

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Office of the Chief Administrative Officer
Date	Monday, November 1, 2021
Subject	<b>Internal Audit Work Plan 2022 -2024</b>

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## Recommendation

That report titled 'Internal Audit Work Plan 2022- 2024' dated November 1, 2021 be approved.

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## Executive Summary

### Purpose of Report

To provide the Committee of the Whole-Audit details regarding the 2022 Internal Audit work plan as well as the 2021 work plan status update.

### Key Findings

- Consistent with past practice, the 2022 work plan was developed considering factors such as: risk assessment completed by Internal Audit, feedback from management and members of Council and previous audit results.
- The Plan's objective is to assist management in achieving the City's goals and objectives.
- It complies with City of Guelph's internal audit charter as well as supports the City's Strategic Plan.
- The work plan may be modified during the year as appropriate and changes will be communicated to the Committee of the Whole-Audit.
- All internal audit activity is performed in an independent and objective manner.
- 75% of the approved projects were completed in 2021, with an additional two projects in progress as of the report date. Similar to the previous year, 100% of the recommendations were agreed upon by management.

### Financial Implications

Implementation of audit recommendations could have financial implications, leading to a more effective governance, risk management and internal control environment.

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## Report

The work plan was developed using a risk based methodology approach and complies with the City of Guelph's internal audit charter mandate as well as supports the City's Strategic Plan.

The 2022 work plan (Attachment 1) sets out the priorities of the Internal Audit department, are reflective of the City of Guelph's objectives, and the Strategic Plan priorities; integrated and coordinated with the risk assessment performed by

Internal Audit. The specific scope of each project will be determined during the project's planning phase.

Summarized below are several factors considered in developing the work plan:

- Risk assessment results;
- Last time an area/process was audited;
- Results of previous audits;
- Consideration requests from management and members of Council;
- Strength of internal control environment; and
- Emerging trends.

The annual work plan may be adjusted throughout the year as issues or concerns are identified.

The work plan (Attachment 1) is based on the availability of two full time auditors for the full year. The Plan will need to be adjusted if adequate resources are not available throughout the year.

The proposed 2023 and 2024 work plan (Attachment 2) has been updated based on the same factors described above in developing the 2022 work plan.

Internal audit activities will be conducted in compliance with the International Standards for the Professional Practice of Internal Auditing.

### **2021 Activity Summary:**

The 2021 work plan was based on two full time auditors however, resources of two full time staff were not available for the entire year which resulted in one project being deferred to a future year. In addition, the driver certification program compliance audits for Transit and Fleet Operations departments were not needed during 2021. These are compliance audits performed by Internal Audit on behalf of the Ontario Ministry of Transportation (MTO) who determines when audits are required based on prior year audit results. Based on last year's compliance audit that saw no reportable findings, the Transit audit will be required in 2023. The Fleet Operations department received their initial certification in January 2021 with a follow up audit not due until September 2022. Due to the continuation of pandemic related restrictions, the planned cash handling audit of recreational facilities was not executed and has been deferred to the 2022 audit plan.

As a result, 75% (six projects) of the work plan will be completed in 2021 while 25% (two projects) will be in progress as of December 2021. All audit recommendations have been accepted by management in 2021. In addition to the projects identified on the 2021 work plan, two consulting projects were completed during the year.

As part of Internal Audit's goal of continuous improvement, Internal Audit implemented a process whereby a survey is issued to the client at the end of each audit project to receive feedback. The feedback received is used to identify opportunities to enhance the internal audit process. In 2021, 1 survey was issued and received. Client satisfaction rate, based on the feedback, was 100% versus a target of 85%.

## **Financial Implications**

Implementation of audit recommendations could have financial implications, leading to a more effective governance, risk management and internal control environment.

## **Consultations**

The Executive Team has been consulted and supports the proposed work plan.

## **Strategic Plan Alignment**

The 2022 Internal Audit work plan supports the Strategic Plan – Working Together for our Future pillar. Through projects identified, Internal Audit will utilize a systematic and disciplined approach to evaluate and improve the effectiveness and efficiency of the City’s governance, risk management and internal controls.

