THE CITY OF
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CITY AUDITOR'S OFFICE

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Annual Audit Planning Process

The Annual Audit Planning process involves:

1) Identifying potential audit projects;
2) Risk assessing potential projects by applying a pre-defined methodology;
3) Prioritizing potential projects by risk;
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 begins with the identification and high level risk assessment of potential audit projects.   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. The City's External Auditor, whistle-blower hotline tips, etc.).

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. This additional information is often gathered from feedback from City employees and members of City Council, information from completed audits, and suggestions from other sources discussed above. As part of the preparation for the 2014 Annual Audit Plan, staff from the City Auditor's Office held individual meetings with members of Council and the Administrative Leadership Team between July and September 2013. In these meetings, we asked members of Council and the Administrative Leadership Team to identify possible areas of risk to the City and/or audit topics where they felt the City Auditor's Office could most add value.

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.

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

- Financial
  The dollar value of an area or project's past/projected expenditures, revenues and assets;
- People
  The numbers of staff working in an area or project; and
- Identification of Risk
  The numbers of interviewees who identified the potential project as an area that they felt was important to be audited based on risk and value add of an audit.

Appendix 1 outlines the parameters we used to risk assess potential projects in the Audit Universe. A list of potential projects resulted from this risk assessment.

3) Prioritized list of Potential Audit Projects

The potential projects generated by the risk assessment were further reviewed to create a prioritized list of possible audits. This review was conducted by City Auditor's Office staff based on their areas of expertise, and assesses the controls in a potential project area, the vulnerability of area e.g. high volumes of cash or recent changes, and the criticality of an area such as public impact. The assessment also included a review of the alignment between the potential project, and the six priority areas of Council's 2012-2014 Fiscal Plan. Where applicable, the technology risk of possible auditable topics, areas or projects was also considered, such as dependency on IT, use of emerging technologies or strength of IT controls.

The City Auditor then completed a final review of the prioritized list of possible audit projects. This list was used as the basis for selecting projects for inclusion in the Annual Audit Plan.

4) Calculating Available Audit Resources

Based on anticipated resource availability in 2014[1], a calculation was completed to determine the estimated hours available to conduct audits. This calculation incorporated staff time to meet professional development requirements to maintain professional designations[2], and uses an industry benchmark of 75% of available staff time being dedicated directly to the completion of audit projects. The calculation of available project hours was then used to determine the potential audit projects in the prioritized list that can be included in the Annual Audit Plan.

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[1] 2014 available audit resources assumed one audit position below full complement.
[2] 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, CISM, P. Eng, and CISA.

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5) Annual Audit Plan for Approval

The final step to develop the Annual Audit Plan was to consolidate the results of the risk-based prioritized listing of projects with the available audit resources. The draft Annual Audit Plan was shared with The City's External Auditor, to enable co-ordination of audit coverage, and with members of The City's Administrative Leadership Team.

The draft 2014 Annual Audit Plan (**Appendix 2)** is then presented for Audit Committee approval.

Bylaw 48M2012 states Audit Committee's responsibilities regarding the City Auditor and the City Auditor's Office annual work plan as follows:

Schedule C:
1. The Audit Committee:
   (c) 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.
2. The City Auditor:
   (a) Shall present the annual audit work plan to Council for information.

Consistent with the City Auditor's accountability to Council through the Audit Committee, the Bylaw 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.

2014 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.

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Appendix 1 - Risk Assessment Factors

The following table outlines the factors and associated parameters that were used to quantitatively assess potential audit projects set out in the Audit Universe.

Factor	Description	Detail	
Financial	Revenue/Operating Expenditure/Capital Expenditure	High – 20	>$30m – High
		Medium – 10	$15-$30m – Medium
		Low – 0	<$15m - Low
People	Number of Staff	High – 10	>100 staff – High
		Medium – 5	50-100 staff – Medium
		Low – 0	Less than 50 staff - Low
Identification of Risk	Identified by a member of Council, Audit Committee or Administrative Leadership Team as a possible risk to the City/area where the City Auditor's Office could add value.	High – 30	Identified by two or more interviewees in 2013 – High
		Medium – 20	Identified by one interviewee in 2013 – Medium
		Low – 10	Not identified by interviewees in 2013 - Low

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Appendix 2 – DRAFT 2014 Annual Audit Plan

The draft 2014 Annual Audit Plan consists of 24 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 2014 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.

