

The Corporation of the City of Windsor

Internal Audit of Nine Business Improvement Areas/Associations

Internal Audit Report

September 27, 2017

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Summary of Internal Audit Results

Background Information

Section 204 to 215 of the Municipal Act, 2001, ("The Act") discusses the provisions related to the Business Improvement Areas ("BIA"). According to The Act, a local municipality may designate an area as an improvement area and may establish a board of management,

- (a) To oversee the improvement, beautification, and maintenance of municipally-owned land, buildings and structures in the area beyond that provided at the expense of the municipality generally; and
- (b) To promote the area as a business or shopping area.

It is our understanding that volunteers with the various BIAs have undertaken the role of managing the operations without the expectation of compensation. In efforts to reduce the commitment by the BIA volunteers, internal audit performed as much fieldwork as possible utilizing City staff (except for the largest of the BIA's). Further, Internal audit administered a 30-35 minute Control Self-Assessment questionnaire ("CSA").

Walkthroughs, inquiries, document inspection, and analysis of the CSA questionnaire were conducted for select BIAs. During the walkthroughs, internal audit acquired an understanding of the annual budget, Officers and Board Members of the BIA, staff employed, banking services used, training manual on policies and procedures, and surplus funds at year-end being invested in Guaranteed Investment Certificate (GIC).

At these select BIAs, we acquired additional information regarding cash collection and counting, purchasing and payments policies and procedures, reimbursement of expenses through petty cash, and safeguarding of cash in a cash box. Management reviews were performed for the monthly balance sheet which are reviewed by the board. Expenditures were periodically compared with the approved budget for the year to ensure budget is not exceeded. Variance analysis was performed to ascertain the reasons for the mismatch between the budget and actual amount spent.

Inquiries, document inspection, and analysis of the CSA were conducted for all BIAs. Based on the CSA responses, the controls were classified as well controlled, moderately controlled or not well controlled. Where controls appeared to be moderately controlled or not well controlled, we considered additional compensating controls. The CSA indicated that there is scope for shared services, collaboration on insurance policies and premiums, and creation of a permanent liaison between the City and the BIAs.

In addition, internal audit met with the City to understand the reporting relationship between the City and the BIAs.

Internal Audit Objectives

In conducting this internal audit we considered the process and control mechanisms Business Improvement Areas and Business Improvement Associations/Areas ("BIA") management have in effect to achieve the following control objectives:

- Clear accountabilities, expectations, reporting relationships and protocols are established for the City/BIA relationship. Both parties are aware of those agreed to expectations;
- Two-way communications between the City and the BIA occurs and defined/required information is exchanged in a timely manner;
- The BIAs hold an Annual General Meeting ("AGM") for its members to discuss the past year, as well as plans for the coming year, and to handle administrative matters;
- Process for planning for budgets and meetings are documented, and formal approval is provided by the members before being provided to the City;
- Expenditures are monitored against budgets with results shared with the members;

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- There are adequate segregation of duties, review and approval, and reconciliations used for the preparation of financial reports;
 - Responsibilities in the cash handling process are segregated to allow for incompatible duties to not be done by one person, or adequate mitigating controls are in place; and
 - Special events are properly supervised and there is an oversight mechanism to ensure that all funds collected are remitted to the BIA. [This was most applicable to the Downtown BIA]

We considered the controls in effect for BIAs between January and December 2016.

Scope Exclusions

The following areas were not included within the scope of this internal audit:

- The collection of tax levies or BIA user fees;
- The process for establishing a BIA;
- Business Area needs assessments;
- BIA operational processes; and
- IT general and application controls, including the effective design, implementation, and operation of the financial system and application controls related to the capture, processing, storage, reporting/presentation, and exporting of information and data.

Linkage to the Internal Audit Plan

The Internal Audit of Nine BIAs is part of the Council approved 2016-17 Internal Audit Plan for The Corporation of the City of Windsor (“the City”). 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: Substandard Service Delivery, Implementation/Transition and Service Failure, Conflicting Priorities, Demands, Legislative & Regulatory, Budget Breach, Funding, City is portrayed in a negative manner, Compliance, Planning & Resource Allocation, Transparency, Accounting & Reporting, Fraud & Corruption.