## **Attachments**

Attachment-1 Internal Audit Work Plan 2022

Attachment-2 Possible Audit Projects 2022-2024

Attachment-3 Internal Audit Work Plan 2021 Status Update

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## 2022 Internal Audit Work Plan

Name of Project	Type of Audit
<p><b>Enterprise Risk Management (ERM) Framework Implementation</b></p> <p>Develop and implement an Enterprise Risk Management (ERM) program to identify and manage risks aligning with internal audit risk assessments.</p>	Consulting
<p><b>Playground Inspection and Parks Maintenance Processes</b></p> <p>To perform an operational review of playground inspection and maintenance processes to assess the effectiveness and efficiency of operations, and adherence to policies, procedures, and legislation.</p>	Operational & Compliance Review
<p><b>Annual Cash Handling Process Audit –Recreation Facilities</b></p> <p>To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation and By - Laws.</p>	Operational Review
<p><b>Data Analytics Pilot Project</b></p> <p>Working with Finance and IT identify and execute data analysis of a sample data set.</p>	Continuous Monitoring
<p><b>SRR Opportunities Implementation</b></p> <p>Provide support to service area departments completing opportunity reviews.</p>	Consulting
<p><b>Status of Service Rationalization Review Opportunities Implementation</b></p> <p>Provide an update to the Audit Committee on management’s implementation of opportunities identified in the consultant report.</p>	On Going Reporting
<p><b>Annual Driver Certification Program Compliance Audit-Fleet Operations</b></p> <p>To assess compliance to the Ministry of Transportation criteria.</p>	Compliance

Name of Project	Type of Audit
<b>Status Report on Outstanding Audit Recommendations</b> Provides an update to the Audit Committee on management's implementation status of recommendations agreed upon by staff.	On Going Reporting

## Long Term Audit Plan

### Proposed Projects for 2023- 2024

In addition to the cash handling and driver's certification program annual audits Internal Audit has identified potential projects (listed below) that may be performed in 2023 and 2024. The list is based on the current risk assessment results and requests from management and members of Council. These projects may be revised based on updated risk results, previous audit results, emerging trends and/or any new projects that are identified during the period.

<b>Name of Project</b>	<b>Service Area</b>	<b>Department</b>
IT System Access Management	Corporate Services	Information Technology
Tree Bylaw Enforcement, and Inspection Processes	Infrastructure, Development and Enterprise Services & Public Services	Planning, Urban Design & Building Operations Parks
Winter Control Review	Public Services	Operations
Project Change Order Management	Infrastructure, Development and Enterprise Services	Engineering and Transportation Services
Revenue Billing Completeness	Corporate Services	Finance
Inventory Management	Corporate Services	Finance
Enterprise Business Continuity	Corporate Services	Information Technology
Onboarding New Employees	Corporate Services	Human Resources
Employee Expense System Post Implementation Controls Review	Corporate Services	Finance
Water Meter Replacement Outsourcing Review	Infrastructure, Development and Enterprise Services	Value for Money

## 2021 Internal Audit Work Plan Status

As of November 2021

Name of Project	Type of Audit	Status
<p><b>Service Rationalization Review</b> Internal Audit provided project coordination. The third party consultant will assess the City's core services in aid of finding efficiencies within the City's scope of responsibility.</p>	Consulting	Complete
<p><b>Payroll Audit Follow-Up Audit</b> To assess the effectiveness and efficiency of the processes and compliance to policies, procedures and legislation.</p>	Follow up-Operational	Complete
<p><b>Project Management Follow-Up Audit</b> To assess the effectiveness and efficiency of the PMO's internal controls and processes and compliance to policies, procedures, legislation and By-Laws.</p>	Follow up-Operational	In Progress
<p><b>Data Analytics Pilot Project</b> To assess the degree of financial risk in City's general ledger financial system and provide insight to assess future financial areas for audit.</p>	Financial Review	In Progress
<p><b>Program Review Framework Development</b> To develop a systematic audit selection and review process with the Executive Team.</p>	Not applicable	Deferred
<p><b>Annual Driver Certification Program Compliance Annual Audit-Guelph Transit</b> To access compliance to the Ministry of Transportation criteria.</p>	Compliance	Not Required
<p><b>Annual Driver Certification Program Compliance Annual Audit-Fleet Operations</b> To access compliance to the Ministry of Transportation criteria.</p>	Compliance	Not Required
<p><b>Annual Cash Handling Process Audit – Recreational Facilities</b> To assess the effectiveness and efficiency of the processes and compliance to policies, procedures, legislation and By-Laws.</p>	Operational	Deferred
<p><b>Status Report on Outstanding Audit Recommendations</b> Provides an update to Council on management's implementation status of recommendations agreed upon by staff.</p>	Not applicable	Three reports complete