

The Corporation of City of Windsor

Internal Audit Quarterly Summary Report

FINAL

January 11, 2017

October 1 to December 31, 2017

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1. Executive Summary

1.1 2017 IA Plan Completion Overview

99%	% of Plan Complete	0	Deliverables Issued In Period	0	Findings Raised in Quarter	0	Advisory Findings Raised in Quarter	1	2017 Projects/ Deliverables Outstanding
3	Subject Matter Specialists Involved YTD	0	CCEP Calls Under Investigation	25	Findings Raised YTD	8.8	Average Satisfaction Score YTD out of 10 (11 responses YTD)	17	2017 Projects/ Deliverables Completed

1.2 2018 IA Plan Completion Overview

45%	% of Plan Complete	3	Deliverables Issued In Period	5	Findings Raised in Quarter	3	Advisory Findings Raised in Quarter	11	2018 Projects/ Deliverables Outstanding
2	Subject Matter Specialists Involved YTD	0	CCEP Calls Under Investigation	5	Findings Raised YTD	10	Average Satisfaction Score YTD out of 10 (# responses YTD)	6	2018 Projects/ Deliverables Completed

(Additional details provided in '[Appendix A - Internal Audit Performance Dashboard](#)')

2. Quarterly Report

2.1 During the quarter:

We completed:

- 2017 IA plan is 99% completed. The IA for Windsor Police Service is completed and the report has been issued to the management however the report will be provided to the WPS board on January 25, 2018. We will therefore present this report in the April 2018 ECC.
- Management action plan validation work where Internal Audit noted a closing count of 46 open actions. Of these, it was noted that thirty three (33) actions appear to be progressing as per plan and 13 are delayed. Of the 13 re-targeted findings, 2 have been re-targeted for the first time, while the other 11 have been re-targeted more than once.
- One internal audit process review: Windsor Essex Economic Development Corporation.

We administered:

- The Concerned Citizen/Employee Hotline (call/email) where we processed 1 (0 last quarter) hang-up calls, routed another 13 (13 last quarter) messages to management for consideration.
- The overall internal function.

We continued:

- Planning stages of the Managing Transitions of Projects into Operations (“MTPO”) review.
- Planning for the City’s Preventative Maintenance and Compliance review

We commenced:

- Fieldwork for the YQG - Managing Inventory and Maintenance review
- Reporting for the Privacy Risk Management assessment

2.2 In the coming quarter (January -March 2018)

We expect to continue:

- Administering the Concerned Citizen/Employee Hotline.
- To validate management’s resolution of past internal audit findings for those expected to be resolved by February 28, 2018.
- Ongoing 2017-18 projects.

We expect to complete:

- Planning stages/kick off meeting for MTPO and begin fieldwork.
- Reporting for Privacy Risk Assessment which is currently with management for comments.
- YQG’s Managing Inventory and Maintenance review and report.
- Reporting for Windsor Police Services review (this is currently with management for comments)

We expect to commence:

- Planning and some fieldwork for the Property Tax Billing and the Fire Services Compliance reviews.

(Additional details provided in ‘[Appendix A - Internal Audit Performance Dashboard](#)’)

2.3 Concerned Citizen and Employee Hotline Summary

	<i>Voicemail box checked daily</i>	<i># of notifications received</i>	<i># of hang ups</i>	<i># of handoffs to management</i>	<i># of items under analysis</i>	<i># of items under investigation</i>	<i># of items investigated</i>
<i>In the Qtr</i>	<i>Yes</i>	<i>13</i>	<i>1</i>	<i>13</i>	<i>0</i>	<i>0</i>	<i>0</i>

(Additional details provided in ‘[Appendix B - Concerned Citizen and Employee Hotline Status](#)’)

2.4 Internal Audit Validation of Management Action Plans Summary

Approach: For Management Action Plan Validation, the activities undertaken by internal audit included:

- Notification of management of the intent to follow up;
- Requesting status updates and contact information from management;
- Preparing a listing of management actions and status of resolution at the commencement and completion of each project;
- Test/validate evidence of management’s resolution/disposition of the original finding for items expected to be closed and/or indicated as closed by management;
- Prepare a report on the outcomes of the management action plan validation internal audit activity.

The findings from any internal audits presented to and approved by the Executive Committee of Council on or subsequent to November 30, 2017 will be included in the next report (as of February 28, 2018) as findings added during the period.

Rating	Opening Balance (May 31)	Additions in the Period	Expected to Be Closed by Nov 30, 2017	Closed by IA (sec 7)	Accepted Risk (No Validation)	Complete Pending IA Validation	Open at Nov 30, 2017 (A+B-D-E-F)	Open – On track	Open & Delayed (see Sec 4&5)	Retargeted in the Quarter (see Sec 4)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
Significant	10	8	3	1	0	0	17	10	6	6
Moderate	16	5	2	4	0	0	17	13	4	3
Low	8	3	0	1	0	0	10	10	0	0
No Rating	4	0	2	2	0	0	2	0	3	1
Total	38	16	7	8	0	0	46	33	13	10

Conclusion: In the quarter, in total, 71% of findings expected to close in the period were closed.

- *Closed as planned:* There were seven (7) recommendations due to be implemented by November 30, 2017, or from prior periods, of which five (5) were closed.
- *Additions:* Sixteen (16) findings were added during the period.
- *Closed in advance:* There were three (3) findings closed ahead of schedule.
- *Closed in period:* In total, eight (8) findings of the 38 open findings at Aug 31, 2017 or subordinate actions, were closed as of November 30, 2017.
- *Retargeted Items:* In the period, there were ten (10) action plans retargeted.

(Additional details provided in ‘Appendix C - Validation of Management Action Plans’)

2.5 Internal Audit Report Summary

2.5.1 Windsor Essex Economic Development Corporation

Scope and Objectives	Report Classification				
<p>For the scope period October 1, 2016 to September 30, 2017, Internal Audit reviewed processes and controls designed to attain the following objectives:</p> <ul style="list-style-type: none"> • Clear accountabilities, expectations and reporting relationships and protocols. • Appropriately scaled governance is in effect and that information is protected from disclosure outside of this relationship. • Key policies are regularly updated and communicated related to confidentiality, conflict of interest, employees' responsibilities, privacy, reporting, etc. • Integrity of information used for decision making is assessed by management. • Fraud risk management and mechanisms for enabling compliance. • Controls over banking, deposits and payments to mitigate losses. • Mechanism for maintaining awareness as to media mechanisms and disclosure items. 		No or Limited Scope for Improvement	No Major Concerns	Cause for Concern	Considerable Cause for Concern
	Control Design Assessment				
	Control Operating Effectiveness Assessment				

Summary of Findings We noted a total of 5 findings and 3 considerations for improvement. A summary is provided below with action plans and target completion dates noted.

#	Topic	Rating	Management Action	Action Owner	Due Date
1	Formalize and acknowledge MoU/ contracts/ agreements	Low	MoU acknowledgement between WEEDC and the City of Windsor has been completed. A formal contract agreement with the external accounting firm has been signed.	CEO	Complete
2	Enhance Policy Framework and awareness	Low	Policies have been recently updated and approved by the board. Policies will be reviewed every 3 years and this review cycle will be endorsed by the Board.	CEO	Complete Q1, 2018
3	Enhance control documentation over monthly/ quarterly reports	Low	Rational for variances on quarterly reports will be documented and shared with the Board. Evidence of CEO review of monthly reports will be recorded. Bank reconciliations will be reviewed by COO within 15 days of month end with evidence of review recorded.	CEO	Q1, 2018
4	Document fraud management policy and protocol	Significant	Fraud policy will be prepared by using City's Fraud policy.	COO	Q1, 2018
5	Enhance segregation of duties and user access monitoring controls	Significant	Cheque register and Vendor Master list will be reviewed once every six months. List of individuals authorized to access bank accounts will be reviewed every six months or when staff changes are made.	COO	Q1, 2018

(Additional details provided in 'Appendix D - Windsor Essex Economic Development Corporation')