Report Classification

For the scope period, between January and December, 2016, BIA management has designed and implemented controls in many areas. For the largest BIA (Downtown) where we performed specific testing of control operations, we noted that in regards to Financial Oversight and Planning processes: the Downtown BIA has regular planning discussions which are documented in the minutes of the meetings of the BIAs' "Development and Infrastructure Committee" and "Marketing Committee"; there are at least two authorized and appropriate signatories for the bank account and purchases are approved by the Executive Director and at least one member of the Board of Directors (BoD).

For the other eight smaller BIAs and the Downtown BIA, where we performed detailed testing of key controls, we noted that there is assigned accountability at the Executive Director level as well as assignment of a Treasurer, and both roles report to an independent BoD. Some of the BIAs have chosen to use bookkeeping services while others are performing financial duties internally. All of the BIAs had submitted their annual budgets by following a City defined and documented budget planning process which requires BOD approval and communication/sharing of budget details with the members. However, consistency in the preparation of financial reports for the BOD review could be enhanced or standardized across the BIAs. The BIAs hold an AGM with the membership. The meeting is documented in the minutes of the AGM.

Inquiry based CSA surveys demonstrated the following themes across BIAs where specific testing was not performed:

1. Most BIAs monitor the expenditures against budget, and communicates the results of the variance analysis to the members;
2. Two signatures are required on all cheques in order to enhance appropriate controls over payments to mitigate losses and optimize cash flow;
3. All purchases are approved by management and the BOD;
4. Special events are discussed at the AGM and/or board meetings as major events are communicated, and members are given the opportunity to follow-up on the results; and
5. Other themes from open-ended questions that we can summarize as conclusions over controls:
 - a. Final budgets are made accessible to members after they are approved; and
 - b. Established voting procedures are followed during the AGMs to ensure efficient and effective decision making.

Throughout testing mentioned above, it was noted that there were several design and operating deficiencies, which are discussed below:

- Our review of Constitutional Bylaws revealed that the BIAs have not consistently framed their governing document;
- All BIAs have an appointed financial statement auditor and the City requests the final audited statements from the BIA. We observed that the financial statements have not been audited by the City appointed auditors in a timely manner for two BIAs for the year ended 2015. We also observed that there was no variance analysis or financial reports furnished to members at the AGM for these two BIAs. We have not received the minutes of the BOD for these two BIAs; and
- Bank reconciliations are not prepared on a consistent basis across the BIAs.

Overall, in terms of control maturity, we noted that due to there being sufficient resources at the larger BIAs (i.e. Downtown) there were no/limited scope for improvement, while the relatively smaller BIAs have a few noted control enhancements though not uncommon for BIAs of this size.

Based on the controls identified and tested as part of the internal audit of the BIAs' processes, we have determined that there is reasonable evidence to indicate that the design of key controls ("DE") and operating effectiveness ("OE") of the key controls (described in appendix B of this report) is:

	No or limited scope improvement	No major concerns noted	Cause for concern	Cause for considerable concern
Downtown Windsor BIA	DE/OE	-	-	-
Erie Street BIA	-	DE/OE	-	-
Ford City BIA	-	DE/OE	-	-
Walkerville District BIA	-	DE/OE	-	-
Olde Riverside Town Centre BIA	-	DE/OE	-	-
Pillette Village BIA	-	DE/OE	-	-
Wyandotte Towne Centre BIA	-	DE	OE	-
Olde Sandwich Towne BIA	DE	-	OE	-

Management has provided comprehensive action plans, which we believe will address the deficiencies noted. We would like to thank all of the BIAs for their support and cooperation during the internal audit project.

Summary of Positive Themes

1. Financial Oversight and Planning
 - AGM has been held by the BIAs and minutes have been documented for the year ended 2015;
 - Minutes of the AGM where budgets are ratified are submitted to the City;
 - Special or capital requests, which require one-time funding, have been approved by the membership; and
 - Process exists for managing over/under budgets from year-to-year and for budget amendments.
2. Segregation of Duties, Banking and Disbursements
 - Employees are supervised such that one employee cannot approve purchases, prepare the cheque, sign the cheque to be issued for disbursement;
 - Where the members of the BIAs provide goods and/or services to the BIAs, these purchases are approved by the other members/board; and
 - The bank account managed by the BIA has a designated and appropriate signatory.
3. Special Events
 - Special events are properly supervised and there is an oversight mechanism to ensure that all funds collected are remitted to the BIA.

