



**SUBJECT: 2022 Audit Plan for Office of the City Auditor**

**TO: Audit Committee**

**FROM: City Auditor's Office**

Report Number: CA-03-22

Wards Affected: Not applicable

File Numbers: 430-01

Date to Committee: February 9, 2022

Date to Council: February 15, 2022

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**Recommendation:**

Approve the 2022 Audit Plan for the office of the city auditor attached in Appendix A of report CA-03-22.

**PURPOSE:**

**Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation

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**Background and Discussion:**

The International Standards for the Professional Practice of Internal Auditing require that:

*“The chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals.”*

*“The chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.”*

The following report outlines the process for developing the Audit Plan; refer to Appendix A for details of the 2022 Audit Plan.

The objectives of the 2022 Audit Plan are:

1. To provide assurance to Audit Committee and Management that business processes and internal controls are operating effectively and efficiently
2. To focus internal audit resources and attention on high risk areas
3. To identify incremental improvements
4. To provide value through meaningful recommendations to staff

The mandate of the Office of the City Auditor was previously reviewed and approved by Audit Committee in report #CA-03-21. This document (called an Internal Audit Charter) describes the mission, objectives and responsibility of the Office of the City Auditor. The creation of an annual audit work plan is identified under the City Auditor's responsibilities.

### **Strategy/process**

The 2022 Audit Plan was influenced by the following five sources:

1. A corporate-wide inherent risk assessment; this is further detailed in report #CA-02-22.
2. A jurisdictional scan of internal audit plans in 19 other municipalities (see Appendix-B)
3. A review of major corporate strategic projects or initiatives
4. One-to-one consultation meetings with members of the Audit Committee and Burlington Leadership Team
5. A review of past internal audit projects

#### **1.1 INHERENT RISK ASSESSMENT**

Using a common set of criteria, the inherent risk assessment allowed for 39 City services and 134 sub-services to be quantitatively measured using a risk score. The outcome of this inherent risk assessment identified the areas of the organization with a higher risk profile. The inherent risk assessment supports a risk-based audit plan to ensure significant risks are being addressed; and is a requirement of the Institute of Internal Auditors. Further information is found in report #CA-02-22.

#### **1.2 JURISDICTIONAL SCAN**

The jurisdictional scan of 19 Canadian municipalities revealed common themes or audit projects being undertaken by internal auditors (or auditor generals) in those organizations. This additional layer of intelligence demonstrates trending risk areas or 'hot topics' in other municipalities.

### 1.3 MAJOR CORPORATE PROJECTS

A review of Council’s Strategic Plan 2015-2040 and Term of Council Workplan (Vision-to-Focus) as well as key project documentation provided by staff was also undertaken to develop an understanding of the major initiatives in the organization. The ‘Service Information Workshops’ delivered to Council in September 2021 also informed this 2022 Audit Plan. During that series of eight presentations to Council, staff identified major corporate projects/initiatives occurring in their respective service areas as well as potential risks and opportunities.

### 1.4 CONSULTATION

A series of one-to-one consultative meetings was held with members of the Audit Committee to receive their feedback about priority risk areas in the organization and to solicit feedback about an interim shortlist of potential audit projects. Further consultation was performed with members of the Burlington Leadership Team to obtain feedback about the inherent risk assessment and potential audit projects within their respective service areas. Consultation with Service Leads for Risk Governance & ERM as well as Emergency Management was also held to inform the Inherent Risk Assessment. Finally, the City Auditor met with the External Auditor to discuss audit coverage across the City of Burlington.

### 1.5 PAST AUDIT PROJECTS

During the process to update the inherent risk assessment, historical audit projects were reviewed and mapped against the City’s 134 sub-services (called an ‘Audit Universe’). This additional layer of intelligence identified for instance the reduced requirement to include P-Card transactions in the recommended Procurement Audit.

The resulting Audit Plan identified in Appendix-A identifies five audit projects recommended to be performed by the City Auditor during the forthcoming year. This detailed appendix also identifies the scope, rationale and inherent risks for each audit project. The table below summarizes the 2022 Audit Plan at a high level:

<b>Audit Project</b>	<b>Project Type</b>	<b>Last Time Audited</b>	<b>Service Area</b>	<b>Proposed Time-Frame</b>
ERP Project Audit - Phase 1 (Governance & project management controls)	Project Audit	Never	ITS, HR & Finance	Q2-Q3 2022
Health & Safety: pandemic-related protocols for customers and staff	Compliance Audit	Never	HR & All Service Areas	Q1-Q2 2022
IT Cyber-security (intrusion detection & prevention controls)	Operational Audit	Never	ITS	Q4 2022

