

CA-09-19 Appendix C: Example of Inherent Risk Assessment

Audit Unit:		Service:	Service Category:	Service Owner:		
Internal Audit		Internal Audit	Internal Support and Administ Sheila Jones			
Factor	Criteria	Attributes (Ranking)	Attribute			Overall Risk
			Weighting	Rank	Score	Score
Complexity of Service Delivery	Nature of technology/equipment used in service delivery (e.g. sophisticated vs. simple)	Requires standalone simple technology/equipment (VL)	30%	Moderate	50	15
	Degree of customization of process (e.g. customized vs. standardized)	Customized process for each transaction (VH)				
	Number of people involved in service delivery	1 - 5 people involved in delivering the service (VL)				
	Service delivery sites (e.g. multi-site/counter vs. single site/counter)	Single site/counter service delivery (from one site/counter) (VL)				
	Level of exposure to hazardous activity	Work involves daily exposure to low hazard activity (e.g. use of computers, desk work, repetitive movement, etc.) (L)				
Materiality & Susceptibility to Error/Fraud	Gross revenue	< \$25,000 (VL)	25%	Moderate	50	12.5
	Gross operating expenditures (including human resource costs and excluding one-time project costs)	Between \$250,000 and \$499,999 (L)				
	Transparency/openness to scrutiny	One person responsible for reporting and monitoring (VH)				
	Extent of staff complement vacancy	Service is supported with full complement (VL)				
	Nature of Assets Used in Service Delivery (i.e. tangible/intangible, convertibility to cash)	No cash value; not liquid (VL)				
	Dollar value of daily cash deposits	< \$250 (VL)				
	Involvement in known risk areas of misconduct (procurement/contracting, approvals/permits, licensing, by-law enforcement)	Involved in any of procurement/ contracting, approvals/permits and licensing, by-law enforcement (M)				
Exposure to Scrutiny	Degree of public/external customer involvement	Rare direct involvement of public/external customers (VL)	10%	Low	25	2.5
	Degree of internal customer involvement	Frequent direct involvement of internal customers (H)				
	History of media attention (e.g. newspapers, blogs, op eds, etc.)	Never been subject of media attention (VL)				
	Employee Base Involved	Less than one-quarter or one group of employees involved (VL)				
Degree of Change (over last 12 months and expected within next 6 months)	Changes to service and/or process (manual and/or automated)	No changes to service and/or delivery process (VL)	20%	Very Low	1	0.2
	Technology/equipment changes	No changes to software/hardware/equipment to support service (VL)				
People Participation	Staff turnover (due to reasons such as retirement, leaves of absence, job rotations, etc.)	Less than 10% of all staff has changed in last year (VL)	15%	Low	25	3.75
	Staff performing "must do" activity(ies)	Only one person knows how "must do" activity(ies) are performed. i.e. OR key person dependency (VH)				
	Difficulty in filling positions (beyond normal recruitment timing)	Takes less than 1 month longer (VL)				
	Difficulty in attracting candidates	Filled position from original recruitment OR no offers declined (VL)				
			<b>100%</b>	<b>33.95</b>		

<b>Past Audit Experience:</b> No	<b>When:</b>	<b>Most Recent</b>	<b>Previous</b>	<b>Previous</b>	<b>Previous</b>
<b>Area of Focus:</b>					

Summary of Adjustments for Current Year's Assessment		2019
<b>Complexity of Service Delivery</b>		
<b>Materiality &amp; Susceptibility to Error/Fraud</b>		
<b>Exposure to Scrutiny</b>		
<b>Degree of Change (over last 12 months and expected within next 6 months)</b>		
<b>People Participation</b>		

**Description of Audit Unit**

This service is delivered to: City senior management, for comfort that appropriate internal controls are in place to manage risk and City staff, for understanding risks and the internal controls required to minimize risk. Results of this service are conveyed to the Audit Committee/Council to provide information regarding the effective management of processes in place to mitigate risk.

Existing service delivery includes independent, objective audits and consulting services to evaluate and improve the effectiveness of risk management, internal control and the practices that ensure accountability, fairness and transparency. In addition, external resources (e.g. accounting firms or consulting firms) may be used to deliver the audit service.