Appendices

Appendix A - Internal Audit Performance Dashboard

Internal audit performance dashboard 2017-18

Activity Status					
Internal audit activity	Hours To Date	Status	% Complete	Report Issued	Target Rpt Qtrtr
1.Risk Assessment and Annual Plan Development	59	Complete	100%	Yes	Q2-17
2.Status & Reporting / Attendance at City Meetings	124.9	In Progress	83%	2 of 4	N/A
3. Prior Findings Follow-Up	70	In Progress	54%	2 of 4	N/A
4. Inbound Call Investigation	39.2	In Progress	50%	N/A	N/A
5. Managing the Transition of Projects into Operations	16	Planning	5%	No	Q2-18
6. Privacy Diagnostic	218.8	Testing	85%	No	Q2-18
7. Property Billing and Tax Collection Services	0	Not Started	0%	No	Q3-18
8. Fire Rescue Compliance	0	Not Started	0%	No	Q2-18
9. Preventive Maintenance Compliance & Accountability	146.4	Planning	60%	No	Q2-18
10. ABC: YQG – Inventory Management and Tracking	70.8	Fieldwork	40%	No	Q2-18
11. ABC: Windsor Essex County Economic Development Corporation**	224.2	Complete	100%	Yes	Q1-18
12. Unallocated	0	Not Started	0%	N/A	N/A
13 Windsor Police Services (2016/17 IA project)	268	Reporting	98%	To ABC	Q2-18

**The findings from these reports are not counted in the total open findings for the City until these reports are presented to and accepted by Executive Committee of Council, scheduled to occur after the date of report.

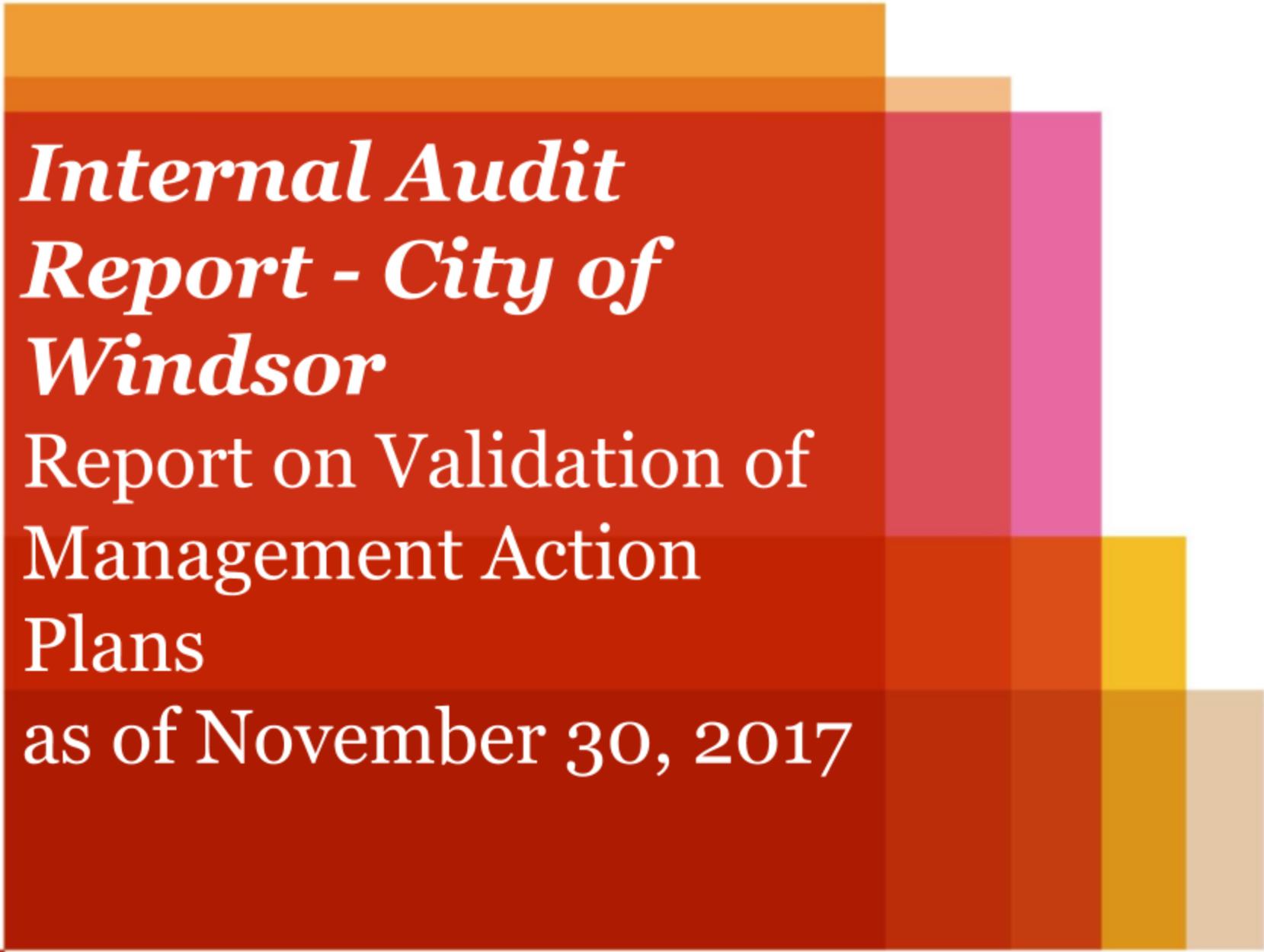
	Delivery Target Times (Days Elapsed)					Audit quality survey score				
	Notification	Start	Draft report	Mgt comments	Issuance	Q1-18	Q2-18	Q3-17	Q4-17	Avg.
Target	20	+/- 2	5	15	5	-	7	-	-	7
Actuals	32	1	2	9	6	-	10.0	-	-	10.0

Appendix B - Concerned Citizen and Employee Hotline Status

Inbound notices							
	Voicemail box checked daily	# of notifications received	# of hang ups	# of handoffs to management	# of items under analysis	# of items under investigation	# of items investigated
In the Qtr	Yes	13	1	13	0	0	0
YTD	Yes	26	1	26	0	0	0

Investigation Summary			
Activity	Requested by	2017-18 Effort hours	Result
Not applicable	-	-	-

Appendix C - Validation of Management Action Plans



Internal Audit Report - City of Windsor

Report on Validation of Management Action Plans as of November 30, 2017

FINAL

January 11, 2018



1. Executive summary

Rating	Opening Balance (May 31)	Additions in the Period	Expected to Be Closed by Nov 30, 2017	Closed by IA (section 7)	Accepted Risk (No Validation)	Complete Pending IA Validation	Open at Nov 30, 2017 (A+B-D-E-F)	Open – On track	Open & Delayed (see Section 4&5)	Retargeted in the Quarter (see Section 4)
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	
Significant	10	8	3	1	0	0	17	10	6	6
Moderate	16	5	2	4	0	0	17	13	4	3
Low	8	3	0	1	0	0	10	10	0	0
No Rating	4	0	2	2	0	0	2	0	3	1
Total	38	16	7	8	0	0	46	33	13	10

Background: A strong indicator of an effective internal control environment and risk culture is the timeliness with which management takes action to address reported control deficiencies and associated risks. For this reason, the City’s Internal Audit has implemented a follow up process to test whether management’s resolution activities occur (1) in the timeline planned and (2) in a manner sufficient to address the original findings/risk. Items that extend beyond the originally communicated due date or that are not effectively designed or operating to mitigate the original risk are considered past due.

Internal Audit Objective: The objective was to assess the extent to which internal audit recommendations which management had committed to completing on or before November 30, 2017 have been designed and implemented into operations. This is not an assessment by internal audit as to the remaining risk exposure but rather that of one to assess if management is executing the action plans committed to within the agreed upon timeline. Through this review, we also track the number of times a management action plan is retargeted. Action plans retargeted one or more times are highlighted in this report. The scope of this internal audit is limited to the implementation status of management action plans to address internal audit recommendations relating to reported internal audit findings.

Approach: For the Validation of Management Action Plans, the activities undertaken by internal audit included:

- Notification of management of the intent to follow up;
- Requesting status updates and contact information from management;
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- Test/validate evidence of management’s resolution/disposition of the original finding for items expected to be closed and/or indicated as closed by management;

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Conclusion: In the quarter, in total, 71% of findings expected to close in the period were closed.

