



City Auditor's Office

2016/17 Annual Audit Plan

December 10, 2015

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The City Auditor's Office completes all projects in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overview

The City Auditor's Office provides as its' value proposition to Council and senior management, objective assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. In turn this assurance helps The City of Calgary (The City) achieve its strategic, operational, financial, and compliance objectives. Overall the audit and advisory work provided by the City Auditor's Office (CAO) acts as a catalyst for improving an organization's effectiveness and efficiency by providing insight and recommendations based on analysis and assessments of data and business processes. The annual presentation of our plan outlines where those audits and activities will take place.

The CAO Charter requires the City Auditor to prepare annually a risk based Internal Audit Plan for approval by Audit Committee and for information to Council. The CAO Charter is aligned with The International Standards for the Professional Practice of Internal Auditing which require the establishment of a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

The 2016/17 Audit Plan consists of 24 formal audits on services and processes within City operations and third-party organizations that have an operating agreement with The City. Additional resource time has been reserved (approx. 20%) to ensure the CAO has the flexibility to respond and provide valued advice, insight and formal audit assurance on new risk priorities and/or City initiatives. The plan also includes time to administer five key CAO activities which support Bylaw directed and professional responsibilities of an internal auditor.

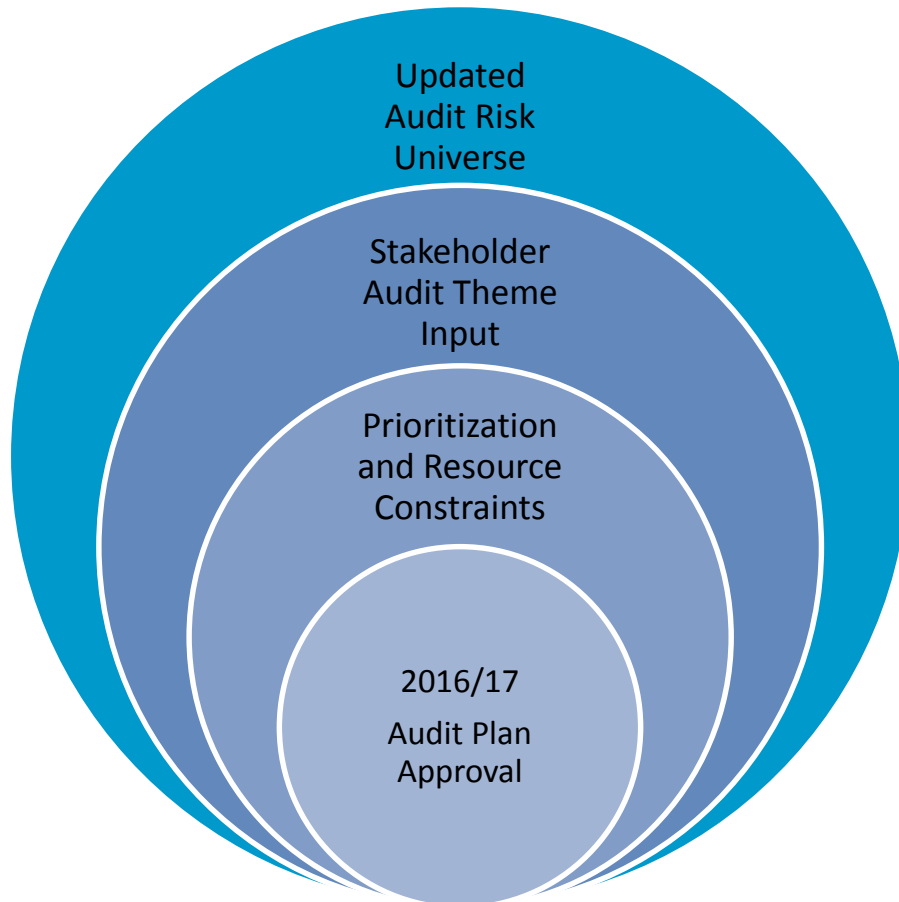
The CAO utilizes an annual audit planning process which focuses audit resources on those higher risks that could impact the achievement of 2015-2018 Council Priorities along with providing reasonable assurance on risk management effectiveness across departments and business units. Audit priorities are 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 members of Senior Administration, members of Council, and the External Auditor. Our draft plan is also shared with other assurance groups operating within The City including the internal audit function of Calgary Police Service. We openly share our plan with these supporting groups to reduce the potential of duplication of resourced effort and the level of business interruption to a particular business area.

The final determination of the audit plan is based on current staffing and budget resources provided to the CAO. The City Auditor's commitment to the plan is based on the assumption that there will not be significant staff turnover or reduction to resources over the next two years. Should reductions occur, the 2016/17 Audit Plan will be completed on a best efforts basis.

