



Establishing an Internal Auditor Office for the Regional Municipality of Niagara

A Presentation to Regional Council

Prepared by the St. Catharines – Thorold Chamber of Commerce

July 7, 2011

Good evening Chair Burroughs, members of Regional Council and Regional staff, my name is Walter Sendzik, CEO of the St. Catharines – Thorold Chamber of Commerce and I am joined by Kithio Mwanzia, Director of Policy and Government Relations.

The Chamber of Commerce is a member-driven business organization that has been active in the community since 1867. With a current membership of more than 1,200 businesses, associations and organizations that collectively employ more than 29,000 people, we have established an organization that is a strong voice for business in Niagara.

Tonight, we are here to provide comment on the Corporate Services Committee Report regarding the creation of a proposed Efficiency & Improvement Team as a hybrid solution to a number of requests to create an Auditor General's Office at the Region.

I would like to open by thanking Mayor Ted Luciani of Thorold for working with his council to pass a motion that supported the Chamber's request for an Auditor General for Niagara.

Last summer, the Chamber released a report called *Supporting Prosperity Through Effective Governance in Niagara*. The report was based on an extensive survey conducted with businesses through the Niagara chamber network. The survey focused on the interaction of business with government, including governance, taxation, economic development and transportation.

In the areas of taxation and governance, it was noted by businesses that there is a perception of inefficiency, duplication of services and over governance that is affecting the abilities of businesses to grow in Niagara, and in attracting new business to the community.

Based on the findings of our report, we developed a series of recommendations for consideration. The one that pertains to today focused on the establishment of an Auditor General's office in the Region. Based on our research – we found that an Auditor General's office could have a positive impact in addressing areas of concern's identified by the business community.

It has been the Chamber's position that an independent Auditor General would conduct audits that focus on efficiency, effectiveness, and value for money of municipal operations, program delivery, and compliance with applicable laws and regulations. It would have legislated powers, privileges and immunities that provide the necessary tools to conduct thorough audits with little or no external impediments.

In working with Region CAO Mike Trojan and Commissioner of Corporate Services Brian Hutchings at the Region, who presented the proposed hybrid model to a group of chamber representatives, we have a better understanding of the size and scope of the region – and the impediments to creating an Auditor General's office. Quite simply – unlike a city this size of Toronto, or the provincial and federal government – a legislated Auditor General doesn't fit within the smaller corporate structure that is regional government in Niagara.

It is our current position that a more appropriate model for regional government would be an Internal Auditors model rather than the proposed hybrid model.

Although the hybrid model includes some elements of an Internal Auditors Office, it is our opinion that for an operation the size of regional government – a duly appointed Internal Audit department would be a fiscally responsible and responsive investment.

Internal auditing occurs within a corporation and focuses on financial controls, compliance, auditing, risk management and provides internal consulting services to departments. The department would prepare internal audit reports with a defined reporting structure that ultimately would be presented to Regional Council.

Unlike the proposed hybrid model – the Internal Audit department would be led by an individual with the specific skill sets that are required of an Internal Auditor. If there are staff within the current corporation that can operate within the Internal Audit team – that can be given consideration – but the person leading the team must be hired based on the skill sets that are required to conduct proper internal audits, and they must have a clear understanding of the roles and responsibilities of such a position.

While the hybrid model includes the use of consultants – if a properly designed internal audit team is developed – this should minimize the use of

external auditors to those areas that are outside the skill set of those within the internal audit team.

Finally, and yet most importantly, the process of audit planning, discovery and reporting is critical to whether this initiative will be successful or not.

An Internal Auditor should be independent of senior management, and their reports should be presented to the Audit Committee, the Chair and the Regional Council. And it should be made clear that reports cannot be altered by senior staff nor the Chair's office or the Audit Committee – and this is crucial to the integrity of the reporting process.

As regional councillors – you must understand that this is not a fox hunt to scare staff and it is not about going after low hanging fruit to gain political points – this is about creating a process within the corporation that ensures procedures, regulations, services and controls are being followed – and are relevant to a constantly shifting working environment.

And this is not a waste of taxpayers dollars – much like in a company that has shareholders, the shareholders of regional government are the taxpayers and this is a strategic investment that will strengthen the operations of regional government overtime sending a powerful signal to the business community that the Region is a forward thinking institution that strives to create an environment that fosters greater prosperity through effective management of government.

We would like to thank Council for your consideration on this important issue to the business community. We look forward to your questions.