all accounting transactions. The Authority has always had in place internal controls which have reduced the opportunity for theft and have limited the potential for intentional or unintentional errors that could be made and not detected. Due to the existence of these internal controls and management review, the Authority believes that the possibility of inappropriate procedures or conduct would be minimal.

Name: Ilija Maodus  
Title: General Manager  
Date: 17/11/2015

# Detailed Observations

## Findings & Action Plans

Finding	Rating	Recommendation & Action Plan
<b>1. Policies and Procedures Refresh</b>		
<p><b>Observation</b> In a review of policies and procedure elements Internal Audit noted:</p> <ul style="list-style-type: none"> <li>a) Through discussions with management, Internal Audit was informed that a review is performed on a regular basis in order to determine whether policies require updates. However, this process is not documented. The original policies from the creation of the Authority were updated in 2006, when new policies were created as circumstances called for them.</li> <li>b) Policies are posted on the Authority’s internal dashboard. In some cases there may be City or County Policies which have been adopted by the Authority. It was noted that there are three separate codes of conduct available to employees of the Authority. The Authority’s Employee Code of Conduct applies to all departments, divisions or sections of the Authority and to all of its employees. However it’s not clear whether this includes City employees assigned to jobs with the Authority. Certain key policies (i.e. Code of Conduct) currently do not require an acknowledgement or sign-off when the policies are updated or implemented.</li> <li>c) Upon a review of the protocols in place at the Authority to handle and escalate media inquiries, there appears to be no mechanism which formally designates a media spokesperson and required actions. Internal audit was informed that only a few individuals (General Manager, Waste Diversion Manager and Finance Manager) normally communicate with the media, and other employees are verbally told to route concerns to these individuals.</li> </ul>	<p><b>Overall</b> Moderate</p> <hr/> <p><b>Impact</b> Medium</p>	<p><b>Recommendation</b> Management should consider the following:</p> <ul style="list-style-type: none"> <li>a) As part of policy governance, management should implement a review/maintenance cycle and ensure that evidence of the annual review process is documented and retained. For current policies older than 5 years, management should define and implement a process to review, modify and/or validate a more current version.</li> <li>b) Where the Authority has a policy that is similar to a City or County policy, management should ensure that employees are aware of which policy should apply. Where applicable, key policies should require sign-off by employees upon hiring and when the key policies undergo significant changes.</li> <li>c) Management should formally designate a media spokesperson and seek Board approval for the designation before communicating the designated person(s) to employees. In addition, protocols should be defined and communicated outlining what other people should do when contacted by the Media.</li> <li>d) Management should document a policy that clearly outlines the process for reporting fraud, including the main contact for employees as well as alternative contacts, when necessary. This policy should be signed by all employees and made available on the company intranet as a mechanism to create and enhance employee awareness of the policy.</li> <li>e) Management should document formal cash handling procedures and process. It should include the roles/responsibilities and controls in place for cash handling procedures.</li> </ul>

Finding	Rating	Recommendation & Action Plan
<p>d) Based on discussions with management, it appears that although general protocols for reporting concerns such as fraud or misconduct are known by management, procedures for reporting and handling concerns have not been documented in the form of a Fraud Policy.</p> <p>e) As part of the review of cash management processes at the Authority, it was noted that although individuals who handle cash are provided training by on-site supervisors regarding cash handling procedures, formal procedures have not been fully documented by the Authority. However, procedures for handling cash, reporting cash shortages and reconciling physical cash to accounting records are not be formalized.</p> <p><b>Additional Information:</b> It was noted that some employees involved in the handling of cash are employees of the City of Windsor.</p>	<p><b>Likelihood</b> Likely</p>	<p>In addition, management may want to consider adopting, or leveraging, the City of Windsor Cash Control Policy or specific sections of this policy that apply to the Authority. If the City's policy is adopted, separate procedures may need to be developed to provide some direction to the Authority only (specific to the scale operations or other sources of cash).</p> <p><b>Management Action Plan</b></p> <ul style="list-style-type: none"> <li>a) Regular policy review will continue to be undertaken as described in the Observation section above. On a go-forward basis the General Manager will document via a checklist that the policy binder has been reviewed. This review process has taken place, and will continue to take place, during the time of the annual budget preparation process.</li> <li>b) Where the Authority has a policy that is similar to a City or County policy, management will ensure that employees are aware of which policy should apply. Key policies will require signing-off by employees upon hiring.</li> <li>c) Management will continue with its practice as detailed in the Observation section above. Historically there have been no issues, the Board has raised no concerns and any potential risk to/for the City of Windsor is negligible or non-existent.</li> <li>d) Management will develop a Fraud Policy which will be modelled in whole or in part on the Fraud Policy of the City of Windsor.</li> <li>e) Management will prepare a formal cash handling procedure and process document.</li> </ul> <p><b>Responsibility</b> General Manager and Manager of Finance and Administration</p> <p><b>Due Date</b> 2016 Q1</p>
<p><b>Implication</b> Policies are more likely to become outdated, leaving EWSWA potentially exposed to new developments or threats which did not exist when the policy was first created. This could lead to lost productivity and resources in certain situations. In addition, the control culture and tone at the top may be impaired if the policies around Fraud and Ethics are not developed or maintained.</p> <p>No clear communication (fraud policy) to employees of a zero tolerance acceptance for fraud which may lead to unreported fraudulent activity.</p>		
<p><b>Root Cause</b> Given the Authority's reliance on City or County policies, management amends or creates EWSWA policies only as required.</p>		