The 2016/17 Audit Plan covers two years of audit activity. The intent of presenting a two year plan is to more efficiently utilize resources by allowing 2017 audits to start in late 2016 as resources are available. The CAO utilizes a risk based planning approach, and as such, projects in 2016 have more certainty than those listed in 2017. Even though a two year plan has been established, the audit risk-based planning cycle will continue annually to ensure the plan is relevant, with a presentation of the 2017/18 Audit Plan in late 2016.

1.0 Annual Audit Planning Process

The annual audit planning process involves four key components:



1.1 Updated Audit Risk Universe

The Audit Universe is based on The City's organizational and financial reporting structure. It is updated annually to ensure that it represents all businesses and services offered by The City and those included in the mandate stated in our Bylaw.

While the CAO considers risks on an ongoing basis, once a year the Audit Universe is subjected to a formal risk assessment based on objective measures to identify those potential audit areas that could have the most significant impact on the achievement of The City's objectives. A pre-defined risk methodology is applied to determine the roadmap for the frequency of audits. The risk assessment assists in identifying where (e.g. Business Unit) audits are conducted.

The risk assessment is conducted using the following factors:

- Operating expenditure;
- Capital expenditure;
- Turnover of employees; and
- Auditor judgment regarding the technical complexity and criticality of information systems.

1.2 Stakeholder Audit Theme Input

This step is taken purposely by the CAO to support the delivery of greater value to Administration and to Council, however, does not restrict or impede the City Auditor's judgment to ensure critical areas undergo a timely formal internal audit.

The CAO provides internal audit services for The City. 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 process to determine audit themes is two-fold, involving both a stakeholder survey based on CAO facilitated forums, and meetings.

A stakeholder survey is utilized which categorizes business processes and services under a number of audit themes with consideration is given to Council priorities, Strategic Plans and initiatives, as well as The City's Integrated Risk Management. These themes are expanded and refined each year based on information gained through The City's Integrated Risk Management, and regular meetings and discussions with Audit Committee, Administration, and the External Auditor.

Stakeholder survey results are shared and further input is solicited through two CAO facilitated risk themed forums held with Administration (i.e. Directors and Administrative Leadership Team), and a forum held with members of Council. In addition, individual input and discussion meetings are held with the Mayor, City Manager, Chief Financial Officer, the Chair of Audit Committee, the External Auditor and other relevant assurance groups.

1.3 Prioritization and Resource Constraints

Outputs from the risk assessment and input on audit themes are used to create a prioritized ranking of possible audit projects. Following the risk ranking of potential audit projects, the City Auditor evaluates the resource and skill requirements for each project, as well as the anticipated budget and cycle time required to complete each audit. Since the City Auditor releases all audit reports publically the cycle time for most audits exceeds a 4-5 month period. A team matrix approach is utilized to support greater efficiency by overlapping reporting on one audit, with initiating planning on another.

Total anticipated audit hours are then reconciled against a resource calculation of available and appropriate internal resources and calendar availability. The CAO also assess budget availability to contract external resources.

The resource calculation is based on the CAO approved Council budget for 2016 and 2017, which in addition to supporting the Whistle-blower Program and CAO administration requirements, supports a dedicated audit staff plan of: auditor (1), 2-year secondment auditor¹ (1) senior auditors (6). The CAO also employs an audit manager IT (1) to support data analytics and supervision of IT audits, and the audit supervision functions of Deputy City Auditors (2) and the City Auditor.

In addition to ensuring sufficient resources are available to support the proposed 2016/2017 Audit Plan, time and resources are also allocated to provide a contingency to respond as needed to emerging risks via new additional audits or advisory services. The City Auditor will advise Audit Committee at least quarterly on the applied use of this contingency. Should this contingency not be required in 2016, the CAO will advance work on the 2017 plan as applicable.

1.4 2016/17 Audit Plan Approval

Once the results of the risk-based prioritized listing of projects are consolidated with the available audit resources, the resulting 2016/17 Audit Plan (Appendix) is presented for Audit Committee approval.

The 2016/17 Audit Plan describes 24 audits in total. The CAO considers all audits performed under the classification of performance audits, which is aligned with IIA standards and guidance. Under this broad title, audits in our 2016/17 Audit Plan are further classified as:

- Compliance Audits
Review the systems established to ensure compliance with policies, plans, procedures, ethical and business norms, as well as laws, regulations, and contracts which can have a significant impact on operations and reports and determining whether the organization is in compliance.
- Follow-up Audits
Review the effectiveness of the corrective action implemented in response to previous audit recommendations to ensure the underlying risk was mitigated as intended to support achievement of the objective. This type of audit is generally limited in scope, however, may identify efficiency opportunities resulting from operational changes and/or redundant control structures.
- IT Audits
Review and evaluation of automated information processing systems, related non-automated processes and the interfaces among them to ensure business risks are minimized appropriately.

¹ Secondment position is anticipated to be in place prior to end of Q1

- Operational Audits

Utilizing a risk-based approach, review operations, services, processes and/or systems to determine whether they are effective and implemented as planned to achieve their objectives. This type of audit may include assessing the efficiency with which resources are utilized.

