Office of the Auditor General Risk Ranking and Follow-up Process

Presentation to Audit and Finance Standing Committee

December 17, 2014

Recommendation Follow-up Process

- A Recommendation Follow-Up Process has been developed to ensure OAG recommendations are implemented by Management and implemented effectively
- Steps included in the OAG Recommendation Follow-Up Process:
  - Review Action Plan for implementing report recommendations provided by Management
  - Risk Assessment by the OAG for each report recommendation
  - Follow-up Work Plans by the OAG
  - Further review of findings with responsible staff and notification of findings to CAO for comment
  - Recommendation Status Reporting to Audit and Finance Committee
  - Post to website

Recommendation Ranking System

➤ The OAG issues recommendations which address risks identified through findings in project work. These recommendations address various types of risk including the risk value for money is not being demonstrated or maximized

➤ Through reports, the OAG offers suggestions to Regional Council and the Administration to assist with the elimination or mitigation of risk or increasing value for money

➤ The ranking system focuses on the level of probability (likelihood) and impact of the findings and hence the relative importance of each of the individual recommendations

➤ Formula used by the OAG

Likelihood x Impact = Risk Ranking

Recommendation Ranking System Cont.

➤ For likelihood, it is important to think of what risk the recommendation is addressing and the likelihood the risk will cause something negative to occur if the recommendation is not implemented

➤ For impact, it is important to consider the level of financial, reputational, compliance, privacy and strategic impacts as well as failure to achieve maximum value for money impact the risk could potentially have if the recommendation is not implemented

- **Likelihood**: probability of risk event happening i.e. the likelihood something negative will occur if the recommendation is not implemented or subsequent action is not taken to address the identified risk

- **Impact**: the potential consequences if a situation/ issue happened

Recommendation Ranking System Cont.

Likelihood Level		
Likelihood	**Score**	**Description**
UNLIKELY	1	Low probability of an event occurring which has a negative impact
POSSIBLE	2	Moderate probability of an event occurring which has a negative impact
LIKELY	3	High probability of an event which has a negative impact

Impact Level		
Impact	**Score**	**Description***
MINOR	1		Financial	Financial impact of less than 5% of unit/program resources over a 2 year period
			Reputational	Minimal impact on reputation, unlikely loss of public trust
			Compliance	Minor departure from policies and procedures
			Privacy	Restricted, external, personal and/or essential data at minimal risk of loss of confidentiality, integrity or availability
			Strategic	Minimal impact on development of achievement of high-level goals and objectives
SIGNIFICANT	2		Financial	Financial impact of 5% to 15% of unit/program resources over a 2 year period
			Reputational	Negative impact on reputation, possible loss of public trust
			Compliance	Substantial departure from policies and procedures
			Privacy	Restricted, external party, personal and/or essential data at increased risk of loss of confidentiality, integrity or availability
			Strategic	Disruptive to development or achievement of high-level goals and objectives
SEVERE	3		Financial	Financial impact of greater than 15% of unit/program resources over a 2 year period
			Reputational	Widespread negative impact on reputation, likely loss of public trust
			Compliance	Significant departure from policies and procedures
			Privacy	Restricted, external party, personal and/or essential data at imminent risk of loss of confidentiality, integrity or availability
			Strategic	Preventative to development or achievement of high-level goals and objectives

*Impact is ranked at the highest factor rating identified

Recommendation Ranking System Cont.

Overall Risk Ranking

➤ The risk ranking scores are categorized into high (red), medium (yellow) and low (green) as indicated in the Heat Map below

Impact

	Low	Medium	High
High	3	6	9
Medium	2	4	6
Low	1	2	3

Low	Medium	High

Likelihood

Follow-up Process and the Dashboard

1. Review each recommendation and determine the appropriate risk/impact ranking

2. Action Plan from Management
   - For each individual recommendation, request Management response including the following:
     - Action plan for the recommendation implementation
     - Individual responsible for implementation
     - Implementation date
   - If an action plan does not exist, determine if Management has therefore accepted the associated level of risk and documented their reasoning

Follow-up Process and the Dashboard Cont.

3. Self-Assessment – request from Management

4. Categorization

   OAG to review and analyse information from Management's self-assessment form and initially categorize recommendations into one of the following levels of completion:

   - Fully Implemented
   - Partially Implemented
   - Alternative Action Taken
   - No Substantial Action Taken
   - Do Not Intend to Implement

Follow-up Process and the Dashboard Cont.

5. Follow-up Work Plans
   - The action plans to be tested by the OAG for verification
   - A work plan for testing will be developed for each report using the information from both the action plans and self-assessments submitted by Management
   - The amount of testing required is dependent on the recommendation ranking and the implementation status of the recommendation
   - If results from follow-up testing are not to the satisfaction of the OAG, additional work will be required; this could result in additional recommendations or the original recommendation under review being re-issued to HRM Administration

Follow-up Process and the Dashboard Cont.

6. Recommendation Status Reporting

   ➢ Recommendation status to be reported annually as part of the OAG annual report. Dashboard to be maintained on OAG website and updated as follow-up work is completed

   ➢ Findings from ongoing self-assessments by Management and follow-up testing by the OAG to be compiled into a live Dashboard

Current Status

➤ To date, the OAG has performed risk ranking for 18 reports

➤ Follow-up work has been initiated to identify the current status of OAG recommendations

AUDITOR GENERAL
Halifax Regional Municipality

Dashboard 20XX-20XX
Recommendation Summary

Published	Report	Number of Recommendation(s)	Status of Recommendations				
			Fully Implemented	Partially Implemented	Alternative Action Taken	No Substantial Action Taken	Do Not Intend to Implement
Total							
Percentage of Total Recommendations			%	%	%	%	%

AUDITOR GENERAL
Halifax Regional Municipality

Report Title XX
Published Date 20XX

Recommendations	HRM Status	OAG Status	Risk Ranking	Findings
Recommendation 1	X	X	🔴 High	X
Recommendation 2	X	X	🟡 Medium	X
Recommendation 3	X	X	🟢 Low	X

OAG Reports: Recommendation Summary

	Report Title	Recommendations
1	Unsolicited Emails	1
2	Theft of Coin, Tickets	4
3	Theft of Coin - Parking Meters	2
4	Data Sovereignty	1
5	Bus Wash	8
6	Fare Box	29
7	Corporate OT	14
8	Recreation Area Rates	10
9	Grants Donations Contributions	29
10	Concerts on North Common	52
11	Advisory Activity Report	1
12	District Funds	15
13	Wireless	26
14	RFP Process	19
15	Benefits OT Budgeting	19
16	Seaport Farmers Market	33
17	Use of External Consultants	16
18	Ticket Atlantic Box Office Operations	28
19	Care of Cultural Art - Jordi Bonet	6
20	SAP Authorizations	11
21	Economic Dvelopment	21
22	Administrative Functions:ABCs	19
23	Metro Transit Performance	14
24	HRM Payroll Processing	23
25	Follow-up to HRM Payroll Processing	2
26	Review of Expenses	10
27	Training Expenditures	34
28	Absence Leave	20
29	Fuel Card Management	30
30	HRFE Non-Emergency Fleet	17
Total		**514**

Questions?