Summary of Findings:

A detailed log of the specific steps to be carried out by the BIA's impacted by the findings is being used to facilitate the subsequent quarterly validation by Internal Audit to ensure that action plans are carried out. The detailed log captures key steps and assigns specific target dates and responsibilities. In some cases, BIAs require a board resolution accepting the action plan prior to determining a target completion date. A summary of the three findings, and the broader theme from comments BIA management provided internal audit during the reporting phase are provided in the table below. The potential action owners for the findings noted below are also summarized in Appendix C.

Finding #	Topic	Rating ¹			Management Action Plan
		Significant	Moderate	Low	
City Reporting Relationship & Governance					
1	Update Constitutional Bylaw Documentation Relates to: <ul style="list-style-type: none"> • Walkerville District BIA • Ottawa Street BIA • Erie Street BIA • Olde Sandwich Towne 	-	X	-	BIA's will share Bylaws to facilitate a comparison and update where necessary.
2	Improve Timeliness of Financial Statements Relates to: <ul style="list-style-type: none"> • Wyandotte Town Centre BIA • Olde Sandwich Towne BIA 	X	-	-	BIA management will review processes for submitting timely audited financial statements.
Financial Oversight and Planning					
3	Prepare and Review Standard Financial Reports Relates to: <ul style="list-style-type: none"> • Ottawa Street BIA • Pillette Village BIA • Olde Riverside Town Centre BIA • Walkerville District BIA • Olde Sandwich Towne • Ford City BIA • Wyandotte Town Centre BIA • Erie Street (Via Italia) BIA 	X	-	-	BIA management supports standardized reporting and review controls over key financial reports and reconciliations.
Expenditures and Cash Flow					
-	No findings noted	-	-	-	
Segregation of Duties					
-	No Findings Noted	-	-	-	
Managing Special Events					
-	No findings noted	-	-	-	
Total Audit Findings		2	1	0	

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

Summary of Significant Findings:

We noted the following two significant findings:

1. Financial statements have not been audited by the City appointed auditors in a timely manner for two BIAs.
2. Bank reconciliation controls were not performed consistently or did not have evidence of independent review across eight BIAs.

Detailed Observations

1. Update Constitutional Bylaw Documentation (Design Effectiveness)			Overall Rating: Moderate
Impact:	Medium	Likelihood:	Likely
<p>Observation: During the course of our review, we noted that each BIA has some governing/authoritative document/policy and as such we noted the following:</p> <ul style="list-style-type: none"> - Some BIAs have developed Constitutional Bylaws to govern the operations and management of the organization; - Our review of Constitutional Bylaws revealed that the BIAs have not consistently framed their governing document. We selected one BIA's Constitutional Bylaws and compared it with other BIA's Constitutional Bylaws. Our review revealed that policies such as Mandate, Critical Success Goals, AGM Procedures, Changes to Policies and Procedures, Media Inquiries, and Human Resources and Staffing etc. were not incorporated in all the Constitutional Bylaws; - In one of the nine BIAs, the Constitutional Bylaw could not be located; and - Some BIAs have defined the role of Executive Director and Treasurer. 			
<p>Implication: Inconsistent Constitutional Bylaws could lead to conflict with local, provincial, and federal legislation or expectations.</p>			
<p>Possible root cause: The BIAs have framed the Bylaws on an as required basis.</p>			
<p>Recommendation: BIA management should set up a task force and consider having joint meetings to study the BIA Bylaws and set up a common set of Constitutional Bylaws in consultation with the BIAs.</p> <p>Where possible, the BIA task force should meet to consider best practices from the, BIA Advisory Committee, the Ontario BIA Association and the Essex County BIA Associations.</p> <p>For any governing document relevant to BIAs, there should be clear expectations or documented processes for the following attributes: minimum frequency of review, assignment of a bylaw owner, minimum sections/coverage of topics, document retention and policies for communicating changes updates.</p> <p>Where the governing document could not be located, the BIA should either locate the document or create a new governing document.</p>			
<p>Management Action Plan</p>			
<p>Action Plan: BIA management agrees with the finding and will share bylaws to facilitate a comparison and update where necessary.</p>			