Finding	Rating <sup>1</sup>	Recommendation & Action Plan
<b>2. Frequency of financial reporting</b>		
<p><b>Observation</b> During the testing period, the board met on six occasions (eight in 2013), due to the 2014 election. During this time, they received a quarterly recycling report, the 6-month financial update, budget for the upcoming year and the audited financial statements of the previous year.</p> <p>A complete financial variance analysis package is reported to the Board twice annually (budget report and 6-month report), unless specifically requested by the Board or there is a material variance to report. A process for reporting financial results on a quarterly basis has not been the regular practice of the board and therefore not implemented.</p>	<p><b>Overall</b> Moderate</p> <hr/> <p><b>Impact</b> Medium</p> <hr/> <p><b>Likelihood</b> Likely</p>	<p><b>Recommendation</b> To ensure full transparency of financial results, the EWSWA BoD should be provided a quarterly update regarding the financial position and overview of results.</p> <p>Management should continue to provide the board with key financial metrics and results, particularly for material revenue or expense items. Where possible, management should consider providing the variance analysis for largest accounts on a monthly, or regular, basis. Management should work with the Board Members to identify and agree upon reporting needs/requirements.</p> <p><i>Also refer to Consideration for Improvement #1.</i></p>
<p><b>Implication</b> The lack of timely information reported to the BoD could result in a delayed response to issues.</p>		<p><b>Management Action Plan</b> Commencing in 2016 Administration will include a 3 month (Q1) report. Currently the Board receives financial updates at six (6) months (Q2), at nine (9) months (Q3) with the budget document and at twelve (12) months (Q4) with the year-end audit report. Administration also reports to the Board on a regular basis items that have a material variance to the annual budget.</p>
<p><b>Root Cause</b> Complete financial information is reported semi-annually and annually. Budgeting occurs on an annual basis and is not broken down by quarter.</p>		<p><b>Responsibility</b> Manager of Finance and Administration</p> <p><b>Due Date</b> 2016 Q1</p>

<sup>1</sup> See Appendix C for Basis of Finding Rating and Report Classification  
PricewaterhouseCoopers LLP

