

Service Business Plan



Service Name	Internal Audit	Service Type	Internal
Service Owner Name	Sheila Jones	Budget Year	2019
Service Owner Title	City Auditor		

Service Description

An internal service to provide independent, objective audits and consulting services related to risk and controls.

Current State

Customers & Their Expectations	<p>This service is delivered to:</p> <ul style="list-style-type: none"> • City senior management, for comfort that appropriate internal controls are in place to manage risk • City staff, for understanding risks and the internal controls required to minimize risk. <p>Results of this service are conveyed to the Audit Committee/Council to provide information regarding the effective management of processes in place to mitigate risk.</p>
Existing Service Delivery	<ul style="list-style-type: none"> • Independent, objective audits and consulting services to evaluate and improve the effectiveness of risk management, internal control and the practices that ensure accountability, fairness and transparency • External resources (e.g. accounting firms or consulting firms) may be used to deliver the audit service.
Existing Customer Engagement Tools / Methods	In person discussions, on-site visits, email, telephone, written reports, web page information and verbal presentations.
Is this Service Provincially Legislated?	No N/A
For this Service are there Approved Service Standards?	Yes International Professional Practices Framework (Institute of Internal Auditors)

Sub-Services

N/A	N/A
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Recent Continuous Improvement Initiatives

In 2018, the Office of the City Auditor:

- Implemented full digital working papers resulting in reduced the use of paper and eliminated off site storage of working papers. This improvement has also increased the efficiency of the quality review of working papers (completed by Deloitte), and significantly reduced the out of pocket expenses associated with Deloitte performing the QA on the working papers.
- Implemented an innovative approach to determining audit objectives and scope resulting in greater clarity of audits. This approach also encouraged greater management and employee participation in the audit process; exposing more staff to risk and control practices.
- Through benchmarking with other municipal audit functions and feedback from audit clients, the timing for follow up on management action plans for high- and medium-risk findings were amended to provide a slightly longer interval between follow-up requests. This amended frequency provides management and staff with the opportunity to address unexpected issues while not losing sight of their commitment to resolve audit issues.

Emerging Opportunities and Anticipated Risks

Emerging Opportunities	<p>The City's administration is working on a number of initiatives, ranging from inter-jurisdictional, cross-platform projects to service improvements; all involving opportunity and risk. Internal Audit consultation and advisory service through the development and implementation of key initiatives supports proactive assessment of the risk and design of controls at the most cost-effective time.</p> <p>The exponential growth of data requires expanding capacity for analytics to enhance decision making and to analyze greater volumes of data in less time. Increasing the use of data analytics within audit supports more effective audit planning and more efficient audit testing. The City's move to implement business intelligence tools provides an effective way to introduce continuous auditing/monitoring into the business cycle.</p>
Anticipated Risks	<p>The rise in the number of, and acceleration in the pace of change in, initiatives within the City can affect risk management effectiveness, decrease productivity and lead to a higher likelihood of employee attrition. The speed of change may encourage the tendency to focus on the benefits of newer technologies without fully accounting for how incorporating the new technology may create an exposure to risk.</p> <p>Digitization, the greater desire for and collection of data, and increased mobility means the potential for increased risk throughout operations. There is cybersecurity risk (generated particularly by employees), compliance and data privacy risks (due to all the personal information being collected, collated, and analyzed), and data and information quality risk (requiring clear definitions and quality standards for data and information).</p>

Service Objectives	Target Completion
Review and update audit entities to give consideration to major balance sheet items and major cross functional processes.	Jun 2019
Research risk models to determine an easier way to assess risk. Review and update model based on research; ensuring factors consider the service operations.	Aug 2019
Transform web page content to an internal resource for management and staff. Content could include findings and final management action plans, common risks and controls, etc.	Oct 2019

MEASURING SUCCESS

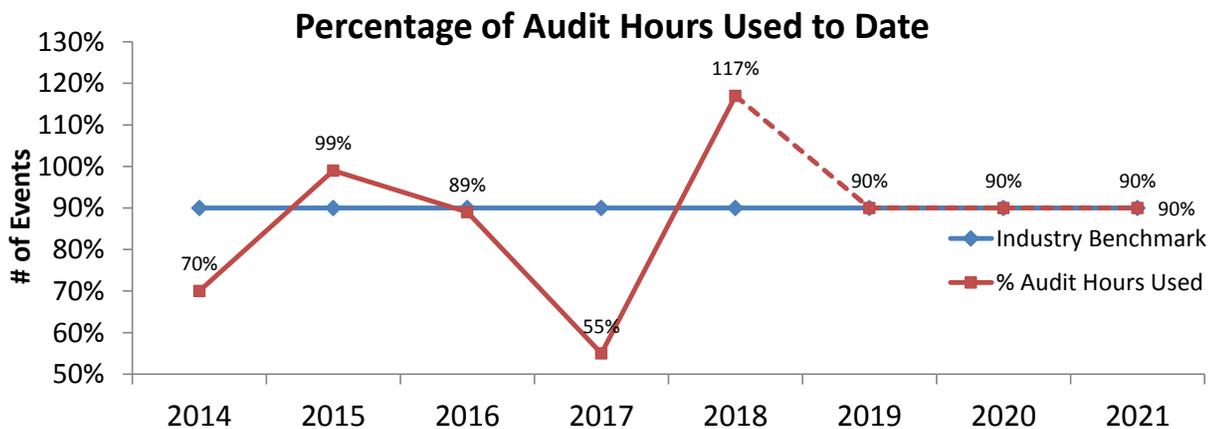
How much did we do?