2. Improve Timeliness of Financial Statements Preparation (Operating Effectiveness)			Overall Rating: Significant
Impact:	High	Likelihood:	Highly Likely
<p>Observation: All BIAs have an appointed financial statement auditor and the City requests the final audited statements from the BIA. The City may withhold the levy in subsequent years if the audited financial statements are not furnished to the City on a timely basis. We observed that the financial statements have not been audited by the City appointed auditors in a timely manner for two BIAs, Wyandotte Town Centre BIA and Olde Sandwich Towne BIA, for the year ended 2015.</p> <p>There were also no variance analysis or financial reports furnished to members at the AGM. We have not received the minutes of the BOD for these BIAs.</p> <p>At the time of our report we were informed that the Wyandotte Town Centre BIA financial statements are with the City appointed auditors. Further, Wyandotte Town Centre BIA could not provide the contract with the bookkeeper. We were informed by the City that the financial statements and the budgets of the BIAs do not impact the timing for preparing consolidated financial statements for the City.</p>			
<p>Implication: When financial statements are not audited in a timely manner, it could impact the transparency of the BIA operations and communication with members.</p> <p>Additionally, if financial statements are not audited in a timely manner, it could potentially contravene the Constitutional ByLaw of the BIAs.</p>			
<p>Possible root cause:</p> <ul style="list-style-type: none"> • Inadequate awareness among the BIAs about the consequences of failure to furnish the reports on a timely basis. • Management changes in the Wyandotte Town Centre BIA. 			
<p>Recommendation: Further to recommendations in finding #1, BIA management should define accountabilities, expectations and reporting relationships between the BIA and the City in a formal document.</p> <p>BIA management should acknowledge and respond to the City's requirements regarding the audited financial statements.</p> <p>Where the financial statements are not provided to the City in a timely basis, the BIAs should report the delay and the reasons for the delay to the Senior Management.</p> <p>The City should continue to communicate the deadline for the submission of the audited financial statements to the external auditors.</p> <p>The BIAs should formalize the contracts with the bookkeeper, as applicable, and retain them for future reference.</p>			
Management Action Plan			
<p>Action Plan: BIA management agrees with the finding and will review processes for submitting timely audited financial statements.</p>			

3. Prepare and Review Standard Financial Reports (Operating Effectiveness)			Overall Rating: Significant
Impact:	High	Likelihood:	Likely
<p>Observation: Bank reconciliations are prepared to determine whether cash balances in the general ledger and the bank are both accounted for and properly presented and reviewed by the BOD. Variances and reconciling items are investigated and explained before approval is given.</p> <p>During a review of nine BIAs' bank reconciliation processes and controls, internal audit noted:</p> <ul style="list-style-type: none"> • Bank reconciliations were not made available or not retained by four of the nine BIAs; and • Bank reconciliations were not signed by the Treasurer and were not presented to the BOD by four of the nine BIAs. Of these four BIAs, we could not verify whether the bank reconciliations of one of the BIAs were prepared in a timely manner. 			
<p>Implication: Inadequate reconciliation and independent review of the bank statements could lead to potential for errors, misappropriation of assets, and inability to manage the operations of the organization.</p>			
<p>Possible root cause: Inadequate policies and procedures governing BIA operations.</p>			
<p>Recommendation: BIA management should introduce standard templates for bank reconciliations to assist the BIAs in executing this control in a consistent manner. Bank reconciliations should be prepared monthly (or quarterly) and independently reviewed by the Treasurer with evidence of this review retained.</p> <p>Where appropriate or as requested by respective boards, BIAs should consider including evidence of bank reconciliations being performed and reviewed (i.e. using a financial control checklist) to provide comfort to the board that financials have been subject to a structured process.</p>			
Management Action Plan			
<p>Action Plan: BIA management agrees with the finding and supports standardized reporting and review controls over key financial reports and reconciliations.</p>			

Considerations for Improvement

1. Consider Sharing of Knowledge and Services

Observation:

The BIAs do not have a common set of policies, procedures, and templates for organizational reports (such as budget planning, reporting to board, expense variance analysis, and other financial/non-financial reports), and sharing of common resources such as marketing, communications, and accounting services.

There is also a potential scope for sharing more central services such as, collaboration on insurance policies and premiums, and creation of a permanent liaison between the City and the BIAs.

