



SUBJECT: Details of the 2019 audit work plan

TO: Audit Committee

FROM: City Auditor's Office

Report Number: CA-01-19

Wards Affected: Not applicable

File Numbers: 430-01

Date to Committee: April 3, 2019

Date to Council: April 23, 2019

Recommendation:

Approve the 2019 audit work plan attached in Appendix B of the City Auditor's report providing details of the 2019 audit work plan (CA-01-19).

Approve the engagement of Deloitte LLP to perform the non-audit work involved in the quality assurance reviews of internal audits performed by the City Auditor.

Purpose:

- An Engaging City
- Good Governance

Background and Discussion:

The International Standards for the Professional Practice of Internal Auditing require a risk-based audit plan to assist management in ensuring significant risks are addressed. The risk assessment also supports effective use of audit resources through a targeted audit work plan.

Inherent Risk Assessment Methodology

The risk assessment methodology supports consistent measurement of inherent risk. All inherent risk factors, criteria and attributes, inherent risk factor weightings are used

in the assessment of each audit unit to derive an overall inherent risk score. The current inherent risk assessment methodology was endorsed by Committee and Council (refer Committee report CA-11-15 (June 17, 2015) and subsequent Council CC-13-15 (June 22, 2015). This methodology, and the audit universe, will be the subjects of a review and update in 2019.

Refer to Appendix A for details of the methodology.

Strategy/process

2019 Proposed Audit Work Plan

The 2019 audit work plan comes from the 3-year rolling work plan developed as part of the 2018 planning process. The rolling work plan provides high-level guidance regarding proposed future audit coverage. This year, the 3-year rolling work plan was the primary source of audit planning in addition to consultation with management and the City Auditor's knowledge and observation of operations.

For greater clarity, the inherent risk of services/sub-services was not updated during Q4 2018 as would usually be the case. This approach was used this year, at the discretion of the City Auditor, in recognition and awareness of the number of corporate- and department-specific initiatives that were underway in the latter part of 2018 including city-wide preparations for the municipal election. As indicated above, the risk methodology and audit universe will be subject to review in 2019 after which updated risk assessment information will be available for planning purposes.

The 2019 audit work plan includes 6 assurance audits - refer to Appendix B for details of the work plan and Appendix C for a summary of previous audit work performed in services/sub-services. Work involved in this plan is scheduled to occur between April 2019 and April 2020.

The Audit Committee has the discretion to amend the proposed work plan. Any additions to the proposed plan would require an assessment of risk and may result in the need for additional resources or a substitution of a planned audit project with a new project. Any significant changes to the approved audit work plan will be brought to the Audit Committee for approval. Significant changes include deferring an audit, deleting an audit from the plan, and adding an audit to the plan.

The City Auditor has the discretion to manage the scope, type of audit required, and engagement of external resources to fulfill audit commitments.

Financial Matters:

The procurement of expert skill and knowledge for specific assurance services is required, particularly in small audit departments. Engagement of external resources will be determined as the objective and scope of audits are finalized. This office will act in accordance with existing policies and by-laws (e.g. City purchasing policy and procurement by-law) to facilitate this procurement.

Total Financial Impact

Base budget for external audit services = \$38,500

Estimated cost quality assurance reviews for assurance audits = \$4,500

Source of Funding

Office of the City Auditor operating budget

Other Resource Impacts

It is reasonable to expect management and staff time will be required to complete any audit. As a working estimate, for every hour of internal audit staff time, approximately 20 - 30 minutes is required from management and staff within the audit unit. For example, if an audit is expected to take 100 hours to complete from the initial planning to the final reporting, then there is a reasonable expectation management and staff time (collectively) will require up to 20 - 30 hours in total time.

Connections:

Internal Audit will provide, at the request of management and with resources permitting, internal audit services or investigation services to agencies, boards and commissions where agreements include the right to audit.

Public Engagement Matters:

Not applicable.

Conclusion:

Assessment of the inherent risk in City services supports the alignment of internal audit resources to areas of higher risk. The 2019 audit work plan provides the opportunity to

assist service owners and management in their efforts for managing risk and continuous improvement.

Respectfully submitted,

Sheila M. Jones, CIA, CFE, CGAP, CRMA, CCSA

City Auditor

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Appendices:

- A. Appendix A - Inherent Risk Assessment Summary
- B. Appendix B - Proposed 2019 Audit Work Plan
- C. Appendix C – Summary of Previous Audit Work

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.