THE CITY OF

CALGARY

CITY AUDITOR'S OFFICE

City Auditor's Office
2015 Annual Audit Plan

November 6, 2014

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City Auditor's Office – 2015 Annual Audit Plan

This report presents the City Auditor's Office 2015 Annual Audit Plan (Appendix 1). The Plan is being presented to Audit Committee for approval, followed by a presentation by the City Auditor to City Council for information.

The 2015 Annual Audit Plan consists of 20 audit activities in total representing value for money audits, carry forward audits from previous year, advisory assessments, bylaw directed requirements and City Auditor Office initiatives.

It is our intent by completing this audit plan in 2015 to provide the Audit Committee and Council assurance on one or more aspects specific to cost economy, control effectiveness, or process efficiency based on the department/business units under review.

Overview – 2015 Annual Audit Plan

Bylaw 30M2004 established the position of City Auditor as a designated officer appointed by City Council. The City Auditor is subject to the supervision of, and accountable to, Council. This accountability occurs through reports from the City Auditor to Council through the Audit Committee. This reporting relationship establishes the City Auditor's independence from the City Manager and the Administration.

The City Auditor is responsible for assisting Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations. The City Auditor's responsibilities also include assisting Council through reviews of third party organizations that have an operating agreement with The City.

The City Auditor's Office Charter requires the City Auditor to prepare a risk based annual Internal Audit Plan for approval by Audit Committee. The approved audit plan is forwarded to Council for information.

The City Auditor's Office provides internal audit services for the City of Calgary. The Institute of Internal Auditors defines internal auditing as "*an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.*"

The International Standards for the Professional Practice of Internal Auditing require that the Chief Audit Executive (City Auditor) establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

The City Auditor's Office (CAO) utilizes an annual audit planning process which focuses audit resources on those higher risks that could impact the achievement of 2015-2018 Council Priorities along with providing reasonable assurance on risk management effectiveness across departments and business units. Audit priorities are established using an objective process that assesses all identified areas and activities against a common set of risk criteria. These results are then evaluated with consideration of input received by Senior Administration, and members of Council. This input was obtained through a series of facilitated risk themed forums held at two levels of Administration, Directors and Administrative Leadership Team, and a separate forum held with Council members.

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The Annual Audit Plan matches available audit resources against the risk-based priorities.

Annual Audit Planning Process

The annual audit planning process involves:

1) Identifying the audit universe;
2) Risk assessing the audit universe by applying a pre-defined risk methodology;
3) Prioritization based on risk and a four year assurance road map;
4) Calculating available resources; and
5) Preparing an annual audit plan for approval.

1) Identification of Potential Projects – The Audit Universe

The audit planning process was further expanded in 2014 to ensure assessment of risks across all departments and business units within the City. It is the intent of the City Auditor's Office to further enhance the Audit Universe and risk assessment process by utilizing the output of the City's Integrated Risk Management process as it matures.

The Audit Universe is a live document, being continually updated as City Auditor's Office staff gain additional information or identify additional risks facing The City. Possible audit projects originate from a number of sources, including:

- The City's organizational structure;
- The City's financial reporting structure;
- The City's Integrated Risk Management process;
- Suggestions from members of City Council, and members of Audit Committee;
- Suggestions from members of The City's Administrative Leadership Team;
- Suggestions from City employees, including City Auditor's Office staff;
- Direction by City Council;
- Queries from the public; and
- Other sources (e.g. external audit, whistle-blower hotline tips, etc.).

2) Risk Assessment

Annually, the Audit Universe is subjected to a risk assessment to identify those potential audit projects that could have the most significant impact on the achievement of The City's objectives.

The potential projects in the Audit Universe were assessed and prioritized considering the following factors:

- Value
  The dollar value of an area or project's past/projected expenditures, revenues and assets;
- Vulnerability
  An assessment of the vulnerability of the area or project based on the level of cash and relative

liquidity of assets; sensitivity of information; level of public interest/impact; and potential opportunities for savings;

- Last Audit
  The date of previous City Auditor completed audits/reviews; and
- Internal Control Environment
  An assessment of the controls in an area or project based on Whistle-Blower reports; fraud risk; linkages to Corporate Objectives; performance reports to City Council; and whether there have been significant recent changes to organization structures/information systems.

3) Prioritized list of Potential Audit Projects

The potential projects listed in the Audit Universe were reassessed in October 2014 to create a prioritized list of audit projects/themes. The initial assessment of potential projects was conducted by City Auditor's Office staff based on their areas of expertise, and input received by Administration and Council through a series of facilitated audit forums. The risk assessment process results in a prioritized ranking of possible audit projects based on a four year roadmap plan that was developed in October 2014 to support appropriate assurance coverage on significant risk areas.

4) Calculating Available Audit Resources

Following the risk ranking of potential audit projects, the City Auditor identifies the resource and skill requirements for each project. Based on anticipated resource availability in 2015, a calculation is completed to determine the estimated hours available to conduct audits. This calculation incorporates staff time to meet professional development requirements to maintain professional designations[1], and uses a benchmark of 80% of available auditor staff time being dedicated directly to the completion of audit projects. The calculation of available project hours is then used to determine the potential audit projects identified in the risk assessment that can be included in the Annual Audit Plan.

5) Annual Audit Plan for Approval

The final step to develop the Annual Audit Plan is to consolidate the results of the risk-based prioritized listing of projects with the available audit resources. The resulting 2015 Annual Audit Plan (Appendix 1) is presented for Audit Committee approval.