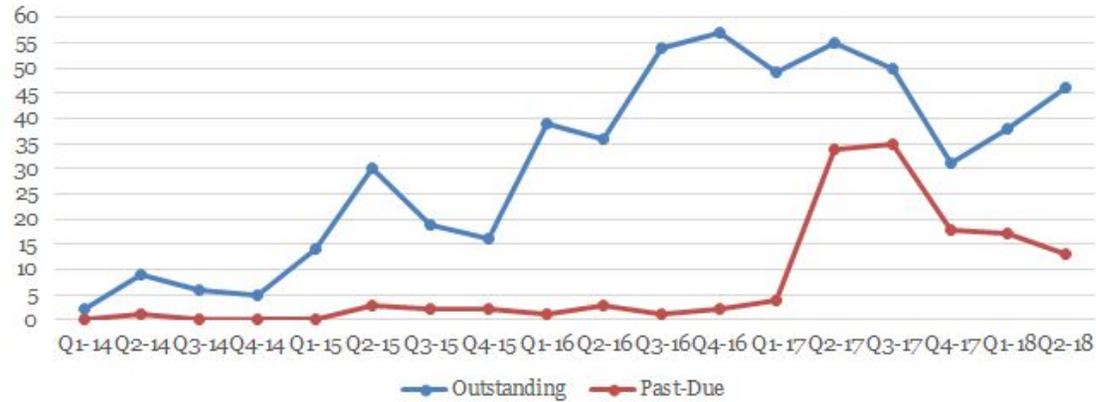
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- *Closed in period:* In total, eight (8) management action plans were closed as of November 30, 2017.
- *Retargeted Items:* In the period, there were ten (10) action plans retargeted

2. Action Plan Status by Internal Audit

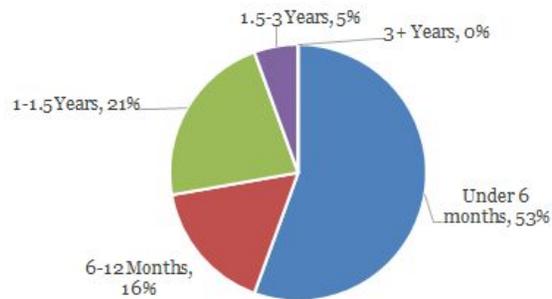
Internal Audit	Opening Balance (Aug 31)	Additions in the Period	Expected Closed by Nov 30	Closed by IA	Accepted Risk (No Validation)	Complete Pending IA Validation	Open at Nov 30, 2017	Open – On track	Open & Delayed
City-Based Audits	(A)	(B)	(C)	(D)	(E)	(F)	(G) = A+B-D-E-F	(H)	(I)
Inherited from Predecessor	1	0	0	0	0	0	1	0	1
EFT Review	1	0	0	0	0	0	1	0	1
Enterprise Governance	1	0	0	0	0	0	1	0	1
Manage Information Security	1	0	0	1	0	0	0	0	0
Manage Infrastructure	1	0	0	0	0	0	1	1	0
Sunshine	2	0	2	1	0	0	1	0	1
User Fees	1	0	0	0	0	0	1	1	0
Fraud Risk Management	4	0	1	1	0	0	3	3	0
Manage Service Delivery	4	0	0	0	0	0	4	4	0
Review of Cash Control	6	0	0	0	0	0	6	6	0
Service Provider	2	0	0	0	0	0	2	2	0
Inventory Control	0	5	0	0	0	0	5	5	0
Subtotal	24	5	3	3	0	0	26	22	4
ABC-Based Audits									
WDTC	7	0	0	0	0	0	7	0	7
WECHC	2	0	2	2	0	0	0	0	0
WPL	2	0	2	1	0	0	1	0	1
Solid Waste	1	0	0	0	0	0	1	0	1
Enwin Utilities	1	0	0	1	0	0	0	0	0
Windsor Utilities	1	0	0	1	0	0	0	0	0
Roseland Golf & Curling Club	0	5	0	0	0	0	5	5	0
TWEPI	0	3	0	0	0	0	3	3	0
Review of nine BIAs	0	3	0	0	0	0	3	3	0
Subtotal	14(0)	11	4	5	0	0	20	11	9
Total	38 (0)	16	7	8	0	0	46	33	13

3. Open & Delayed

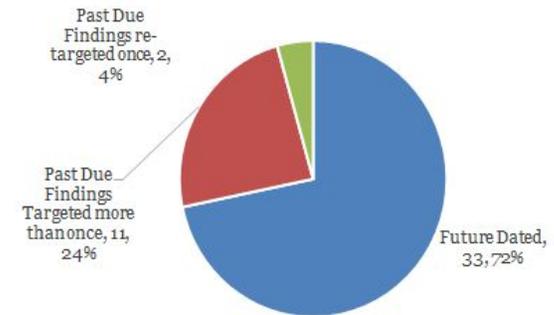
Outstanding & Delayed Findings by Quarter



Delayed Findings Age (from Original Target Date)



Future and Delayed Findings



4. Retargeted Management Action Plans

The following findings were re-targeted by management this quarter during the findings follow up process. Management had intended to carry out the action plan by the original due date, however were unable to do so for reasons included in the “Rationale” column below for each individual finding. Internal Audit has requested that management provide a retargeted due date in order for us to follow up with them when we next perform findings follow up.

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
1	WDTC	51 – Strategic plan not documented	Original Due Date	December 31, 2016	WDTC CEO	<p>This observation arose during the review of management’s reporting of its operational and capital budgets to the Board of Directors. It was noted that there was no documentation of a broader Board directed and approved strategic plan. It was also noted that there is no process currently in place for a periodic review of strategic plans.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
2	WDTC	52 – Incident and Business Continuity/Contingency Plan	Original Due Date	December 31, 2016	WDTC CEO	<p>This observation arose as there was no incident detection, escalation and response protocols in regards to matters with the operator. In addition, there was a lack of a plan and associated training to employees which increases risk of failure and potential for poor decisions.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		
3	WDTC	54 – Governance and Risk Management of Outsourced Service Provider	Original Due Date	December 31, 2016	WDTC CEO	<p>This observation arose since there was limited oversight of the service provider’s controls which impact WDTC. It was noted that Management does not have an ongoing process for monitoring and assessing the design and effectiveness of key controls the service provider has implemented.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
4	WDTC	55 – Recurring Invoice Dispute Management Process	Original Due Date	December 31, 2016	WDTC CEO	<p>This observation arose during the testing of monthly invoices from DWT to WDTC, when it was noted that the process of resolving the variances in the invoices is inefficient and ineffective. It was also noted that the in-force Joint Operating Agreement does not have any reimbursement mechanism outlined in it.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		
5	WDTC	56 – Fraud Disclosures	Original Due Date	December 31, 2016	WDTC CEO	<p>This observation arose because the JOA lacked required protocols and mechanisms for reporting concerns such as legal, fraud, etc. by WDTC and DWT. The JOA does not outline fraud policies or protocols for reporting DWT related concerns to WDTC.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established. 018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
6	WDTC	57 – Compliance with JOA	Original Due Date	December 31, 2016	WDTC CEO & Tunnel Financial Manager	<p>The observation considered the need to comply with the terms of the Joint Operating Agreement, with an action plan calling for the new agreement to dictate the terms of compliance.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		
7	WDTC	58 – Age of Joint Operating Agreement	Original Due Date	December 31, 2016	WDTC CEO	<p>This observation arose as a result of the Joint Operating Agreement (“JOA”) having reached the end of its term. This agreement’s most recent review was in 1997, increasing the risk that it has outdated facts and terms which are not reflective of the current operating environment.</p> <p>As per management, the finding from the original report specifically tie to the JOA which has been terminated. Management requires additional time to redraft the action plans which is expected to occur in Q1 2018 with a further target date to be established.</p>
			Retarget Date	TBD		
			# of Retargets	2		
8	Essex Windsor Solid Waste Authority	101-Agreement between City and EWSWA	Original Due Date	June 30, 2016	City of Windsor Chief Administrative Officer	<p>This observation arose when reviewing the agreement between the EWSWA and the City of Windsor.</p> <p>Per discussions with management, meetings with the County were held, where there was an agreement on number of issues, however management is not sure when the agreement will be finalized or whether it will require arbitration.</p>
			Retarget Date	December 31, 2018		
			# of Retargets	2		

