



**SUBJECT: 2025 Annual Audit Plan for office of the city auditor**

**TO: Audit Committee**

**FROM: Office of the City Auditor**

Report Number: CA-20-24

Wards Affected: Not applicable

Date to Committee: December 4, 2024

Date to Council: December 10, 2024

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**Recommendation:**

Approve the 2025 audit plan for the office of the city auditor attached in Appendix-A of office of the city auditor report CA-20-24.

**PURPOSE:**

**Vision to Focus Alignment:**

- Designing and delivering complete communities
- Providing the best services and experiences
- Protecting and improving the natural environment and taking action on climate change
- Driving organizational performance

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**Executive Summary:**

The *Global Internal Auditors Standards* published by the Institute of Internal Auditors require an annual risk-based audit plan to be prepared and approved by the Audit Committee. A comprehensive methodology is executed to meet this requirement that includes:

1. A corporate-wide risk assessment to identify the City's top inherent risks
2. A scan of other municipalities to identify their top risks and audit priorities
3. Consultation with the Senior Management team and members of Audit Committee on a short list of potential audit projects.

The 2025 Audit Plan found in this report is recommended for Audit Committee' approval. The rationale, associated risks and high-level scope of work is included for each audit project in Appendix-A.

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## **Background and Discussion:**

Standard #9.4 of the Global Internal Audit Standards published by the Institute of Internal Auditors (IIA) require:

*“The chief audit executive must base the internal audit plan on a documented assessment of the organization’s strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive’s understanding of the organization’s governance, risk management, and control processes. The assessment must be performed at least annually.”*

The annual audit plan is effectively a workplan for the Office of the City Auditor and is required to be approved by the Audit Committee. The objectives of the 2025 Audit Plan are to:

1. Provide assurance to Audit Committee and Management that business processes and internal controls are operating effectively, efficiently and in compliance with City’s policies and procedures.
2. Focus internal audit resources and attention on high-risk areas
3. Identify incremental improvements within City operations
4. Provide value through meaningful recommendations to Management and staff

The mandate of the Office of the City Auditor was previously reviewed and approved by Audit Committee in report #CA-15-24. This document (called an Internal Audit Charter) describes the mission, objectives and responsibility of the Office of the City Auditor. The creation of the annual audit plan fulfills the professional obligation for internal auditors and requirements under the Internal Audit Charter.

## **Strategy/process/risk**

The proposed 2025 Audit Plan was informed by the following sources:

1. A corporate-wide inherent risk assessment
2. A jurisdictional scan of internal audit plans in 24 other municipalities
3. Consultation with members of the Audit Committee and Senior Management

#### Corporate wide-risk assessment:

This annual process begins by identifying all City services/business units in all departments and divisions. The outcome of this is called an Audit Universe (see Appendix-B), which identifies all 137 'auditable units' in the City (i.e. any department/division/sub-group that can be audited). In spring 2024, new City leadership embarked on a corporate re-organization which necessitated a major refresh of this Audit Universe. Past internal audits are also identified here to demonstrate audit coverage over the years.

A comprehensive risk assessment methodology (identified in Appendix-C) was reviewed from 2023; no changes were proposed for the current year. This methodology applies a quantifiable rationale for measuring various unique and dissimilar City services to arrive at a common risk score. The methodology measures inherent risk, meaning it evaluates the state of risk in the absence of any controls or mitigating factors.

Next, all 137 audit units are individually evaluated against 22 risk criteria from the methodology; resulting in 3014 unique assessments. The outcome of this corporate-wide risk assessment identifies the areas of the organization with a higher risk profile (see Appendix-D). Various sources informed the evaluation of these 3014 unique assessments including:

- 2025 Budget Book
- Org Chart
- 'Vision-to-Focus' corporate strategic plan
- Corporate Project Status Reporting (to Committee of the Whole)
- Key Service Investment sessions (Nov 2023 Budget Committee)
- Anecdotal evidence collected from weekly attendance at BLT meetings

Lastly, the outcome of the corporate-wide risk assessment was shared with Senior Management, the Risk Community of Practice (an internal team of staff with risk expertise) and the Transformation Office who is leading the City's risk management efforts.

#### Jurisdictional Scan:

An analysis of 24 Canadian municipalities (which have internal audit functions) revealed common risks, priorities and other themes being undertaken by Directors of Internal Audit (or Auditor Generals) in those organizations. This additional layer of intelligence identifies trending risk areas or 'hot topics' in those municipalities (see Appendix-E).

