

# Service Business Plan



**Service Name** Internal Audit

**Service Lead Name** Sheila Jones

**Service Lead Title** City Auditor

## Service Description

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

## Strategic Alignment with Vision to Focus Plan

Delivering customer centric services with a focus on efficiency and technology transformation

## Service Goals

The goal of the Service is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight as a trusted advisor to management, staff and Council.

## Current State

<p>Customers &amp; Their Expectations</p>	<p>This service is delivered to:</p> <ul style="list-style-type: none"> <li>• City senior management, for comfort that appropriate internal controls are in place to manage risk</li> <li>• City staff, for understanding risks and the internal controls required to minimize risk.</li> </ul> <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>
<p>Existing Service Delivery</p>	<ul style="list-style-type: none"> <li>• 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</li> <li>• External resources (e.g. accounting firms or consulting firms) may be used to deliver the audit service.</li> </ul>
<p>Existing Customer Engagement Tools / Methods</p>	<p>In person discussions, on-site visits, email, telephone, written reports, web page information and verbal presentations.</p>
<p>Is this Service Provincially Legislated?</p>	<p>No N/A</p>
<p>For this Service are there Approved Service</p>	<p>Yes International Professional Practices Framework (Institute of Internal Auditors)</p>

Standards?

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## Programs

N/A

N/A

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## Recent Continuous Improvement Initiatives

In 2019, the Office of the City Auditor:

– Updated the internal audit web page to include new tools and information. Tools include a repository of audit findings that can be sorted by department, by audit, by key word, or by risk type and, a new video explaining what internal audit is and is not. Information includes downloadable presentation on internal controls. These updates resulted in broader awareness of risks and controls by management and staff and enable self-identification of issues for early resolution.

– In conjunction with the City Manager’s Office, introduced occupational fraud and abuse awareness training through the City’s e-learning tool. The awareness training strengthens city staffs’ ability to recognize fraud schemes and put the necessary controls in place to minimize opportunity and prevent fraud and abuse from occurring. The use of the City’s e-learning tool permitted the training to be targeted to people managers and be efficiently delivered at minimal cost.

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## Environmental Considerations

The use of digital files greatly reduces the use and storage of paper files. Consideration of environmental risk included in every audit to identify areas with high environmental risk and include assessment of controls in scope of audit.

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## Emerging Opportunities and Anticipated Risks

Emerging Opportunities	<ul style="list-style-type: none"> <li>- Leverage technology: implementing technology into internal audit methodologies will provide efficiency gains in the delivery of internal audit. Examples include: utilizing artificial intelligence to audit entire populations for deeper analysis and continuous audit capability, and electronic working papers to streamline audit planning, performance and follow-up. It will also provide deeper insights into the business and enhance the value-add perception and credibility of internal audit.</li> <li>- Data analytics collaboration: leverage data analytics tools and data to enable real-time, continuous data monitoring, increase overall efficiency of audits being performed (frequency, scope, etc.), take a “deeper dive” into key risk areas through data analysis, reduce costs associated with auditing and monitoring, and enable early detection of potential fraud and errors.</li> <li>- Expand Internal Audit capacity through alternative sourcing models, such as: guest auditors, co-sourcing, rotational programs, and crowdsourcing.</li> </ul>
Anticipated Risks	<p>In-house IT audit expertise: the city is experiencing significant transformational change with the implementation of complex technology-enabled solutions. In addition, there is growing complexity of the computer operations network and architecture. The ability to address major IT risk areas, such as cyber and cloud computing, may be lessened due to the to lack of resource with depth of skills required.</p>
Enterprise Risk Considerations	<p>Internal Audit can provide advise to management and staff regarding risk and controls in new or changed processes/businesses as a result of:</p> <ul style="list-style-type: none"> <li>- legislative changes</li> <li>- disruptive technology, and</li> <li>- technology.</li> </ul>

## Service Initiatives

## Target Completion

Participate in MindBridge AI Auditor pilot to assess the use of AI in planning and conducting audits.	Dec 2019
Enhance the audit report format for management and audit committee.	Jun 2020