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
9	Sunshine	111 – Equipment Requirements & Usage	Original Due Date	August 31, 2016	Manager of Contracts, Field Engineering and Maintenance	The final part of the action plan outstanding pertains to Finance auditing the time sheets submitted as part of the tender. This will be addressed when resources are available.
			Retarget Date	December 30, 2017		
			# of Retargets	3		
10	WPL	80 – Segregation of Duties & Cash Procedures	Original Due Date	March 31, 2016	WPL Chief Executive Officer & WPL Manager of Finance	This observation arose when reviewing the cash handling activities and segregation of duties. Management has implemented internal control recommendations with respect to segregation of duties which mitigates most of the risks in the observation. Specifically, we noted that cash deposits and journal entries processed through PeopleSoft are not performed by the same person. One part of the action plan outstanding pertains to training of the updated cash handling procedures (from 2016), however due to recent staff turnover the training records are being reviewed for completeness.
			Retarget Date	December 31, 2018		
			# of Retargets	3		

5. Previously Retargeted Management Plans

The following findings were re-targeted by management in past periods during the findings follow up process. Management had intended to carry out the action plan by the original due date, however were unable to do so for reasons included in the “Rationale” column below for each individual finding. Internal Audit has requested that management provide a retargeted due date in order for us to follow up with them when we next perform findings follow up.

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
1	Reported in report by Auditor General to Council dated December 2009	1 - 400 City Hall Square	Original Due Date	December 31, 2014	Chief Financial Officer, Senior Manager of Asset Planning	This observation originally arose in December 2009. As part of this implementation, the City submitted an Asset Management Plan and has been creating models involving the Life Cycle Costing of several asset groups including roads, sidewalks and sewers. Since the original action plan, set out in 2009, the project has grown beyond its original intended scope to now consider the socio-economic and environmental impacts of these projects. Furthermore, policies need to be drafted to reflect the strategies of the program. This enhanced scope is estimated to require two further years to complete.
			Retarget Date	December 31, 2018		
			# of Retargets	3		
2	EFT Review (from August 12, 2013)	8 – EFT Review	Original Due Date	March 31, 2017	Deputy City Treasurer	This observation originally arose when it was noted that high dollar EFT payments required only manual approvals. The action plan was to develop and implement automated approval methods. It was noted at the time that this would require significant resources throughout the City to implement, which were currently occupied with other projects. At this time, other projects have been in process longer than expected, and other priorities have arisen, which has led to the further delay of this implementation.
			Retarget Date	December 31, 2019		
			# of Retargets	1		

#	Audit Report	Observation # & Name	Retargets		Executive Approval From	Rationale
3	Enterprise Governance	17 – Council Self-Assessment Mechanism	Original Due Date	March 31, 2017	City Council	<p>This observation arose since City Council did not have a forum for periodically self-assessing its performance to maintain and enhance the mechanisms that enable them to govern.</p> <p>Per recent update from management, Council Services will be authoring a report for direction by City Council in February 2018, which will include a summary of what was adopted by Council based on recommendations. Administration will suggest that Council review the self assessment and defer it the next term of Council.</p>
Retarget Date	December 31, 2017	# of Retargets	1			

6. Findings Closed in the Period

#	Audit Report	Observation # & Name	Action Plan	Closure Summary
1	Manage information security	42 – Password parameter for Amanda and CLASS	<p>Management agrees with the finding. These are both purchased packages. For the Amanda system we have attempted to resolve this issue and have found that there is a system issue that prevents us from increasing the complexity. The company is actively working to resolve this and we will implement as soon as that bug in the system is addressed.</p> <p>For the Class system recent changes have introduced functionality that allows us to force the application to use the complexity we use at the network level. This functionality is currently being tested and expected to be in place soon.</p>	<p>We obtained screenshots to check whether the password setting recommendation in CLASS and Amanda has been implemented. For CLASS, we noted that CLASS passwords now have the same password complexity requirements as the general network. The CLASS administrator has also implemented an annual review process to ensure that all active accounts are approved. We also noted that the Amanda password setting consisted of minimum password length and password expiry.</p>

#	Audit Report	Observation # & Name	Action Plan	Closure Summary
2	WECHC	59 – Cash and Bank Reconciliation Process	Management acknowledges that monthly bank reconciliations are not consistently performed and reviewed on a timely basis, with the daily cash reconciliation being the compensating control for significant risks. Lags in the monthly process exist due to significant resource constraints in the Finance Department. An initiative is under way to utilize our current software package and vendor support to implement a more automated bank reconciliation process and therefore gain efficiencies to address this recommendation.	<p>We reviewed the cash handling procedures and performed a walkthrough to confirm whether it is consistent with the current practices.</p> <p>We also reviewed the bank reconciliations statements and found that statements are prepared on monthly basis and independently reviewed by the CFO.</p>
3	WECHC	62 – Policy Review Framework	<p>Management has been working on a comprehensive policy update for both governance and operational policies since the Operational Review was conducted in 2014. CHC has a number of legacy policies in place from the Ontario Housing Corporation that require updating, and Management has provided its BoD with an inventory of these policies. Through its industry relationships, Management has been in consultation with other local housing providers undertaking similar policy work to determine if resources can be leveraged.</p> <p>Due to the significant number of policies requiring review and the unique nature of CHC's operations, Management is in the process of retaining an external consultant to move forward on this project. It is anticipated that a broad governance framework will be developed, with a set of policies relating to governance/accountability/strategic matters (for BoD approval) and another set of policies for operational purposes (for CEO approval).</p>	<p>We reviewed the evidence of an approved policy "Transactional Accounting Policy" as a screenshot from SharePoint depicting the status "Approved" (meaning it has been signed off by the CEO).</p> <p>Further, we also received the copy of the policy with the status "Approved"</p> <p>In addition, management has hired a consultant to assist with managing the policy update against the schedule of policies and has also been working on redesigning of some processes.</p>

#	Audit Report	Observation # & Name	Action Plan	Closure Summary
4	WPL	77 – Shared Services Agreement	Management agrees particularly as it pertains to financial services support. As a consequence of the Service Agreement signed with the City, the Windsor Public Library has been receiving full department-equivalent level support from the City in the areas of Human Resources, Information Technology, Legal, Communications and Facilities.	We reviewed the WPL amended shared service agreement between WPL and City of Windsor which was signed on March 21, 2017. The amended agreement includes criteria on core functions such as Finance, HR and IT.
5	Sunshine	112 - Documentation of Service Requests	The results of the HERT and Vendor Performance system will be evaluated once a year of implementation has been in place. A formal documentation process is being developed with the HERT	We were informed that the use of HERT was limited as the Winter of 2017 was mild. As per management, analysis were carried out during the purchasing processes and the vendor performance was evaluated. However, record of this evaluation is not retained and is only performed where positive and negative feedback is captured. As such, our closure of this finding is dependent on management discussion as no evidence is available. Vendors for Winter HERT are used just once a year and the nature of request is urgent. Typically, a call is placed to a vendor in Winter, if the vendor is able to respond, the job is allocated to the vendor, if not, then the next vendor on the list is contacted.

#	Audit Report	Observation # & Name	Action Plan	Closure Summary
6	Fraud Risk Management	128 - Fraud Reporting Culture & Awareness	Management has provided focused Fraud Awareness training to various managers and supervisors throughout the City for some time. Additionally as part of the Accounting and Budgeting Course, the Deputy Treasurer, Financial Planning has also delivered further Fraud Awareness training to participants. Management agrees that ongoing and recurring fraud awareness training can reinforce the importance of anti-fraud, waste, and abuse measures to the organization and as such will continue to plan for regular fraud awareness updates via various manager, supervisory and staff training programs. Management will consider for inclusion with its next update of the Concerned Employee Policy sufficient language to promote the Hotline and highlight the anonymity and protections resulting from a good faith report.	We reviewed evidence and noted that City Administration continued to provide Fraud Awareness messaging to Managers and Supervisors by providing training and conducting Manager/Supervisor meetings. The meetings were held on October 26, 2016 and April 26, 2017. Furthermore, a section related to Fraud Awareness continues to be included in the learning materials of the Accounting and Budgeting Course of the Management Windsor Certificate.
7	Enwin Utilities Ltd.	134 - Operations & Maintenance Performance Measures	Management agrees with the finding. The current report used by the Hydro Supervisors, is generated to evaluate volume of work orders closed at a high level. The report achieves this intended outcome. Management will review cost/benefit analysis of including additional detailed information to determine next steps.	We considered the examples of KPIs that are managed and/or reported by the organization and they appear reasonable. Further, there is a standard process to address issues that may arise. This is handled through Corrective Preventive Action Requests (CPARs) where issues and corrective/preventive procedures are documented and addressed.
8	Windsor Utilities Commission	143 - Asset Failure Recordings	Management has reviewed the ability to record failure codes currently tracked in the break reports in SAP. Cost/benefit analysis will be completed and analyzed to determine next steps.	We reviewed the log of asset failure codes that has been implemented by the management. In case of damage, the damage codes are noted and thus, cause of issue/ damage is tracked.