Finding	Rating	Recommendation & Action Plan
<p><b>3. Agreement between City of Windsor and EWSWA</b></p> <p><b>Observation</b> When reviewing the agreement between the EWSWA and the City of Windsor Internal Audit noted that:</p> <p>a) There is no standard set for how frequently the Operating agreement between the City, Authority and the County should be reviewed and or updated between the respective parties. The current operating agreement was developed over 20 years ago.</p> <p>b) There is no formal agreement between the City of Windsor and EWSWA which outlines oversight responsibilities, contract ownership and cost allocations and payment expectations regarding the Blue Box collection.</p> <p><b>See additional information below.</b> The original Operating agreement <i>noted in observation 3a</i> provides for such an agreement to be in place ["the Authority may enter into agreements with either the City or the County respecting the purchase of a waste management service, subject to such terms and conditions as may be agreed upon"].</p> <p><b>Additional Information:</b></p> <p>As noted in the background section, recycling collection within the City of Windsor is administered by the City of Windsor and is outsourced to a third party organization. That being said, the cost of Windsor's recycling is included in the Authority's budget.</p> <p>The Authority's 'arrangement' with the City allows the City to recover from the Authority an amount equal to the payments made by the City to the third party contractor. The Authority pays the City for this amount as well as for the other services (see background section above) that it receives from the City on a monthly basis.</p> <p>Internal Audit was informed that the Authority does not have operational control over the contract with the third party. The City relies on the partnership with the third party to fulfil the City's responsibility for collecting, diverting or processing recyclable waste.</p>	<p><b>Overall</b> Moderate</p> <hr/> <p><b>Impact</b> Medium</p> <hr/> <p><b>Likelihood</b> Likely</p>	<p><b>Recommendation</b></p> <p>a) Although the current Operating Agreement appears to be sufficient for the purposes of the parties involved and Internal Audit has not been informed of any significant change in the operations. Management should consider defining a periodic review cycle or perform a review when there are changes to governance structure and/or strategic initiatives.</p> <p>b) A formal agreement should be developed which outlines oversight responsibilities, contract ownership and expectations regarding the Blue Box collection.</p> <p>The agreement should also describe the flow through of expenses from the City to the Authority and the terms of the other shared Finance services provided by the City.</p> <p><b>Management Action Plan</b> City of Windsor administration agrees and will undertake to contact their joint venture partner, the County of Essex, to see if they are willing to undertake a review of the agreement.</p> <p><b>Responsibility</b> City of Windsor Chief Administrative Officer</p> <p><b>Due Date</b> 2016 Q2</p>

Finding	Rating	Recommendation & Action Plan
<p><b>Implication</b>            This could result in a lack of clear direction in regards to the roles and responsibilities for each party and the accountable party to manage financial and operational risks of the third party service provider. Potential for either party to deny or dispute their responsibility of overseeing controls of the third party service provider which introduces a number of contract compliance and service delivery risks.</p>		
<p><b>Root Cause</b>            While an operating agreement is in place, there is no formal agreement which discusses these strategic matters. There has been a mutual understanding that costs would be transferred/allocated to the Authority.</p>		

Finding	Rating	Recommendation & Action Plan
<p><b>4. Segregation of Duties</b></p> <p><b>Observation</b> Through review of the purchasing and payables process, it was noted that the Accounting Clerk is able to prepare cheques, edit the vendor master file and also has access to blank cheque stocks.</p> <p>As compensating/mitigating controls, management performs an independent review of monthly bank reconciliations which involves a detailed review of cancelled cheques to detect potential issues/errors.</p> <p>A log is maintained to track cheque stock usage which may be reconciled to accounting records (note this control was not subject to testing by internal audit).</p> <p>Although the above noted controls ensure discrepancies are detected, there is an opportunity to create unauthorized cheques.</p>	<p><b>Overall</b> Significant</p> <p><b>Impact</b> High</p>	<p><b>Recommendation</b> Internal Audit notes that this issue is common among organizations with a size consistent with EWSWA, however it is recommended that access to blank cheque stocks be limited to individuals who do not have access to edit the vendor master file or prepare cheques within the accounting system. Blank cheque stock should be maintained by someone without access to ACCPAC.</p> <p>If possible, the preparation of the bank reconciliation should be performed by someone without ability to prepare cheques. In addition, management should continue to have signed cheques go directly to the County of Essex mail clerk for mailing.</p> <p>Furthermore, management may want to consider implementing a vendor master file approval process and perform spot checks on a random basis to ensure that changes are made with appropriate documented approval.</p>
<p><b>Implication</b> Incompatible duties performed by one individual may increase the risk of inappropriate payments, payments to unauthorized vendors, redirected or misdirected payments or release of funds. Such incidents may not be detected in a timely manner through compensating monitoring controls.</p>	<p><b>Likelihood</b> Likely</p>	<p><b>Management Action Plan</b> Administration will identify an alternate individual to control the cheque inventory and log book.</p> <p>Due to the size of the organization, the transfer of the bank reconciliation duties is not possible. Management feels that adequate controls are currently in place to identify potential issues.</p>
<p><b>Root Cause</b> Segregation of duties is not currently in effect across all key responsibilities (i.e. Blank cheque stocks are accessible to the Accounting Clerk). The ability to prepare cheques and edit master file cannot (system limitation) be separated in the current version of the ACCPAC system. Given the relatively small size of EWSWA's accounting group, management relies on detective monitoring controls to ensure appropriate levels of oversight are in place over disbursements.</p>		<p>Administration agrees to the implementation of a vendor master file approval process to ensure that changes are made with the appropriate approvals.</p> <p><b>Responsibility</b> Manager of Finance and Administration</p> <p><b>Due Date</b> 2016 Q1</p>

## Considerations for Improvement

The observations noted below are intended for management's consideration to further improve or strengthen current controls or processes. These considerations were identified as opportunities to improve areas where the level of risk associated with achieving the control objective is lowered by controls already operating effectively.