Recommendation:

The BIAs should coordinate with the Ontario BIA Association and Essex County BIA Associations for possible sharing of knowledge, resources, repository of standard templates, and collaboration to define and implement standard policies and procedures.

BIA management should identify and prioritize opportunities to share service across BIAs, consider rotating directors, and/or have succession planning for board members.

2. Develop Financial Close Process and Document Management Checklist

Observation:

The BIAs or the City have not developed and implemented month-end financial close processes, including a tasks checklist or schedule of key month-end activities, dependencies and hand-offs (i.e. to bookkeeper). When there are transition in roles for either Executive Director or Treasurer, there currently is no consolidated checklist to assist in transferring ownership of tasks and key documents.

Recommendation:

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

Checklists should be available to staff who are assigned to perform tasks which relate to financial reporting. The checklists may also be used to demonstrate completion or signoff of period-end financial controls, such as the review and approval of the financial reports.

The checklists may also be retained to demonstrate timely completion of control activities.

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.
	Judgmental 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.
	Judgmental 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.
	Judgmental 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: Summary of Controls Reviewed

The objective of this internal audit is to assess the selected internal control objectives in place within the BIAs. The approach to the audit was to consider the risk, size, nature of BIAs in order to assess the following:

- A. Testing at specific BIA for higher risk/volume processes (i.e. purchasing).
- B. Common Key Controls across all nine BIAs using audit criteria aimed to compare/benchmark processes against expectations.
- C. Overall controls assessment rating as determined by internal audit's review A and B above (as applicable) and the results of the CSA. Please refer to the rating table below.

Controls Identified and Mapped to Control Objectives

The following table summarizes the control objectives which were subject to review and the associated 13 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. The legend for these symbols throughout the document is:

Rating	Description
<input type="checkbox"/> High	Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives will be met.
<input type="checkbox"/> Medium	Generally, controls evaluated are expected to be adequately designed and operating effectively, providing reasonable assurance that risks are being managed and objectives will be met. Specific areas of control gaps, weakness or inefficiency are anticipated.
<input type="checkbox"/> Low	Controls expected to be adequately designed and operating effectively, providing reasonable assurance that risks are being managed and objectives are being met.

Control Objectives	Control # /Title	Control Description	Approach	CSA Score (Inquiry based)	Reference to Finding
1. City Reporting Relationship and Agreement 1.1 Clear accountabilities, expectations, and reporting relationships and protocols are established for the City/BIA relationship. Both parties are aware of those agreed to expectations.	1. Agreement with the City	The BIA reporting relationship with the City is governed by the Municipal Act, 2001.	B	<input type="checkbox"/>	-
	2. BIA Policies and Procedures	BIAs have developed their own Constitutional Bylaws to govern the operations and management of the organization.	B		#1
1.2 Two-way communications between the City and the BIA occurs and defined/required information is exchanged in a timely manner.	3. Annual Budget	The City notifies the BIAs through an email, for submission of the yearly budget. The BIAs submit the budgets by utilizing the City's budget template. The budget incorporates the previous year's approved budgets for comparison purposes, proposed budget for the year, administrative expenses, capital expenses, and marketing expenses. These budgets are required to be submitted within the timeframe requested by the City.	C	<input type="checkbox"/>	-
	4. Audited Financial Statements	In order to prepare the City's consolidated financial statements and other year-end reports, the City notifies the BIAs to submit the audited financial statements within the timeframe required by the City. The BIAs submit financial statements audited by the appointed auditors to the City.	B	<input type="checkbox"/>	#2