Appendix 1. Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken the quarterly management action plan validation internal audit , 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.

Appendix D - Detailed Windsor Essex Economic Development Corporation Internal Audit Report



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The Corporation of the City of Windsor

Windsor Essex Economic Development Corporation

*FINAL Internal
Audit Report*

*December 22,
2017*

Distribution List

For action

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For information

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Limitations & Responsibilities

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Summary of Internal Audit Results

Background Information

The Windsor Essex Economic Development Corporation (“WEEDC”) is a not-for-profit organization supported by the City of Windsor and County of Essex. WEEDC is responsible for advancing economic development to grow and sustain prosperity in the region. The main focus of the organization is to develop and execute strategies to retain, expand, attract and help start up new businesses in the Windsor-Essex region. WEEDC has a Board of Directors governing its operations that is chaired by the Warden - County of Essex with representatives from the City of Windsor and other distinguished community leaders as part of the board. WEEDC has established Governance & Human Resource Committee, Executive Committee and the Finance Committee.

The CEO of WEEDC was appointed in 2016. During the search for CEO, the COO acted as an interim CEO.

WEEDC has 20 employees and leverages external parties to effect some elements of operations. There are different active programs undertaken by WEEDC and each program has a director appointed. Both (1) Finance services including preparation of financial statements and (2) HR services (including payroll processing, ensuring statutory and regulatory compliance, HR planning, orientation, etc.) are delivered through external service providers. Some of WEEDC’s key programs are:

- Business Attraction;
- Business Retention & Expansion;
- Small Business & Entrepreneurship Development;
- Marketing & Communications; and
- Institute for Border Logistics and Security (IBLS)

WEEDC has drafted a Memorandum of Understanding (MoU) with the City of Windsor that identifies the key deliverables/ services from WEEDC to the City of Windsor. The nature of services provided by WEEDC to the City are as follows:

- act as the primary regional economic development body;
- focus on local business expansion and retention as well as assist the Mayor in business attraction responsibilities and initiatives;
- assist local businesses with expansions and relocation;
- undertake initiatives to attract new business investment;
- provide site location assistance and analysis for potential new businesses;
- market and promote the City to existing and potential new business ventures;
- collaborate with the City on funding opportunities for economic development purposes;
- inform and apply best efforts to involve the offices of the Mayor and CAO in advance of public announcements;
- submit the Board approved WEEDC Strategic Plan, once it has been developed;
- continue working relationships with partner community organizations; and
- prepare and submit report to the Corporation’s Council, through its CAO, on the progress associated with the objectives identified in WEEDC’s Strategic Plan.

WEEDC has a five year long term regional economic roadmap (prepared in 2010). Management prepares an annual strategic work plan which defines annuals target. The annual strategic work plan is approved by the Board. Management has indicated that a revised long term strategic plan is in progress and will be submitted for the Board review and approval before December 31, 2017.

WEEDC uses SAGE Accounting Software (Accounting system) and the financials are prepared by the external service provider for each month end. The Balance Sheet and Statement of Revenue & Expenditure are presented to the Finance Committee for review and approval on monthly basis. The Board had met on a monthly basis to review and discuss monthly performance measures and metrics (the Board now meets every 2 months). Board minutes are recorded and published on the Corporation's website subsequent to the CEO's review. A quarterly progress report is prepared by various personnel and approved by the CEO. The quarterly report is published on the corporation's website and emailed to approximately 8,000 stakeholders.

Scope

During the course of performing the "Targeted Review", emphasis has been placed on key business processes, controls and systems or major projects and contracts. As part of the internal audit plan development, WEEDC has processes and controls associated with mitigating and managing the following corporate risks: Corporate Governance Risk, Fraud Risk, Strategy Execution Risk, Accounting Risk, Operational Risk, Reputational and Publicity Risk.

The scope of this internal audit includes an assessment of the controls in effect for the period October 1, 2016 through September 30, 2017.

Internal Audit Objectives

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

- Clear accountabilities, expectations and reporting relationships and protocols are established for the City/WEEDC relationship. Both parties are aware of those agreed to expectations and/or shared services;
- Two way communications between the City and WEEDC occurs and defined/required information is exchanged in a timely manner;
- Management has mechanisms in effect to ensure that:
 - agreed to reporting relationships, accountabilities and expectations are adhered to;
 - appropriately scaled governance is in effect;
 - strategic priorities/direction is provided by governing body; and
 - that information is protected from disclosure outside of this relationship.
- WEEDC has key policies related to confidentiality, conflict of interest, employees' responsibilities, privacy, media relations, internal fraud, hiring, cash handling, reporting, etc. and mechanisms in place to assess awareness and compliance;
- Management has a mechanism for assessing the integrity of information used in decision making (including but not limited to financial reporting, key performance indicators, business development/stakeholder relations);
- WEEDC has a policy and position on fraud risk management and mechanisms for enabling compliance. WEEDC investigates all possible employee fraud (waste or misuse) where there is a concern or suspicion of wrongdoing within the entity;

- Management ensures that there are appropriate controls over banking, deposits and payments to mitigate losses and optimize cash flow;
- There are adequate segregation of duties, review and approval, and reconciliations controls over key financial processes (including but not limited to, cash, purchasing, journal entries, restricted funds etc.); and
- A mechanism for maintaining awareness as to media mechanisms and potential items of disclosure. A mechanism for identifying and informing stakeholders of critical media content impacting brand/reputation exists and is used.

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

Scope Exclusions

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

- The design, implementation and operation of the Information and Technology (IT) environment and IT general controls;
- Internal services (IT Helpdesk);
- Service delivery rendered through the use of third party providers/suppliers (except for services related to financial controls).

Linkage to the internal audit plan

The WEEDC Audit is part of the Council approved 2017/18 Internal Audit Plan. Internal Audit has been tasked to perform a “Targeted Review” of Specified Objectives which focus on predetermined key City business objectives where the ABCs have a direct impact. In many instances, the issues and risks of both the City and the ABCs are similar in their inherent nature.

Report Classification

In the course of the internal audit, specific controls were identified that address the control objectives listed above. In general, controls are properly designed and are operating effectively for the purpose envisaged.

The Board of Directors (BoD) met regularly to review operational and financial progress and the current CEO has been working with the City’s leadership team to articulate management’s needs and requirements for successful implementation of the strategic plan and MoU.

Governance Committees like Finance, HR & Governance and Executive Committee have formal mandates established. The Chair of the Finance Committee is a Chartered Accountant and possess over 35 years of accounting and finance experience and has been the Chair of WEEDC Finance Committee since 2015. Month end financial statements are prepared by the contracted accountant and reviewed and approved by the Finance Committee. Controls have been established over the payment/ disbursement mechanisms including but not limited to: budget versus actual financial variance analysis, preparation and review of bank reconciliation statements and dual signature on cheques.

Formal Communication and Media Relation protocol and Social Media policies and procedures are in place. These assist in developing an appropriate response to media based circumstances.

A few design and operating enhancements were identified which require management attention, and are discussed below:

- Management acknowledged the agreement to MOU between City and WEEDC subsequent to the scope period
- Management should continue to acquire board approval for policy changes/new policies developed;
- Evidence of the timely review and approval of the monthly/ quarterly progress reports should be captured and retained;
- Document a formal fraud policy with fraud protocols and reporting concerns; and
- Improve controls for segregation of duties within the online banking system and user access controls within the accounting system.