### 1 Month End Financial Checklist

**Observation:**

Although the accounting department follows a general period end financial close/reporting process and key schedules are subject to an independent review, a formal checklist is not utilized. That being said, the Authority does have standardized monthly and annual journal entries which serve as a checklist to ensure the completeness of tasks.

Based on a review of other City ABC's, utilizing a formal month end reporting/close schedule appears to be the standard approach to document the specific inputs (tasks and schedules) needed for reporting month end results and often other financial and statistical reporting to the Board.

Based on the testing performed, there does appear to be sufficient review of outputs in that Financial information provided to the EWSWA Board is reviewed by the General Manager and Manager of Finance and Administration.

**Recommendation:**

To enable efficient and timely preparation of financial reports, monthly financial close processes should be developed to align to the reporting schedule to the board.

Management should also consider implementing a written board reporting checklist for commonly reported information or reports to ensure that the Board consistently receives timely, accurate and complete operational information. This checklist may be helpful as a training tool for employees or a mechanism to remind other employees who substitute the primary owner of specific tasks.

Checklists should be available to staff who are assigned to perform tasks which relate to internal and external financial reporting. Checklists should be detailed such that relevant tasks are carried out in a manner which facilitates efficient reporting of financial results as well as key performance indicators.

The checklists may also be used to demonstrate completion or sign-off of period-end financial controls, such as the review and approval of bank reconciliations. The checklists may also be retained to demonstrate timely completion of control activities.

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## **Appendix A: Background & Scope**

### *Linkage to the internal audit plan*

As part of the Council approved 2014/15 Internal Audit Plan, Internal Audit will perform a “Targeted Review” of Specified Objectives which will focus on predetermined key City business objectives where the Agencies, Boards, Commissions (“ABCs”) have a direct impact. In many instances the issues and risks of both the City and the ABCs are similar in their inherent nature.

As part of the internal audit plan development, this business process area has processes and controls associated with mitigating and managing the following corporate risks: Operational oversight, Funding oversight, Program delivery, Governance, Structure/culture, Legislative & regulatory, Public reaction/expectation, Governance, Planning & resource allocation, Reputation, Service Delivery, material resources, Information for decision making, Security and privacy, Inter-departmental co-ordination, Asset protection, Value creation, Structure/culture, Labour relations, Accountability, Scalability, Treasury/liquidity, Fraud & corruption, Loss/theft of assets, Compliance, Sourcing/cessation, Program delivery, Benefits realization/sustainability, Compliance, Transition/implementation

### **Scope**

#### *Overview of the business/process to be reviewed*

As part of internal audit of the business processes and controls in effect internal audit will be considering:

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

Given the City’s relationship with ABC’s and the significant oversight for ABC’s funding and operations, it was determined that an internal audit to review these areas was necessary to ensure that the current processes in place are sufficient and appropriately address the risks facing the City of Windsor and to ensure there is a consistent understanding of what is important. During the course of performing the “Targeted Review”, an emphasis may be placed on key business processes, controls and systems or major projects and contracts.

Generally, our scope will cover up to the most recent completed year (i.e. January 1, 2014 to December 31, 2014)

## Appendix B: Summary of Controls Reviewed

The objective of this internal audit is to assess the selected internal control objectives in place within the EWSWA.

### Controls identified and mapped to Control Objectives

The following table summarizes the control objectives which were subject to review and the associated fourteen (14) controls identified to achieve each control objective. This table also provides a reference to the summary of findings and considerations for improvements noted in the body of the report.