Performance Measurement	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
Number of Audits Completed (#)	8	5	5	5	4	6	5	5
Number of Consulting Projects	-	-	1	1	2	2	3	2
Number of Hours Spent on Consulting and Special Investigations (#)	32	88	55	25	55	122	125	125

How well did we do it?

Performance Measurement	Perceived Value of Audits							
	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Forecast	2019 Forecast	2020 Forecast	2021 Forecast
Perceived Value of Audits	3.3	3.0	3.0	3.7	3.0	3.0	3.0	3.0
Story behind the data	<p>Surveying audit clients is one method of obtaining feedback on the quality of the audit process and perceived value. A pure number is used to judge the value of the audit from the client's perspective; where 1 indicates low value and 4 indicates high value. Additional comments are requested to understand where improvements can be made and/or problem areas can be addressed. The biggest challenge in using this method is the low return or response rate.</p>							

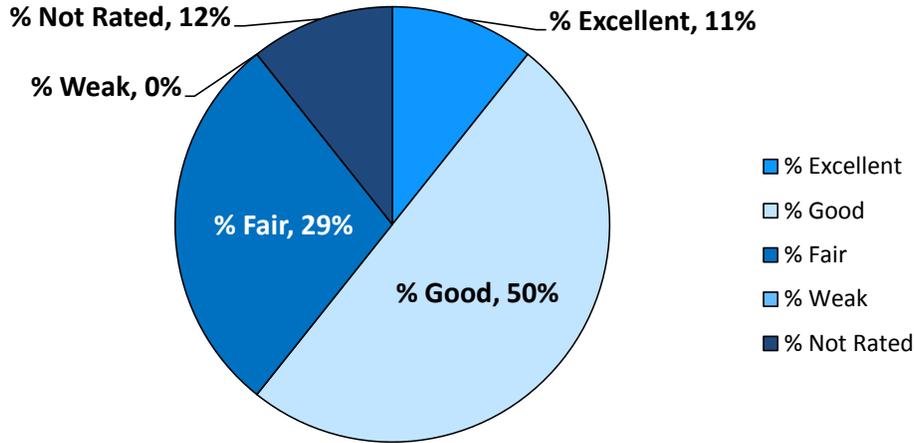
Performance Measurement	Percentage of Audit Hours Used to Date
Story behind the data	<p>The 2017 actual measure indicates the City Auditor has spent more time conducting audits than originally planned. This measure does not imply the use of overtime. Available hours considers the total number of working hours less allocation of hours dedicated to administration, training, vacation, and other management functions. The residual hours are considered available audit hours and are allocated to three areas: audits, consulting service, and ad hoc services. The total pool of available audit hours was not exceeded. The additional hours incurred in performing the audits are a result of increased use of data analysis. Significant analysis was performed during the winter maintenance audit fieldwork. In corporate cash handling audit, data analysis was used in planning for a risk-based approach to determine locations for fieldwork. In both audits, the use of data analysis improved the effectiveness of the audits.</p>



Is anyone better off?

Performance Measurement	Overall internal audit ratings
Story behind the data	An overall audit rating, assigned by the City Auditor, is a micro-opinion based on the assessment of the risks and controls. Entering into an audit requires the auditor to be objective and not influenced by a pre-determined idea or notion about an area's state of risk and control. Therefore, there can be no forecast of overall audit opinions.
Where do we want to go?	Ideally, an organization would like to have more overall ratings reflecting the good and excellent ratings.

Summary of Overall Audit Ratings



Performance Measurement	Percentage of internal audit findings by severity rating
Story behind the data	A severity scale provides a clearer picture of the significance of control deficiencies as an aid to prioritize corrective actions. This scale also supports consistent reporting of audit findings across different functions. Severity is based on the materiality of residual risk; that is, the risk remaining after control design and effectiveness are considered; and, the size & complexity of the function being audited. Entering into an audit requires the auditor to be objective and not influenced by a pre-determined idea or notion about an area's state of risk and control. Therefore, there can be no forecast of severity of audit findings.
Where do we want to go?	Ideally, the organization would like to have more low severity findings as this would suggest key controls are in place, yet procedures/operations could be enhanced.

Findings by Severity Profile