Based on the controls identified and tested as part of the Internal Audit of the WEEDC processes, we have determined that there is reasonable evidence to indicate that:

	No or limited scope improvement	No major concerns noted	Cause for concern	Cause for considerable concern
For the objectives related to City Reporting Relationship and Agreement				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives related to Governance / Tone at the top				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives related to Policy Framework and Evidence of Compliance				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				

	No or limited scope improvement	No major concerns noted	Cause for concern	Cause for considerable concern
For the objectives related to Integrity of Management Information				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives related to Fraud Risk Management Protocols				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives relatedness d to Financial Management Processes				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				
For the objectives related to Media Monitoring and Escalation				
Controls over the process are designed in such a manner that there are:				
Sample tests indicated that process controls were operating such that there are:				

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

Summary of Positive Themes

Based on the fieldwork conducted by Internal Audit, the following positive themes were noted:

City Reporting Relationship & Agreement

- WEEDC board meetings are held on monthly basis and minutes are published on corporation's website. Prior to the report issuance date, this process has been changed and the Board meets once in every two months.
- The Mayor of Windsor and Warden of Essex County are the members of the board.
- Monthly financial statements are reviewed and approved by the Board.
- WEEDC has an annual strategic plan which is prepared by management and approved by the Board.
- A quarterly progress report is reviewed by the CEO and published on corporation's website. This report is emailed to approximately 8,000 stakeholders.
- Annual strategic work plan with performance metrics for 2017 was reviewed and approved by the Board.

Policy Framework and Compliance

- WEEDC has policies such as code of conduct, finance, Human Resource and media relations.
- New hire access privileges are requested on a template which required department head approval prior to IT personnel providing the user with access.

Financial Management Process

- The annual budget is reviewed by the Finance Committee and subsequently approved by Board.
- Overall oversight of finance activities is carried out by the Finance Committee Chair.
- Monthly bank reconciliations are prepared by the external accountant and reviewed by the COO.
- WEEDC practice/protocols is to have cheques prepared by someone without cheque signing authority. Cheques require two authorized signatories.

Media Monitoring and Escalation

- Both a Formal Communication and Media Relation protocol and a Social Media Policy exist. Social media response plan is developed for Marketing Team to address any issues arising on WEEDC being discussed in social media.
- WEEDC has set up Google Alerts service to remain aware and update on any online posts/media published related to WEEDC. Google alerts service sends emails to the WEEDC Marketing team when it finds new results—such as web pages, newspaper articles, blogs, or scientific research—that mention WEEDC and its operations.

Summary of Findings

Finding #	Topic	Rating ¹			Management Action Plan
		Significant	Moderate	Low	
City Reporting Relationship & Agreement					
1	Formalize and acknowledge MoU/ contracts/agreements (<i>Design Effectiveness</i>)	-	-	X	MoU acknowledgement has been completed. A formal contract agreement with the external accounting firm has been agreed to and signed.
Governance & Tone at the top					
No findings noted					
Policy Framework and Compliance					
2	Enhance Policy Framework and awareness (<i>Design and Operating Effectiveness</i>)	-	-	X	Policies have been recently updated and approved by the Board. Policies will be reviewed every 3 years.
Integrity of Management Information					
3	Enhance control documentation over monthly/ quarterly reports (<i>Design Effectiveness</i>)	-	-	X	Rational for variances on quarterly reports will be documented and shared with the Board. Evidence of CEO review of monthly reports will be recorded. Bank reconciliations will be reviewed by COO within 15 days of month end with evidence of review recorded.
Fraud Risk Management Protocols					
4	Document fraud management policy and protocol (<i>Design Effectiveness</i>)	X	-	-	Fraud policy will be prepared by using City's Fraud policy.
Financial Management Process					
5	Enhance segregation of duties and user access monitoring controls (<i>Design Effectiveness</i>)	X	-	-	Cheque register and Vendor Master list will be reviewed once every six months. List of individuals authorized to access bank accounts will be reviewed every six months or when staff changes are made. Exit checklist used when an employee leaves the organization will include ensuring that the password is changed and access blocked.
Media Monitoring & Escalation					
No findings noted					
Total		2	-	3	

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

Summary of Significant Findings:

Internal audit identified two significant opportunities for improvement related to the design and operating effectiveness of controls, specifically:

- Documented fraud policy and protocols for reporting concerns; and
- Implement compensating controls to handle conflict in segregation of duties with online banking, privileged access and vendor master file changes/edits.

Management Comments

A new Fraud policy is being implemented for WEEDC along the same lines as the City of Windsor's policy.

In regards to the segregation of duties related findings, where feasible, management will implement measures and appropriate review controls to reduce the potential risks.

Further comments are included in detailed observations.

Name: Rakesh Naidu

Title: COO

Date: January 10, 2018

Detailed Observations

1. Formally acknowledge MoU/ signed contracts and agreements <i>(Design Effectiveness)</i>		Overall Rating: Low	
Impact:	Low	Likelihood:	Likely
<p>Observation: Testing indicated that the MoU between WEEDC and the City has not been acknowledged by either party and that there is no documented contract between WEEDC and its external accounting firm.</p> <ul style="list-style-type: none"> There is a MoU between WEEDC and the City of Windsor. This MoU identifies the key deliverables the City of Windsor expects from WEEDC. While a MoU exists there was no evidence of each party's agreement to abide by the MoU for the scope period. <i>Subsequent to the closing meeting management provided IA that this evidence gap had been resolved as of December 8, 2017.</i> For the scope period, and prior periods, no formal contract was evident between WEEDC and the external accounting firm given the long standing relationship. A contract between the two parties was noted as having been completed outside the scope period dated October 26, 2017; however, the roles and responsibilities did not explicitly state timelines or deadlines for certain activities. Refer to consideration for improvement #2 regarding vendor evaluations. 			
<p>Implication: Not having an acknowledgment of MoU/ signed contract may create ambiguity. Consequences may arise at the time of dispute such as the work being delayed or not being to the required standard or the product being delivered late or not being fit for purpose.</p>			
<p>Possible root cause: Formal MoU/ agreements may not have been pursued due to the length/strength of relationships.</p>			
<p>Recommendation: Management should retain formal acknowledgement by relevant parties for significant contracts, agreements or memorandums of understanding. Such acknowledgement should be available prior to service provision commencing. Signed copies should be retained by each party. Periodic review process should be implemented such that the service expectations are kept current.</p> <p>Further, the contract with the external accounting firm should specifically define timelines/expectations to carry out the financial activities and submission for review.</p> <p>Also refer to consideration for improvement # 1 and #2</p>			
<p>Management Action Plan</p>			
<p>Action Plan: Management agrees with the findings and:</p> <ol style="list-style-type: none"> MoU acknowledgement has been completed. A formal contract agreement with the external accounting firm has been agreed to and signed. 		<p>Responsible Party:</p>	CEO, WEEDC
		<p>Due Date:</p>	Completed

2. Policy Framework and awareness (Design Effectiveness)		Overall Rating: Low	
Impact:	Low	Likelihood:	Likely
<p>Observation: Policies are being updated but a regular review cycle is not defined and it is not clear which policies are board approved:</p> <ul style="list-style-type: none"> • Various policies were being implemented/refreshed by WEEDC during the fieldwork phase of this review. A review cycle for policies is not defined. • Board minutes indicate that WEEDC policies are approved by the Board however there was no definitive listing or references as to what the universe of Board Approved policies should be. <p><i>Subsequent to the closing meeting management provided IA that this evidence gap had been resolved as of December 15, 2017.</i></p>			
<p>Implication:</p> <ul style="list-style-type: none"> • Management may lose track of current policies and potentially use outdated or inaccurate policies. • Policies might get added or removed to the list that Board is not aware of. 			
<p>Possible root cause: Guidance and oversight of the development of policy components is not defined and centralized across the organization to enable a consolidated and comprehensive policy governance approach.</p>			
<p>Recommendation: WEEDC management should establish a process and timeline to enable reviews, modifications or re-endorcement of relevant policies. Management may wish to have each policy should indicate the associated review cycle requirements.</p> <p>Management should document that the Board minutes reference the explicit policies which are approved by the Board.</p>			
Management Action Plan			
Action Plan: Management agrees with the findings and:		Responsible Party:	CEO, WEEDC
<ol style="list-style-type: none"> 1. All policies have been recently updated and approved by the board. Minutes of board meeting have been provided to the auditor. 2. Policies will be reviewed every 3 years and this review cycle will be endorsed by the Board. 		Due Date:	<ol style="list-style-type: none"> 1. Completed 2. Q1 2018