Control Objectives	Control # /Title	Control Description	Approach	CSA Score (Inquiry based)	Reference to Finding
<p>2. Financial Oversight and Planning</p> <p>2.1 The BIAs hold an AGM for its members to discuss the past year, as well as plans for the coming year, and to handle administrative matters.</p>	<p>5. Minutes of the AGM</p>	<p>The BIAs hold an AGM with the membership. The meeting is documented in the minutes of the AGM. At the AGM, the audited financial statements are presented to the members of the BIAs, the budgets are discussed and approved by the members, special or capital requests, which require one time funding, are approved by the members.</p>	<p>C</p>	<p><input type="checkbox"/></p>	<p>-</p>
<p>2.2 Process for planning for budgets and meetings are documented, and formal approval is provided by the members before being provided to the City.</p>	<p>6. Budget Planning Process</p>	<p>Management provides the BOD a budget on an annual basis and prepares reports which are provided to the board in relation to the budget in order to provide information to the board concerning financial objectives. The report is prepared by the bookkeeper and, prior to the submission, is reviewed by the Executive Director. The Board Committees discuss the budgets before being presented for board approval.</p>	<p>A</p>	<p><input type="checkbox"/></p>	<p>CFI 1</p>
<p>3. Expenditures and Cash Flow</p> <p>3.1 Expenditures are monitored against budgets with results shared with the members.</p>	<p>7. Monitoring expenditures against the budgets</p>	<p>The BIAs monitor the expenditures against the budgets, and communicates the results of the variance analysis to the members.</p>	<p>B</p>	<p><input type="checkbox"/></p>	<p>CFI 1</p>
		<p>The bookkeeper prepares the Expenditure Reports to conduct a root cause analysis to determine the reason for the variance. The reports are reviewed by the Executive Director. The Finance Committee presents the Expenditure Reports to the BOD. These reports are available to the members and the public.</p>	<p>A</p>	<p><input type="checkbox"/></p>	<p>CFI 1</p>

Control Objectives	Control # /Title	Control Description	Approach	CSA Score (Inquiry based)	Reference to Finding
<p>4. Segregation of Duties 4.1 There are adequate segregation of duties, review and approval, and reconciliations used for the preparation of financial reports.</p>	8. Financial Reports	Financial reports consisting of Income Statement and Balance Sheet are prepared by the bookkeeper and reviewed by the Executive Director, Chair of the Board, and Treasurer.	A	<input type="checkbox"/>	#2 CFI 2
	9. Cheque Signing Authority	Payments cannot be made without the approval of the Executive Director and either the Chair, Vice-Chair, or Treasurer of the BOD. Two signatures are required on all cheques in order to enhance appropriate controls over payments to mitigate losses and optimize cash flow.	A	<input type="checkbox"/>	-
	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 and reviewed by the BOD. Variances and reconciling items are investigated and explained before approval is given.	B		#3
<p>4.2 Responsibilities in the cash handling process are segregated to allow for incompatible duties to not be done by one person, or adequate mitigating controls are in place.</p>	11. Purchase of Goods and Services	All purchases are approved by management and at least one member of the BOD. Purchases over \$5,000 requires a Request for Proposal ("RFP") which is vetted and approved by the respective Board Committee. The purchase is then sent to the board for discussion.	A	<input type="checkbox"/>	-
	12. Cash Handling	Cash collected is locked in a cash box by the administrator. Deposit slips are prepared by the bookkeeper for depositing the cash into the bank. The bank reconciliations are reviewed by the Executive Director and the Chair of the Finance Committee.	A	<input type="checkbox"/>	-

Control Objectives	Control # /Title	Control Description	Approach	CSA Score (Inquiry based)	Reference to Finding
<p>5. Managing Special Events</p> <p>5.1 Special events are properly supervised and there is an oversight mechanism to ensure that all funds collected are remitted to the BIA.</p>	<p>13. Special Events</p>	<p>Special events are discussed at the AGM and/or board meetings as major events are communicated, and members are given the opportunity to follow-up on the results.</p>	<p>C</p>	<p><input type="checkbox"/></p>	<p>CFI #1</p>

Appendix C: BIA Key Contacts

Contact	Position	BIA
Debi Croucher	Executive Director	Downtown Windsor BIA
Franca Conciatori Elizabeth Van der Pol	Treasurer Bookkeeper	Erie Street (Via Italia) BIA
Lori Kimmerly	Treasurer	Ford City BIA
Howard Spinner	Treasurer	Walkerville District BIA
Bridget Scheuerman	Executive Director	Olde Riverside Town Centre BIA
Bridget Scheuerman	Executive Director	Pillette Village BIA
Sami Mazloum	Executive Director	Wyandotte Town Centre BIA
David Grimaldi	Executive Director	Olde Sandwich Towne BIA
Ettore Bonnato	Treasurer	Ottawa Street BIA

Appendix D: Limitations and Responsibilities

Limitations inherent to the Internal Auditor's work

We have undertaken the review of Nine Business Improvement Areas and Business Improvement Associations 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.



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