



**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**AUDIT SERVICES**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	January 19, 2015
<b>SUBJECT/REPORT NO:</b>	2015 Internal Audit Work Plan (AUD15008) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Ann Pekaruk 905-546-2424 x4469
<b>SUBMITTED BY:</b>	Ann Pekaruk Director, Audit Services City Manager's Office
<b>SIGNATURE:</b>	

**RECOMMENDATION**

That Appendix "A" attached to Report AUD15008 respecting the 2015 Internal Audit Work Plan, be approved.

**EXECUTIVE SUMMARY**

Annually, the Director of Audit Services develops a work plan which outlines the scope of work the Internal Audit group intends to conduct during the year. The work plan is based on an updated risk assessment of all the services identified in the Service Delivery Review. In addition, inquiries, prior Council direction, consultation with senior management and staff, observations made by audit staff during other audits and reviews of audits conducted in other municipalities are also taken into consideration. Various level risk factors and related criteria were considered to prioritize the various projects.

The 2015 Internal Audit Work Plan is a combination of audits in progress or carried forward from 2014 and new audits and other initiatives. It also includes the annual recurring commitment of formal follow up-type processes to ensure recommendations contained in previously issued audit reports have been implemented. The Work Plan is attached as Appendix "A" to this Report AUD15008.

Appendix "B" of Report AUD15008 provides a listing of other areas of high or moderately high risk or specific initiatives which are being deferred due to limitations in available staff hours.

The Audit, Finance and Administration Committee approves the proposed Internal Audit Work Plan as part of its mandate.

***Alternatives for Consideration – See Page 4.***

**FINANCIAL – STAFFING – LEGAL IMPLICATIONS (for recommendation(s) only)**

Financial: The recommendation in this Report has no financial impact beyond the amount provided in the Audit Services Division’s 2015 budget request.

Staffing: The Work Plan has been developed based on the current approved complement.

Legal: None.

**HISTORICAL BACKGROUND (Chronology of events)**

According to the current Council approved Audit Charter, the Director of Audit Services is required to prepare an annual Work Plan for Council approval. The Plan describes audit projects and related work proposed for the year. It also provides City Council with an overview of how resources in the Audit Services Division will be used during 2015.

**POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

None.

**RELEVANT CONSULTATION**

Departmental management and staff were asked to provide input for the work plan.

**ANALYSIS AND RATIONALE FOR RECOMMENDATION  
(Include Performance Measurement/Benchmarking Data if applicable)**

Management is primarily responsible for designing, implementing, monitoring and reporting on controls. However, Council, through the Audit, Finance and Administration Committee, is ultimately responsible for ensuring management fulfils these responsibilities. Audit Services assists Council and management in meeting their internal control responsibilities by carrying out audits with the goal of enhancing internal controls and operational efficiency and effectiveness of City programs and services. The City’s capacity to respond to recommendations arising from any audits and make improvements to its management practices is where the real benefit to the taxpayers will come.

Reporting the audit results and management action plans to the Committee is an important step in the Committee’s role for the effective oversight of the control environment and culture and promotes accountability and transparency with City Council.

Follow up of audit recommendations is also important to ensure that management has taken appropriate action to implement recommendations identified in previous audit reports and improvements have been realized as a result. Auditing standards require an audit follow up process to determine the status of outstanding audit recommendations. A portion of the available time is set aside to conduct the initial follow up of audit reports issued within the last 12-18 months. This process provides management and Council with a snapshot of the progress of implementation.

Due to the nature of audit work, the current environment, special projects and investigations that arise without much notice, it is important for the work of the Audit Services Division to remain fairly flexible in order to provide the most timely service to Council and management. At the same time, there should be a somewhat structured work plan to focus scarce resources on major areas of concern and risk and to balance coverage across the types of services delivered. The Work Plan serves as a standard against which to measure the performance of Audit Services.

Determining which areas to audit and the appropriate allocation of Audit resources are essential in maximizing the value of an effective audit planning process. In order to assess the relative importance of potential audit areas and to objectively develop an audit Work Plan, Internal Audit conducted an updating exercise for a risk assessment of the City's services originally carried out in 2012. This approach helps to prioritize potential audit projects which pose high risks, exposures and liabilities to the City.

In determining the number of projects included in the annual work plan, the hours of staff time available were allocated to the estimated time required to conduct each audit/review. As experience has shown that, throughout the year, unanticipated requests for audit resources arise from Council and management, the work plan sets aside approximately 10% of available staff time to meet such requests. This allotment may also be used to conduct special investigations, as warranted, as the same pool of staff that carry out the audits in the work plan would carry out such work.

Should the special requests and investigations exceed the level estimated for the work plan, it will be necessary to defer projects included in the work plan. Any deferrals will be reported to the Committee. However, should scheduling and resources allow, projects from the "B" list (Appendix "B" to Report AUD15008) would be considered for possible completion in the 2015 work plan. In fact, with the establishment of a full staff complement in July, 2014, Audit Services was able to accommodate four projects from "B" list into the 2014 work.

The extent of completion of the audit projects will be dependent on the approval of Audit's budget as submitted, the number of requests by City Council and management, the level of special investigations and other issues which may emerge during the year.

Internal Audit believes that the proposed work plan provides a balance of audit work that, once completed, will result in improving the overall operations of the City by assessing potential risk, strengthening management controls, improving accountability and helping the Audit, Finance and Administration Committee with its governance and internal control oversight role.

## **ALTERNATIVES FOR CONSIDERATION**

**(Include Financial, Staffing, Legal and Policy Implications and Pros and Cons for each alternative)**

The Committee can decide to add/delete/replace projects from the proposed work plan, taking into consideration the resource limitations. Also, the current Audit Services Charter requires a majority of at least two-thirds the total members of Council present in order to make any changes to the proposed work plan. Any significant changes resulting in increased time commitments will require a reallocation of staff resources. In addition, changes which require the substitution of a planned audit project with a new project may not address areas of higher risk.

## **ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN**

### **Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

#### **Strategic Objective**

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

### **Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

#### **Strategic Objective**

3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report AUD15008

Appendix "B" to Report AUD15008

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