3. Enhance control documentation over monthly/ quarterly reports (Design Effectiveness)			Overall Rating Low
Impact:	Low	Likelihood	Likely
<p>Observation: In testing regular reporting/performance controls we noted that:</p> <p>Performance Reports:</p> <ul style="list-style-type: none"> Performance measures are monitored in the monthly progress reports. Department heads send monthly progress report to the Executive Liaison which is reviewed by the COO and then presented to the Board. Currently there is no rationale documented as to the basis for variances from targeted to actual performance. The CEO is to review and approve the quarterly progress reviews prior to their publication on WEEDC's website however, we did not detect independent evidence of this review or approval. <p>Financial Reports and Supporting Schedules:</p> <ul style="list-style-type: none"> In a test of two months of bank reconciliations for two bank accounts, evidence of independent review was present (i.e. initials of the COO) however, no evidence of timeliness was noted. There is a risk that sufficient review/ follow up is not performed over monthly financial information prior to being issued to the Finance Committee. 			
<p>Implication: There is a risk that financial and operational information including financial statements and progress reports provided to the Finance Committee and Board respectively may not be complete, timely or accurate.</p>			
<p>Possible root cause: No requirement is set in place to document reasons for variance for target versus actual performance. Management has experience as to how to present/prepare quarterly progress reports and thus a formal review/sign-off has not been warranted. Specific parameters for timely review of bank reconciliations (and other key financial reports) is not defined.</p>			
<p>Recommendation: Management should document the rationale for variances (within a defined threshold) on quarterly performance reports. This quarterly report should be presented to the Board to keep the members well informed. In addition, management should establish a procedure to have the monthly reports (operational and financial) approval by the CEO documented prior to Board submission.</p> <p>Procedure should be established to retain the evidence of CEO's approval over monthly and quarterly reports to record an audit trail. Also refer to consideration for improvement #1.</p> <p>Management should establish bank reconciliation policy and should set a timeframe (i.e., within 15 days of month end) to perform bank reconciliation review and capture evidence of the timely review.</p>			
Management Action Plan			
Action Plan:		Responsible Party:	CEO, WEEDC
<ol style="list-style-type: none"> Rational for variances on quarterly reports will be documented and shared with the Board. Monthly reports are currently reviewed and approved by CEO before board meetings. Going forward the CEO will initial the reports and date it. COO will review the bank statements within 15 days of month end and initial and date the statement. Currently it is being done but not dated. 		Due Date:	Q1 2018

4. Document fraud management policy and protocol (Design Effectiveness)			Overall Rating: Significant
Impact:	High	Likelihood:	Likely
<p>Observation: A whistle blower policy exists which defines various acts of fraud including manipulation or alteration of record, suppression of information, recording of false transaction and misapplication of accounting principles. General protocols related to fraud for reporting concerns such as waste/misuse of assets, abuse of authority or financial misconduct, are known by management. However, protocols and procedures for reporting such concerns are not documented in a formal Fraud Policy.</p>			
<p>Implication: Indirect or direct fraudulent transactions/activity go unnoticed, which could potentially cause huge losses in funds to WEEDC or serious litigation issues.</p>			
<p>Possible root cause: Formal policy governing fraud protocols and reporting mechanisms has not been documented to date.</p>			
<p>Recommendation: WEEDC management should define, approve and implement a Fraud Policy which considers describing the applicable Fraud Protocols. The Fraud Policy should be communicated to staff. The Fraud Protocols should be adopted by the WEEDC Board and include procedures and channels for reporting suspected fraud concerns anonymously. Regular awareness of Fraud Policy requirements should be provided to staff.</p> <p>Further, WEEDC should include clauses related to fraud protocols in the contracts with external service providers, specifically those involved in the financial reporting process.</p>			
Management Action Plan			
<p>Action Plan: Fraud policy is being prepared and will be implemented in the organization. City of Windsor has provided their Fraud policy. This will be used a guideline to prepare the policy for WEEDC.</p>	Responsible Party:		COO, WEEDC
	Due Date:		Q1 2018

5. Enhance segregation of duties and user access monitoring controls (Design Effectiveness)			Overall Rating: Significant
Impact:	High	Likelihood:	Likely
<p>Observation: Various segregation of duties or user access issues were noted:</p> <ul style="list-style-type: none"> • One user have the ability to prepare cheques, edit vendor master files, record journal entries, and process online banking transactions. • Two staff members have unrestricted access to seven (six CAD and one USD) online banking accounts (single financial service provider). Functions available via online banking include: <ul style="list-style-type: none"> ○ Corporate credit card payments ○ WSIB payments/remittances ○ Transfers to/from accounts ○ Other vendor payments or e-interact payments • Although access to online banking website requires a unique user IDs and passwords, activity logs for online banking are not available for review/monitoring and therefore potential errors may not be attributable to a specific user ID. • Two of five users have access to the Sage Accounting System should not have these privileges. One user is a former WEEDC staff for whom access had not been terminated as of the date of fieldwork. Another individual has access; however that access is no longer required in their current role. <p>During our sample based testing of WEEDC's accounting and banking system and through inquiry from management, we did not identify instances where staff misused their existing privileges nor was there evidence of intentional or unintentional errors brought to our attention during the review.</p>			
<p>Implication:</p> <ul style="list-style-type: none"> • 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. • Users have access with inappropriate privileges, user IDs of dormant staff are used past their departure dates. • Unrestricted access to create and process online payments without sufficient oversight by management. 			
<p>Possible root cause: Segregation of duties is not currently in effect across all key responsibilities. The ability to prepare cheques and edit master files is not separated in the SAGE accounting system. Procedure to perform a periodic review of user access has not been established. Documentation of inter-bank transfers are not prepared/retained.</p>			
<p>Recommendation: Management should:</p> <ul style="list-style-type: none"> • Identify and implement appropriate controls to address the segregation of duties issues noted. Once management has appropriately segregated incompatible duties or put in place adequate compensating/monitoring controls, management should formally document these procedures. • Perform independent review of cheque registers and edits to the vendor master file logs on a periodic basis and compare the listing of vendor changes with the approved vendor edit/ change form for periodic monitoring. • Where possible, preventative, restricted access measures should be applied such as, dual authorization within online banking websites, limit the number of accounts to which access is available, or put a maximum on the transaction size that can be processed online. Further, 			

management may be able to request their bank to embed alerts for selected or all transactions.

- Management should establish procedures such that the individual passwords of staff are changed periodically to record that the former staff is no longer able to access the online banking accounts. If preventative/access measures are not possible, management should consider performing transfers using either cheques or in-person at banking facility.
- Review the existing user access and remove the access of former staff and also the staff that are no more working in the accounting/ finance capacity. Further, at least annually perform a user access review for the Sage Accounting System to identify accounts that have been assigned excessive privileges, accounts with access that have not been updated to reflect job position changes and dormant accounts.
- Finally, for above noted monitoring controls, implement a month end checklist that creates predictability in the event of a change in staff, so that these monitoring reports are accounted for. Also refer to consideration for improvement #1.