# MEASURING SUCCESS

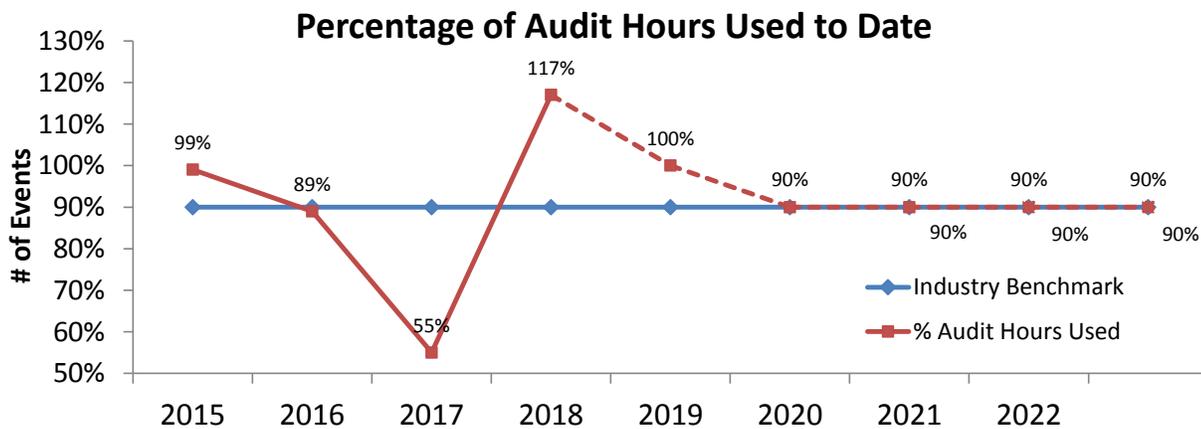
## How much did we do?

Performance Measurement	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Number of Audits Completed (#)	5	5	5	4	6	5	5	5
Number of Consulting Projects	-	1	1	2	2	3	2	2
Number of Hours Spent on Consulting and Special Investigations (#)	88	55	25	79	183	180	180	180

## How well did we do it?

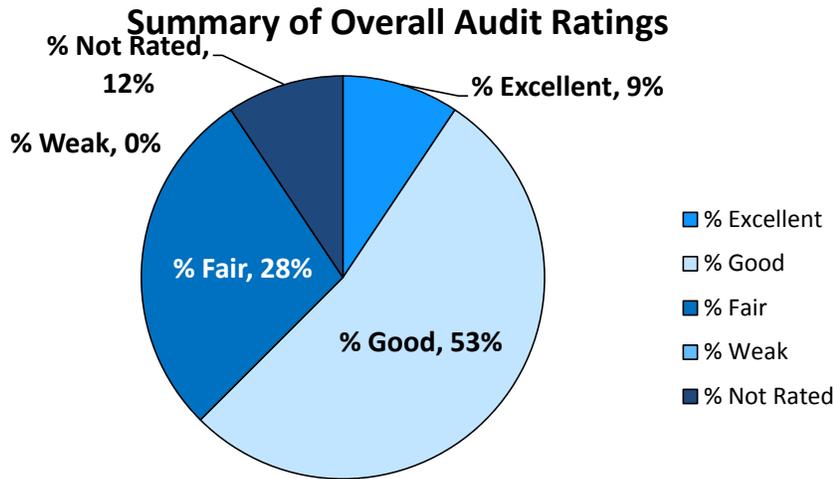
Performance Measurement	Perceived Value of Audits							
	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Forecast	2020 Forecast	2021 Forecast	2022 Forecast
Perceived Value of Audits	3.0	3.0	3.7	3.0	3.5	3.0	3.0	3.0
Story behind the data	Surveying audit clients is one method of obtaining feedback 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 challenge in using this method is the low return or response rate.							

Performance Measurement	Percentage of Audit Hours Used to Date
Story behind the data	It is expected that at least 90% of available audit hours will be utilized during the 2019/2020 audit year. This measure speaks to the effective planning and performance of audit work. This measure does not include time allotted for consulting services and ad hoc/special investigations.



**Is anyone better off?**

<b>Performance Measurement</b>	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.



<b>Performance Measurement</b>	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**

