



**SUBJECT:** Quality assurance provider for office of the city auditor

**TO:** Audit Committee

**FROM:** City Auditor's Office

Report Number: CA-06-22

Wards Affected: N/A

File Numbers: 430-01

Date to Committee: June 8, 2022

Date to Council: June 21, 2022

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### **Recommendation:**

Receive and file city auditor's office report CA-06-22 providing an update on the quality assurance provider for office of the city auditor.

### **PURPOSE:**

#### **Vision to Focus Alignment:**

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

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### **Background and Discussion:**

Standard 1300 of the Institute of Internal Auditors' (IIA) Professional Standards states:

*"The Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity."*

A quality assurance and improvement program are designed to enable an evaluation of the internal audit activity's conformance with the IIA's Professional Standards. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

In a typical internal audit function in other organizations; quality assurance oversight is performed by the Internal Audit Director over the work of his/her staff. Given that the

Office of the City Auditor has a staff of one; this model cannot be utilized in this organization.

### Strategy/process

The City Auditor conducted a competitive procurement through the City's approved 'Request for Quick Quotation' framework to obtain an external quality assurance service. Seven audit/accounting firms were invited to compete on the following scope-of-work:

#### **GENERAL DESCRIPTION**

The mission of the Office of the City Auditor is to provide independent, objective assurance and consulting services designed to add value and improve the City's operations. The City Auditor helps the City of Burlington accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The City Auditor reports functionally to the City's Audit Committee.

In order to ensure the ongoing quality of reporting to the Audit Committee, the City Auditor is seeking an independent Quality Assurance Provider to complete on-going quality assessment of the audit reports and associated working papers, using specified procedures selected by the City Auditor and outlined in the Appendix of this document.

For clarity – the scope of this work is not a full External Assessment as described in the IIA's Professional Standard 1312. As a one-person Internal Audit function with no internal peer review capability, this scope of work is designed to satisfy the requirements of Standard 1311.

On February 9, 2022, the City of Burlington's Audit Committee approved an Audit Plan which included the following five internal audit projects:

<b>Audit Project</b>	<b>Project Type</b>	<b>Corporate Service Area</b>	<b>Proposed Time-Frame</b>
ERP Project Audit - Phase 1 (Governance & project management controls)	Project Audit	ITS, HR & Finance	Q1-Q3 2022
Health & Safety: pandemic-related protocols for customers and staff	Compliance Audit	HR & All Service Areas	Q2-Q3 2022
IT Cyber-security (intrusion detection & prevention controls)	Operational Audit	ITS	Q3 - Q4 2022

Procurement Audit (transactions under \$50,000)	Operational Compliance Audit	Finance & All Service Areas	Q3 - Q4 2022
Environmental Strategies Review	Performance Audit	Environment and Energy	Q4 2022 - Q1 2023

At the conclusion of each audit project, the City Auditor will provide via email or secured electronic transmission, the audit report and the relevant supporting audit working papers to the successful Bidder. Using the attached specified procedures which are derived from the City of Burlington's Internal Audit Manual and the IIA's *International Standards for the Professional Practice of Internal Auditing*; the successful Bidder will evaluate the City Auditor's compliance to the specific sections of the City of Burlington's Internal Audit Manual. This work is expected to be completed within four (4) weeks of receiving the audit report and associated working papers.

**Deliverables:**

Completed specified procedures (outlined in Appendix-A) for each of the five internal audit projects in the 2022 Audit Plan.

It is the bidder's responsibility to understand the scope of work. Any requests for clarification of the scope of work must be reported immediately to the City Representative. Any item not specifically mentioned in the specifications or addressed by an addendum, but implied or required to perform the services or to deliver the products will be considered to be included in the total bid price.

The work to be completed under this contract is to include the supply of all materials, equipment, labour, tools, incidentals, fees or any other associated costs to complete the work as specified in this quotation.

Three bids were received with Deloitte LLP being the lowest bidder. Subsequently, the City Auditor awarded the engagement to Deloitte.

Going forward, the Quality Assurance process will work as follows:

1. The City Auditor will provide his audit file containing the audit report and relevant supporting documents (i.e. Engagement Letter, Risk & Control Matrix, Audit Program, Testing notes etc.) to Deloitte via a confidential share-file site after the completion of each audit project.
2. Deloitte will subsequently perform specified procedures (see Appendix-A) to evaluate the audit file for compliance with the City of Burlington's Internal Audit

Manual and the IIA's *International Standards for the Professional Practice of Internal Auditing*. Deloitte will determine whether the audit file "Meets Requirements" or "Does not Meet Requirements" within four weeks of the completion of the audit project.

3. A meeting between the City Auditor and Deloitte will occur to discuss the results.
4. The City Auditor will revise/update any documents that "Does not Meet Requirements" (if required).
5. The completion of the QA work will be reported to Audit Committee on the quarterly dashboard.

### **Options Considered**

Not receiving quality assurance for the Office of the City Auditor was not considered. Given the relatively modest cost of the service, a sole-source procurement was considered which is permitted by the Procurement Bylaw and may have saved time. Ultimately, a decision to perform a competitive procurement was chosen to test the market for these services.

Under the City's '*Request for Quick Quotation*' framework, the successful proponent was designed to be lowest bidder. No other evaluation criteria were considered.

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## **Financial Matters:**

### **Total Financial Impact**

The total cost of the quality assurance service will range from \$5000-7000 (pre-tax) for the duration of the 2022 Audit Plan (inclusive of five audit projects). The complexity of the audit file to review will determine the final cost per project, however \$7000 is the maximum total cost to the City.

### **Source of Funding**

This cost will be funded by the Council approved operating budget of the Office of the City Auditor.

### **Other Resource Impacts**

The City Auditor followed-up with and obtained assurances from the Finance Team and the External Audit Partner (Trevor Ferguson) that a conflict of interest does not exist with this additional work to be performed by Deloitte. There is no impact to the annual external audit of the City's financial statements.

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## **Climate Implications**

Not applicable.

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## **Engagement Matters:**

The City's Manager of Procurement Services was consulted for procurement advice prior to the issuance of the Request for Quick Quotation.

The City's Finance Team and External Auditor were consulted prior to signing the Engagement Letter for Quality Assurance services with Deloitte.

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## **Conclusion:**

The Office of the City Auditor has procured the services of Deloitte LLP to perform quality assurance reviews over the City Auditor's work to ensure compliance with City of Burlington's Internal Audit Manual and the IIA's *International Standards for the Professional Practice of Internal Auditing*.

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Respectfully submitted,

Maciej Jurczyk

City Auditor

[maciej.jurczyk@burlington.ca](mailto:maciej.jurczyk@burlington.ca)

## **Appendices:**

- A. Appendix A: Specified Procedures for Quality Assurance

## **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.