Management Action Plan

<p>Action Plan:</p> <ol style="list-style-type: none"> 1. Cheque resister and Vendor Master List will be reviewed once every 6 months. 2. List of individuals authorized to access bank accounts will be reviewed every 6 months or when staff changes are made. New debit account number will be requested for new employees that have to have bank account access and bank will be informed of the staffing changes. 3. Exit checklist used when an employee leaves the organization will include ensuring that the password is changed and access blocked. 	<p>Responsible Party:</p> <p>COO, WEEDC</p>
	<p>Due Date:</p> <p>Q1, 2018</p>

Considerations for Improvement

1. Monthly Reporting Schedule/Checklist

Observation:

Checklist or schedule of key month end activities is not in effect. Month end closing entailed the following major tasks: recording all financial transactions, reconciling balance sheet accounts including bank reconciliations, review of income & expense accounts, preparing financial statements, preparing operational reports and formal review and approval of this work by the COO and Board. There is a risk that some of the tasks will not be missed or completed in their entirety. The benefit of implementing the checklist is to:

- Use it as a tool to contribute to the efficiency of the month end close process
- Keep everyone in the process organized
- Clearly document each person's role/responsibilities of the tasks at hand
- Outline due dates

Recommendations:

Management should leverage the use of checklists for staff who perform financial and operational reporting tasks. These checklists should enable management to track the task completion. Such checklists may also be used to demonstrate completion or signoff of period-end financial and operational controls, such as the timely review and approval of bank reconciliations and other operational progress reports. The checklists should be retained to demonstrate timely completion of control activities.

2. Vendor Performance Evaluation

Observation:

WEEDC has been obtaining services from different vendors/ external service providers. We noted that the Finance and HR services are currently obtained from external service providers. However, there is no process to evaluate vendor performance against the terms and conditions outlined in contracts/agreements.

The process of evaluating performance can motivate vendors to improve their performance and enhance their efficiency.

Recommendations: Management should:

- Develop Vendor Performance Evaluation template to evaluate and improve the overall performance of vendors, contractors and other external service providers.
- Assess compliance with contracts/ agreements during the performance evaluations of vendors and contractors

3. Retention of authorization for configuration changes and transactions processed with online banking (inter account funds transfer)

Observation:

Inter account bank transfers are carried out by two individuals who are authorized to perform online banking transactions and transfer funds between accounts without any written or verbal communication. Further, it is verbally communicated to the individuals to maintain certain amount of funds in a particular bank account and transfer the rest. However, such instructions are not found to be documented for timely recording in the General Ledger.

Recommendations: An authorization form should be developed to document formal approval for inter account transfers such that accounting records can be updated and sufficient audit trail can be retained. Further, a documented instruction/ directive should be prepared which can provide guidance and direction to the individuals with respect to maintaining online banking accounts.

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: Control Descriptions

Review Area	Control Title	Control Description	Reference to Finding
City Reporting Relationship & Agreement	1. WEEDC and City Agreement(s)	Oversight of WEEDC management is maintained through the Board of Directors, of which the Mayor of Windsor and Warden of Essex County sit on. The Board meets on a monthly basis to discuss monthly performance measures and metrics, and approve monthly financial statements. Minutes are recorded by Executive Liaison and reviewed by CEO, the Chair and the BoD prior to posting on the Corporation's website.	
	2. MoU between WEEDC and City of Windsor	WEEDC provides updates to the City of Windsor on the various strategic initiatives and metrics through the MoU. The MoU identifies the key deliverables the City of Windsor expects from WEEDC. MoU and its deliverables will be presented to the Board of WEEDC for approval and status on items in the MoU will be provided to the CAO of the City of Windsor on an annual basis, beginning at the end of 2017.	Finding #1
Governance, Strategic Leadership & Tone at the top	3. Communication between WEEDC Board of Directors and WEEDC Management	Each year a Strategic Work Plan is created and approved by the Board of Directors. This work plan includes details of progress achieved in the current year and establishes targets for the upcoming year. This plan is reviewed, by the board, on an annual basis to ensure proper implementation.	
Policy Framework and Evidence of Compliance	4. Policies and Procedures Review	Policies related to confidentiality, conflict of interest, employee's' responsibility, privacy, hiring, cash handling, reporting, etc. are approved by the Board of Directors. Newly hired employees are required to sign-off the code of conduct and other WEEDC policies. These signed documents are retained in the employee personal file. All revisions to policies and procedures are approved by the Board of Directors.	Finding #2
Integrity of Management Information	5. Monthly Statement Review by Board of Directors	Month-end financial statements are prepared by the External Accountant upon completion of all month-end processes. The statements are reviewed by the COO prior to submission to the Finance Committee for approval. Approved statements are distributed to the Board members at monthly meetings.	Consideration for Improvement #1
			Finding #3

Review Area	Control Title	Control Description	Reference to Finding
	6. Quarterly Report Review	Monthly operational reports are prepared by the Directors of each Department, in which operational results are compared against various metrics and budgeted figures for as a form of measuring performance. All operational reports are submitted to the COO for approval. Approved reports are presented to the Board members at monthly meetings. This information is further compiled for the quarterly report and submitted to the Director of Marketing & Communications, who compiles the quarterly progress report and submits to CEO for approval. CEO verbally approves the report and subsequently, this quarterly report is published on the corporation's website and also emailed to stakeholders.	Consideration for Improvement #1 Finding #3
Fraud Risk Management Protocols	7. Fraud Risk Management Policy	Fraud is categorized on the basis of internal fraud or external fraud. For any external fraud, CEO and the BoD is informed and actions are taken accordingly. For any internal fraud, CEO and the department head is informed and necessary steps are taken thereafter.	Finding #4
Financial Management Process	8. Process for Budget Development	On the basis of prior year budget, COO presents a preliminary budget to the City. Upon approval of the funding by the City, a detailed line-item internal budget is prepared by External Accountant /Bookkeeper and COO. Directors submit their department budgets to COO, and the compiled budget is submitted to the Finance Committee for their review. The budget is then approved by the WEEDC Board of Directors.	
	9. Controls over Cash and Bank	WEEDC operates 7 different bank accounts (6 CAD and 1 USD). Monthly bank reconciliations are performed by the External Accountant to ensure reconciliation of cash accounts to bank balances. Any discrepancies are investigated by the External Accountant through inquiry with Office Management Coordinator and the appropriate department head. Bank reconciliations are reviewed by the COO.	Finding #1 and Finding #3 Consideration for Improvement #3
	10. Online Banking Account Access	<p>WEEDC's online bank account access is limited to the Office Management Coordinator and the Executive Liaison, to which each individual has their own username and password. Online banking is used to make monthly payment to WSIB, Corporate credit cards bills of staff, and transfer from checking account to saving account to ensure sufficient funds are available for Payroll withdrawal. Wire order transfer are performed by the Office Management Coordinator or the Executive liaison for which a form is completed and dual signature is required for approval.</p> <p>Monthly payroll and WSIB payment sheet is prepared by the HR Consultant which is reviewed by the COO and then sent to the Office Management Coordinator who then releases the payment via online banking to ADP for disbursement.</p>	Finding #5 Consideration for Improvement #3

Review Area	Control Title	Control Description	Reference to Finding
	11. Disbursement Approval Process	Invoices are approved by the respective Department Heads and coded to the appropriate project and are further reviewed and approved by the COO or the CEO. The approved invoices are then reviewed by the Office Management Coordinator in terms of authorization before inputting into the system. Subsequently a payment cheque is generated by the Office Management Coordinator via system and all cheques require dual signature. Cheques are stored in locked drawer for which the access is limited to the Office Management Coordinator and the COO.	Finding #5 Consideration for Improvement #2
Media Monitoring, and Escalation	12. Media Relations, Monitoring and Escalation	Media Monitoring and Escalation department is run by the Director, Marketing & Communications. Formal Communication and Media Relation protocol is documented and social media policies and procedures also exist. All employees are required to adhere to specific social media rules as set out in the social media policy.	
	13. Process and controls over media response	<p>The Director, Marketing & Communications receives all the queries/concerns from media. Additionally, google alerts services are also obtained which send alerts on any media posted online that is related to WEEDC and its operations.</p> <p>The queries that require response are discussed with the CEO. After the consent of CEO appropriate response is delivered. The spokesperson for the media is the CEO, all the speaking notes are prepared in advance by the Director, Marketing & Communications who ensures that the notes are appropriate and relevant to the required response. Before addressing the media on serious matters, the Director, Marketing & Communications also coordinate and liaises with the coordinator at Mayor's office.</p>	

Appendix C: Limitations and responsibilities

Limitations inherent to the Internal Auditor's work

We have undertaken the “targeted” internal audit of Windsor Essex Economic Development Corporation, 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 endeavor to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



This document has been prepared only for The Corporation of the City of Windsor and solely for the purpose and on the terms agreed with The Corporation of the City of Windsor in our agreement dated June 2016. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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