Procurement Audit (transactions under \$50,000)	Operational & Compliance Audit	2013 Procure to Pay (under \$25,000) Audit	Finance & All Service Areas	Q3 2022
Environmental Strategies Review	Performance Audit	Never	Environment & Energy	Q4 2022 – Q1 2023

In addition to performing the audit projects identified in Appendix-A, the City Auditor also sets time aside for:

1. Providing advisory services to Management in the areas of: risk, internal controls, fraud, corporate governance and/or performing investigations (as required)
2. Following-up with Management on historical audit findings
3. Reporting quarterly to the Audit Committee
4. 2023 Audit Planning
5. Supporting Office of the City Clerk to recruit Community Members of Audit Committee including orientation thereafter
6. Facilitating a quality assurance review of the City Auditor’s working papers
7. Assisting the External Auditor (if required)
8. Administrative time

The City Auditor will report to the Audit Committee on a quarterly basis with a status update of each approved audit project, completed Audit Reports and a dashboard of performance measures. Throughout 2022, the City Auditor will be responsive and flexible to accept new assurance or advisory projects identified by the Audit Committee or the Burlington Leadership Team. The Audit Committee has the discretion to amend the Annual Audit Plan through a staff direction voted on by a majority of members.

The City Auditor will re-evaluate the Audit Plan on an annual basis with a goal of prioritizing high risk processes, programs and services. Below is a listing of future potential audit projects for 2023 or beyond (subject to Audit Committee approval):

Audit Project	Project Type	Last Time Audited	Service Area	Proposed Time-Frame
ERP Project Audit - Phase 2 Pre-implementation Assessment	Project Audit	Never	ITS, HR & Finance	2023

Payroll Audit - Phase 1: Time-keeping	Operational Audit	2016 Corporate Payroll Audit	Finance & All Service Areas	Post ERP implementation
Payroll Audit - Phase 2: Payroll processing	Operational Audit	2016 Corporate Payroll Audit	Finance & All Service Areas	Post ERP implementation
Staff Attraction & Retention Audit	Operational Audit	Never	HR & All Service Areas	2023

### Options Considered

Preparing a risk-based Annual Audit Plan is a best practice and professional requirement prescribed by the Institute of Internal Auditors. Through the audit planning process, multiple audit projects in various City service areas were considered. A shortlist of potential audit projects was shared through the consultation phase that was ultimately narrowed to the final list of recommended audit projects in Appendix A.

### Financial Matters:

The procurement of third-party consultants with expert skill and knowledge for specific assurance services is required, particularly in small internal audit departments. Third-party consultants will be procured to support the Cyber-security and potentially ERP Phase 1 & Phase 2 audit projects, subject to approval of this Audit Plan. The City Auditor will act in accordance with existing policies and by-laws (e.g. City purchasing policy and Procurement By-Law) to facilitate these procurements.

### Total Financial Impact

Base budget for external audit services = \$38,800

### Source of Funding

Office of the City Auditor operating budget

### Other Resource Impacts

Staff time will be modestly impacted for every audit project approved in this Audit Plan. Staff ranging from the Executive Director down to front-line staff typically participate in the audit process, including attending kick-off and closing meetings, retrieving required documentation, assisting with mapping current state business processes, facilitating on-site fieldwork etc.

As a working estimate, for every hour of internal audit staff time, approximately 15 - 20 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 25 - 33 hours in total time.

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## **Climate Implications**

One of the audit projects recommended for Audit Committee's consideration is a review of the progress against Council's approved environmental strategies.

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## **Engagement Matters:**

As previously noted, members of the Burlington Leadership Team, members of Audit Committee and the External Auditor were consulted during the development of this Audit Plan.

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## **Conclusion:**

The 2022 Audit Plan was developed through a combination of a corporate-wide risk assessment, a review of major corporate projects/initiatives, a scan of audit plans in other municipalities, and consultation with members of Audit Committee and the Burlington Leadership Team. The audit projects recommended in Appendix A are designed to provide assurance to Audit Committee and Management that programs/projects/services under review are operating effectively, efficiently and identify potential improvements to City services.

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Respectfully submitted,

Maciej Jurczyk, CPA, CMA, CIA, CRMA

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## **Appendices:**

- A. CA-03-22 Appendix A: Detailed 2022 Audit Plan
- B. CA-03-22 Appendix B: Jurisdictional Scan Summary
- C. CA-03-22 Appendix C: Presentation to Audit Committee

**Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.