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
<b>1. City Reporting relationship &amp; agreement</b>	Clear accountabilities, expectations and reporting relationships and protocols are established for the City/EWSWA relationship. Both parties are aware of those agreed-to expectations.	1. Agreement with City of Windsor	The County of Essex and the City of Windsor have a signed agreement in reference to the Essex Windsor Solid Waste Authority which lays out expectations, requirements and standards between the two entities in regards to daily operations and strategic management.	Finding # 3
<b>2. Compliance with city reporting relationship, Tone at the top</b>	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.	2. Board of directors	EWSWA is governed by a Board of Directors that is currently comprised of elected officials from the City of Windsor, the Town of Lakeshore, the Town of Essex, the Town of Amherstburg, the Town of LaSalle, the Municipality of Leamington, representing County Council. The Board provides oversight, governance and is also responsible for approving key strategic decisions as well as the budgets. Meetings are held on a regular, scheduled basis in order to provide a timely response to needs that arise. Meeting minutes are adopted by the City of Windsor Environmental Standing Committee.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
		3. Business reviews	On occasion, management contracts a third party service provider to complete a broad and comprehensive business review of its operations and programs to determine if the organization as a whole is receiving value for money for its efforts. The EWSWA has approved and implemented all recommendations presented as a result of the business reviews to date.	
		4. Code of Conduct	EWSWA has implemented key policies approved by the Board of Directors, such as an Employee Code of Conduct and have a process to ensure policies address the specific needs and conditions of its business. The Code of Conduct is accessible to all employees in a hard copy format.	Finding #1
<b>3. Policy framework and evidence of compliance</b>	EWSWA has key policies related to confidentiality, conflict of interest, employees' responsibilities, privacy, cash handling, reporting, etc. and mechanisms to assess compliance.	5. Corporate Policies	EWSWA has policies in place unique to its operations that are available to employees in hard copy. If a EWSWA created policy is not in place for a particular area, EWSWA has a policy in place which states that they follow the policies of the County of Essex which are available on the County's intranet.	Finding #1
<b>4. Regular reporting to City</b>	Two way communications between the City and EWSWA occurs and defined/required information is exchanged in a timely manner.	6. Financial reporting to Board of Directors	Management provides the Board of Directors a budget on an annual basis and prepares reports which are provided to the Board in relation to the budget on a semi-annual basis, in order to provide information to the Board concerning financial objectives, a budget to actual variance report as well as a forecast for the remaining period. The report is prepared by the Manager of Finance and Administration and prior to the submission, is reviewed by the General Manager.	Finding #2 And Consideration for Improvement #1



Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
		7. Master plan and business review	The EWSWA has a Solid Waste Management Master Plan (SWMMP), which is available to the public on the EWSWA website and outlines goals and objectives of EWSWA. The Councils of the County of Essex and City of Windsor adopted the original SWMMP in October 1993 and it is updated every five years, as part of its governmental approval for the Essex-Windsor Regional Landfill Site.	
<b>5. Integrity of management information</b>	Management has a mechanism for assessing the integrity of information used in decision making based on the sources used.	8. External reporting to Ministry of Environment	External reporting to the Ministry of Environment is prepared by the Administrative Assistant in accordance with the Environmental Compliance Approval. Following an initial review by either the Landfill or Waste Diversion Manager, a final review is performed by the General Manager in order to provide for the review of senior level of management. This is performed on an annual basis.	Consideration for Improvement #1
<b>6. Fraud risk management protocols</b>	EWSWA has a policy and position on fraud risk management and mechanisms for enabling compliance.	9. Fraud Policy	NOTE: During the period under review there were no reported instances of wrongdoing or disclosures of gifts which required an investigation.	Finding #1
<b>7. Cash management process</b>	Management ensures that there are appropriate controls over cash collection, deposits and payments to mitigate losses and optimize cash flow.	10. Bank Reconciliations	To determine whether cash balances in the general ledger and the bank are both accounted for and properly presented, monthly bank reconciliations are prepared by the Accounting Clerk and approved by the Manager of Finance and Administration. Variances and reconciling items are investigated and explained before approval is given.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
		11. Cheque signing authority	Payments cannot be made without the approval of either the General Manager or Manager of Finance and Administration of EWSWA or the Treasurer of the County of Essex. Two signatures are required on all cheques in order to enhance appropriate controls over 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.	12. Segregation of duties	Segregation of duties exist regarding payment of expenditures, processing of cash and financial reporting. Respectively this is achieved by preventing one individual from approving invoices and preparing and signing cheques, the individual preparing the bank reconciliation is independent from the individual preparing and making the bank deposit and journal entries are independently reviewed by management prior to posting.	Finding # 1 and 4
		13. Purchasing and payables	In order to provide an open and fair purchasing process, as well as to allow the EWSWA an opportunity to obtain a competitive price, the Authority has implemented an Operating & Capital Expense Approval policy. The policy provides minimum procurement requirements for purchases, which are determined based on the amount of the planned purchase, but provides qualitative considerations as well. The policy further provides for authorization requirements and that a member of the Board of Directors attends any public opening for a projected expenditure in excess of \$500,000.	