**Consultation with Audit Committee and Senior Management:**

Feedback from members of the Audit Committee was solicited about priority risk areas in the organization and regarding the draft shortlist of potential audit projects. Further consultation was performed with members of the Burlington Executive Leadership Team and other select leaders to obtain feedback about potential audit projects within their respective service areas, as well as 2025 major projects and operational initiatives in their areas. Consultation with the Transformation Office team occurred regarding the corporate-wide risk assessment and also the state of the corporate strategic plan. Finally, the City Auditor also received feedback from the External Auditor (Deloitte) regarding the 2025 Audit Plan.

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 ‘Key Service Investment sessions’ delivered to Council in November 2023 also informed this Audit Plan. During that series of presentations to Council, Management identified their budget needs in their respective service areas, major corporate projects/initiatives as well as potential risks and operational impediments.

The resulting Audit Plan identified in Appendix-A identifies five projects recommended to be performed by the City Auditor during the year. This detailed appendix also identifies the scope, rationale and inherent risks for each audit project. The table below summarizes the 2025 Audit Plan at a high level:

<b>Audit Project</b>	<b>Project Type</b>	<b>Last Time Audited</b>	<b>Dept.</b>	<b>Proposed Time-Frame</b>	<b>Budgeted Time (hrs.)</b>
Fleet Services: AVL post-implementation (carry forward from 2024)	Performance Audit	Never	Roads, Parks, Forestry & Corporate-wide	Q1 2025	140
Cash Handling/Revenues (carry-forward from 2024)	Operational & Compliance Audit	2017	Finance & Corporate-wide	Q1 2025	140
Procurement Card Audit	Compliance Audit	2019	Finance	Q2 2025	210
Payroll Audit - Phase 1: Time & Attendance	Operational Audit	2016	HR & Corporate-wide	Q2-Q3 2025	350
Transit Inventory & Fuel Audit	Operational Audit	2017	Transit	Q4 2025	210

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

1. Supporting HR team from an advisory perspective to develop a new Whistleblower Policy for City employees. This work is already underway and includes: benchmarking against other similar municipalities, researching third-party companies who provide whistleblowing services to municipalities, providing recommendations to HR staff about the design of the policy etc.
2. Advisory services to Management in the areas of: risk management, internal controls, fraud, governance and/or performing investigations (as required)
3. Following-up with Management on historical audit findings
4. Reporting quarterly to the Audit Committee
5. 2026 Audit Planning
6. Facilitating a quality assurance review of the City Auditor's working papers
7. Assisting the External Auditor (if required)
8. Administrative time / personal Professional Development

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 2025, the City Auditor will be responsive and flexible to accept new assurance or advisory projects identified by the Audit Committee or the Burlington Executive 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. Audits have also been tentatively scheduled for 2026 and 2027 as a long-term Audit Plan (see Appendix-A, page 2 and 3); however the City Auditor will report back with an updated recommendation to Audit Committee in December 2025.

### **Options Considered**

Preparing a risk-based Annual Audit Plan is 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.

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## **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. Should third party audit experts be required to support the execution of the 2025 audit plan, the City Auditor will act in accordance with existing policies and by-laws (e.g. City Procurement By-Law) to facilitate these procurements.

### **Total Financial Impact**

Base budget for audit services in 2024 = \$42,000.

### **Source of Funding**

Office of the City Auditor operating budget, reviewed and approved annually by City Council.

### **Other Resource Impacts**

Staff time will be modestly impacted for every audit project approved in this Audit Plan. Staff ranging from the Commissioner down to front-line staff typically participate in the audit process, including attending kick-off and closing meetings, retrieving requested 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 10 - 15 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 16 - 25 hours in total time.

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## **Climate Implications:**

An audit of the Council approved environmental strategies was approved in 2023 Audit Plan and reported to Audit Committee on Dec 6, 2023 as report #CA-12-23. There are no further climate-related audits recommended through this Audit Plan.

The proposed audits will be performed mostly remotely which will save vehicular trips to City facilities, thereby reducing greenhouse gas emissions. Meeting materials and audit evidence will be entirely sent electronically, thereby reducing the consumption of paper.

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## **Engagement Matters:**

As previously noted, members of the Burlington Executive Leadership Team, members of Audit Committee, the External Auditor, select staff in Transformation Office and the Risk Community of Practice were consulted during the development of this Audit Plan.

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## **Conclusion:**

The 2025 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 Senior Management. The internal audits 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,

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## **Appendices:**

- A. CA-20-24 Appendix A: Detailed 2025 Audit Plan
- B. CA-20-24 Appendix B: Audit Universe
- C. CA-20-24 Appendix C: Inherent Risk Assessment Methodology
- D. CA-20-24 Appendix D: Corporate-wide Risk Assessment Scoring
- E. CA-20-24 Appendix E: Jurisdictional Scan

## **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.