Council approved Audit Committee's Terms of Reference on November 7, 2011[2]. The Terms of Reference outline Audit Committee's responsibilities regarding the City Auditor and the City Auditor's Office annual work plan as follows:

Schedule C 1e: Reviews and approves the City Auditor's Office annual work plan and forwards to Council for information; the Audit Committee, or Council, may not remove items from the City Auditor's work plan but may direct items to be added to the plan.

Schedule C 2 a: The City Auditor shall present the annual audit work plan to Council for information.

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[1] City Auditor staff are required to complete minimum professional development activities to maintain the following professional designations: CIA, CA, CMA, CGA, ACA, CPA, CFE, CCSA, and CISA.

[2] Audit Committee's responsibilities regarding the City Auditor are included in Bylaw 48M2012, Audit Committee Bylaw. On November 5, 2012 Council approved Bylaw 48M2012 to come into force on the day of the 2013 Organizational Meeting.

Consistent with the City Auditor's accountability to Council through the Audit Committee, the Terms of Reference provides both the Audit Committee and Council the ability to direct items to be added to the plan. Equally important, the independence of the City Auditor's Office is maintained by prohibiting the removal of audits identified by the City Auditor's Office.

Individual Audit Project - Planning Process

Selecting projects using a risk based methodology is critical to ensure that audit resources are directed to the most significant areas of the City. This methodology continues once an audit project is initiated.

The preliminary planning phase of all audit projects consists of a risk identification and assessment phase; that is, to identify the most significant risks within the area and focus the allocated audit resources on those areas. The result is an audit project that does not address all risks, but focuses on the most significant ones that may impact the achievement of City objectives.

2015 Annual Audit Plan - Monitoring and Reporting

The City Auditor continuously monitors progress against the approved Annual Audit Plan and makes decisions pertaining to individual project scope and emerging issue requests within the approved plan.

In accordance with Bylaw 48M2012, the City Auditor communicates progress towards completion of the approved plan to the Audit Committee as part of the City Auditor's Quarterly Reports. Audit Committee reviews and forwards these reports to Council for information.

Appendix 1 – 2015 Annual Audit Plan

	2015 Annual Audit Plan		
#	Title	Description	Report Target
2014 In-Progress			
1	Corporate Ethics Program Assessment	Complete an assessment of The City's Corporate Ethics Program as part of effective governance. Bylaw 48M2012 requires the Audit Committee to monitor the adequacy and effectiveness of corporate policies including code of conduct and conflict of interest.	Q1
2	Roads Business Unit Vehicle Asset Control	Complete an audit of systems and processes in place to manage timely maintenance and cost of vehicles utilized in the Roads Business Unit.	Q1
3	Sewer Capacity Management Processes	Complete an audit of The City's processes to manage sewer capacity risk.	Q1
4	Virtual Desktop Information Technology	Complete an audit of The City's virtual desktop Information Technology. This audit will further examine City's initiatives to utilize virtual technology to support the achievement of Tomorrow's Workplace initiative.	Q1
5	Expense Review (Council Directed – NM2014-37)	Complete a review of both current policies regarding use of alcohol during work hours and expensing of alcohol for all city employees, and in that analysis consider other leading best practices.	Q1
Audit Committee/City Council Directed			
6	Whistle-Blower Investigations	Policy CC026, *Whistle-Blower Policy* directs the City Auditor to ensure reports received through the City's Whistle-Blower program are investigated, tracked and appropriately resolved. Summary of activities is reported in first quarter of the following year.	Q1
7	2016 Annual Audit Plan	City Auditor's Office Charter requires the City Auditor to prepare an Annual Risk Based Audit Plan for approval by Audit Committee.	Q4
Risk Assessed Priority			
8	Recommendation Follow-up	Ongoing follow-up on the status of management's action plans to address City Auditor recommendations. Results reported as part of City Auditors Quarterly Status Report.	Quarterly

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	Risk Assessed Priority		
9	Transportation Planning	An audit examining effective prioritization of projects, which may include efficient utilization of consultant and external analysis.	Q3
10	Freedom of Information and Privacy (FOIP) Workflow Process	An audit evaluating the cost efficiency and process effectiveness of the FOIP response workflow.	Q3
11	Calgary Housing Company	An audit on effective asset management processes, and utilization of housing units.	Q3
12	Exempt Employee Time Reporting	An audit using data analytics to assess effectiveness of computer and manual tools to support accurate exception time reporting for exempt employees.	Q2
13	Contract Procurement Process	A horizontal audit to evaluate factors impacting timeliness of the contract procurement process.	Q4
14	Rocky Ridge Recreation Centre	A project management audit of the capital construction project to build the Rocky Ridge recreation centre.	Q4
15	New Calgary Central Library	An ongoing project management audit on the capital construction of the new Calgary Central Library.	Q2/Q4
16	Emerging Issues - City Auditor discretion	Audit resources to be assigned at the City Auditor's discretion. The City Auditor will update the Audit Committee on audit resources being allocated to emerging issues, as well as the outcome of those activities upon completion.	TBD
	City Auditor Office Initiatives		
17	Audit Committee Orientation	Support an Audit Committee Orientation session for all members of Council. The session will focus on Audit Committee's responsibilities as delegated by Council through the Audit Committee Bylaw and supporting Terms of Reference.	Q1
18	Quality Assessment Improvement Program	In accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, a periodic assessment of the City Auditor's Office conformance with Standards and identification of opportunities for improvement will be conducted.	Q3

	City Auditor Office Initiatives		
19	Audit Software Tools	Continue to expand utilization of existing audit tools to enhance the effectiveness and efficiencies of audits conducted. Report on benchmarking and best practices.	Q4
20	Training and Development Guidance	Aligned to City Auditor Office competency based framework, development and implementation of an Office competency-based training program and support tools.	Q4