DRAFT 2014 Annual Audit Plan				
#	Title	Description	Activity Type	Timing
1	Flood Recovery Expenditures	An audit of the systems and processes in place by The City to maintain accountability and transparency of flood funding recovery expenditures.	Value for Money (control effectiveness)	Q1-Q2
2	Flood Response, Recovery and Early Resilience - Lessons Learned	An advisory project examining the collection, assessment and implementation of lessons learned as initiated by Calgary Emergency Management Agency (CEMA). CEMA in turn has retained the Conference Board of Canada to conduct an independent assessment of its emergency management and response efforts as they relate to best practice.	Advisory Assessment	Q1-Q4
3	Corporate Credit Cards - Continuous Monitoring	First step toward a continuous monitoring system. Build continuous monitoring reports to assess Credit Card expenditure compliance.	Advisory Assessment	Q1-Q3
4	Procurement Response under State of Emergency	An audit of the procurement and expediting processes that occurred during the 2013 State of Emergency and the processes supporting subsequent payment of these contracts.	Value for Money (control effectiveness and process efficiency)	Q2-Q3

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DRAFT 2014 Annual Audit Plan				
#	**Title**	**Description**	**Activity Type**	**Timing**
5	Virtual Desktop Information Technology	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.	Value for Money (control effectiveness)	Q2-Q3
6	Sewer Capacity Management Processes	An audit of The City's processes to manage sewer capacity risk.	Value for Money (control effectiveness)	Q3-Q4
7	Roads Business Unit Vehicle Asset Control	An audit of systems and processes in place to manage timely maintenance and cost of vehicles utilized in the Roads Business Unit.	Value for money (cost economy and control effectiveness)	Q3-Q4
8	Corporate Ethics Program Assessment	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.	Bylaw Directed	Q3-Q4
9	Unallocated Audit	To support flexibility to respond and address emerging risk areas. The audit will be identified during the year at the City Auditor's discretion. The City Auditor will update the Audit Committee on nature of the activity, as well as the outcome of those activities upon completion.	Value for Money or Advisory Assessment	Q2-Q4
10	Unallocated Audit	To support flexibility to respond and address emerging risk areas. The audit will be identified during the year at the City Auditor's discretion. The City Auditor will update the Audit Committee on nature of the activity, as well as the outcome of those activities upon completion.	Value for Money or Advisory Assessment	Q2-Q4

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		DRAFT 2014 Annual Audit Plan		
#	**Title**	**Description**	**Activity Type**	**Timing**
11	Recommendation Follow-up	Follow-up on the status of management's action plans to address City Auditor recommendations. Bylaw 48M2012 requires the City Auditor to prepare a report on the Administration action on the recommendations contained in previous audit reports.	Bylaw Directed	Q1-Q4
12	Integrated Risk Management	Independently validate the maturity self-assessment that was conducted by the City Manager's Office in November 2012 on The City's IRM program.	Carry forward audit[3]	Q1
13	Payroll Review and Approval Process-Part 2	Specific to Water and Parks time and labour data: - Assess that the time and labour data is transferred across the interface accurately and completely. - Assess that the time and labour data is monitored by both the Business Units and Pay Services to ensure the data transferred accurately and completely across the interface.	Carry forward audit	Q1
14	Attainable Homes Calgary	Review controls over the home ownership business cycle to provide assurance that controls are in place, are effective and support the shared equity model.	Carry forward audit	Q1
15	Virtual Server Security	Assess The City's processes and procedures for server virtualization are adequate and effective. Assess the security over the virtualized server environment are adequate and effective.	Carry forward audit	Q1

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[3] *Audit work on the following projects from the 2013 Annual Audit Plan is expected to be complete by 31st December 2013, but reporting on these audits to Audit Committee will take place in Q1 2014 due to the elapsed time required for the reporting process.*

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#	**Title**	**Description**	**Activity Type**	**Timing**
16	Facility Utilization	Assess whether a defined governance structure enables the efficient utilization of facilities.	Carry forward audit	Q1
17	Whistle-Blower Investigations	Bylaw 48M2012 requires the Audit Committee to oversee, through the City Auditor's Office, the operation of a Council Policy CC026, *Whistle-Blower Policy.* This policy directs the City Auditor to ensure reports received through the City's Whistle-Blower program are investigated, tracked and appropriately resolved.	Bylaw Directed	Q1-Q4
18	2015 Annual Audit Plan	Bylaw 48M2012 requires the City Auditor to prepare an Annual Audit Plan for approval by Audit Committee.	Bylaw Directed	Q2-Q4
	City Auditor Office Initiatives			
19	Quality Assessment Improvement Program – Periodic Assessment	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.		
20	Staff Training and Development	Aligned to Office competency based framework, development of an Office competency-based training model.		
21	Secondment Program	Initiate the first steps to support the planned launch of a City Auditor Office secondment program in 2015 (e.g. developing formal training plan for new team members, establishing a position description, discussion with HR regarding posting and roll-out support process).		
22	Corporate liaison	Continue to develop Corporate liaison, including production of marketing material, assignment of subject matter experts, and framework for further engagement.		
23	Audit Work Paper Tools	Review of audit tool options and next steps including development of strategy and associated action plan.		
24	Audit Committee Orientation/ Awareness	Develop and deliver orientation and ongoing lunch and learn sessions to support timely education and awareness on matters related to Audit Committee's responsibilities as delegated by Council through the Audit Committee Bylaw and supporting Terms of Reference.		