Review Area	Control Objectives	Control Title	Control Description	Reference to Finding
<b>8. Media monitoring and escalation</b>	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 releases	The General Manager, who is also the dedicated media spokesperson, is responsible for the production of required media releases as well as addressing the media. This provides for a senior level of management representing the EWSWA in regards to any relations or communication with the media. The General Manager may delegate to a senior staff member.	Finding #1

# Appendix C: Basis of Finding Rating and Report Classification

## Findings Rating Matrix

Audit Findings Rating		Impact		
		Low	Medium	High
Likelihood	Highly Likely	Moderate	Significant	Significant
	Likely	Low	Moderate	Significant
	Unlikely	Low	Low	Moderate

## Likelihood Consideration

Rating	Description
Highly Likely	<ul style="list-style-type: none"> <li>History of regular occurrence of the event.</li> <li>The event is expected to occur in most circumstances.</li> </ul>
Likely	<ul style="list-style-type: none"> <li>History of occasional occurrence of the event.</li> <li>The event could occur at some time.</li> </ul>
Unlikely	<ul style="list-style-type: none"> <li>History of no or seldom occurrence of the event.</li> <li>The event may occur only in exceptional circumstances.</li> </ul>

## Impact Consideration

Rating	Basis	Description
HIGH	Dollar Value <sup>2</sup>	Financial impact likely to exceed \$250,000 in terms of direct loss or opportunity cost.
	Judgemental Assessment	<p><b>Internal Control</b> Significant control weaknesses, which would lead to financial or fraud loss.</p> <p><b>An issue that requires a significant amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• Failure to meet key strategic objectives/major impact on strategy and objectives;</li> <li>• Loss of ability to sustain ongoing operations:               <ul style="list-style-type: none"> <li>- Loss of key competitive advantage / opportunity; and</li> <li>- Loss of supply of key process inputs.</li> </ul> </li> <li>• A major reputational sensitivity e.g., Market share, earnings per share, credibility with stakeholders and brand name/reputation building.</li> </ul> <p><b>Legal / Regulatory</b> 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><b>Internal Control</b> Control weaknesses, which could result in potential loss resulting from inefficiencies, wastage, and cumbersome workflow procedures.</p> <p><b>An issue that requires some amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• No material or moderate impact on strategy and objectives;</li> <li>• Disruption to normal operation with a limited effect on achievement of corporate strategy and objectives; and</li> <li>• Moderate reputational sensitivity.</li> </ul> <p><b>Legal / Regulatory</b> 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><b>Internal Control</b> Control weaknesses, which could result in potential insignificant loss resulting from workflow and operational inefficiencies.</p> <p><b>An issue that requires no or minimal amount of senior management/Board effort to manage such as:</b></p> <ul style="list-style-type: none"> <li>• Minimal impact on strategy;</li> <li>• Disruption to normal operations with no effect on achievement of corporate strategy and objectives; and</li> <li>• Minimal reputational sensitivity.</li> </ul> <p><b>Legal / Regulatory</b> Regulatory breach with minimal consequences.</p>

<sup>2</sup> Dollar value amounts are agreed with the client prior to execution of fieldwork.

## **Audit Report Classification**

<b>Report Classification</b>	<b>The internal audit identified one or more of the following:</b>
Cause for considerable concern	<ul style="list-style-type: none"> <li>• Significant control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• 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.</li> <li>• Material losses have occurred as a result of control environment deficiencies.</li> <li>• Instances of fraud or significant contravention of corporate policy detected.</li> <li>• No action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
Cause for concern	<ul style="list-style-type: none"> <li>• Control design improvements identified to ensure that risk of material loss is minimized and functional objectives are met.</li> <li>• A number of significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Losses have occurred as a result of control environment deficiencies.</li> <li>• Little action taken on previous significant audit findings to resolve the item on a timely basis.</li> </ul>
No major concerns noted	<ul style="list-style-type: none"> <li>• Control design improvements identified, however, the risk of loss is immaterial.</li> <li>• Isolated or “one-off” significant controls identified as not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Numerous instances of minor controls not operating for which sufficient mitigating back-up controls could not be identified.</li> <li>• Some previous significant audit action items have not been resolved on a timely basis.</li> </ul>
No or limited scope for improvement	<ul style="list-style-type: none"> <li>• No control design improvements identified.</li> <li>• Only minor instances of controls identified as not operating which have mitigating back-up controls, or the risk of loss is immaterial.</li> <li>• All previous significant audit action items have been closed.</li> </ul>