The City Auditor also has the mandate to provide assurance that City assets are appropriately safeguarded from losses, such as theft, fire, inappropriate or illegal activities, and exposure to the elements and, as appropriate, verifying existence of such assets. These considerations are considered as part of the risk based methodology which guides the auditor during the planning of the particular audit.

The annual plan development process, which utilizes a risk based methodology is a critical deliverable provided by the CAO to ensure audit resources are directed to the most significant areas of the City. The CAO audit process continues to utilize a risk-based approach throughout all phases of the audit. In particular, the planning phase utilized in the majority of audit projects includes a detailed risk identification and assessment phase. The purpose of this phase 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 risks that could impact the achievement of City objectives.

2.0 Monitoring and Reporting

The City Auditor continuously monitors progress against the approved 2016/17 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 CAO's quarterly reports. Audit Committee reviews and forwards these reports to Council for information.

3.0 2017 Annual Audit Plan Reconfirmation

The City Auditor is presenting a two year Audit Plan for approval, covering 2016 and 2017. Even though a two year plan has been established, the audit risk-based planning cycle will continue annually to ensure the plan is relevant, with a presentation of the 2017/18 Audit Plan in late 2016.

4.0 Appendix: 2016/17 Annual Audit Plan

2016/17 Annual Audit Plan			
#	Title	Description	Report Target
2015 In-Progress			
1	Rocky Ridge Recreation Centre	A project management audit of the capital construction project to build the Rocky Ridge recreation centre.	Q1
2	Attainable Homes Calgary Corporation	An audit assessing the effectiveness of the process to acquire and develop units that supports the mandate of Attainable Homes.	Q1
Risk Assessed Priority: 2016			
3	Pensions	A compliance audit to meet legislation requirements, which requires independent assurance every 3 years.	Q2
4	Finance	A compliance desk top audit utilizing data analytics.	Q2
5	Environmental & Safety Management	An operational audit assessing the effectiveness and efficiency of environmental and safety management processes.	Q2
6	Parks – Urban Forestry	An operational audit assessing the effectiveness of the City's investment and management of trees.	Q2
7	Hedging	An operational audit assessing the effectiveness of hedging processes.	Q3
8	Human Resources – Succession Planning	An operational audit assessing the effectiveness of succession planning strategies conducted across the organization.	Q4
9	Landfill	An operational audit assessing the effectiveness of processes established to meet business objectives.	Q4
10	POSSE System	An IT audit focusing on the data integrity and sustainability of the business application.	Q4

11	911 Call Centre	An operational audit evaluating the efficiency of tools and resources employed in the emergency call handling processes.	Q1, 2017
12	New Central Library	An operational audit to provide assurance the project is on track and will meet business objectives of time, cost and quality.	Q1, 2017
Risk Assessed Priority: 2017			
13	Green Line LRT	An operational audit of the capital project.	TBD
14	Procurement	A compliance audit which may include follow-up on previous recommendations.	TBD
15	IT Security	A follow-up audit focused on previous recommendations raised over the last 5 years.	TBD
16	Cyber Security Incident Response	An IT audit assessing the effectiveness and timeliness of the City's response to protect critical data from cyber-attacks.	TBD
17	Corporate Facilities/Asset Management	A follow-up audit and continuation of an original audit proposed in 2013.	TBD
18	Transit Fleet Management	An operational audit assessing the efficiency and effectiveness of Transit's Fleet operation.	TBD
19	Local Area Planning	An operational audit of Local Area Planning.	TBD
20	Utility Billing	A follow-up audit on control improvement recommendations raised in a 2012 advisory activity.	TBD
21	Data Access	An operational audit of the process and governance within the Open Data program.	TBD
22	Treasury Management	An operational audit of treasury (debt and cash) management.	TBD
23	Calgary Public Library	An operational audit on the readiness of Calgary Public Library to assume hand-off of the New Calgary Central Library.	TBD
24	Community Centres	An operational audit on the service delivery provided by Community Centres.	TBD

	Emerging issues	A contingency block of time allocated each year to facilitate the City Auditor's Office to respond as needed to emerging risks across the City via audits or advisory projects.	As determined
Additional City Auditor Office Activities			
1	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 Auditor's Quarterly Status Report.	
2	Quality Assessment Improvement Program	In accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, periodic self-assessments of the City Auditor's Office conformance with Standards and identification of opportunities for improvement will be conducted. In addition readiness preparations will begin for a scheduled external quality assessment review in early 2017. External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.	
3	Assurance Mapping	A coordinated initiative to document the mandate and scope of providers (internal and external) that deliver assurance and/or assessments of City and administrative services. In accordance with the the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, audit activities should be coordinated with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts and impact to business units.	
4	Data Analytics	Continue to expand utilization of existing audit tools to enhance the effectiveness and efficiencies of audits conducted. Report on benchmarking and best practices.	
5	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. A 2017/18 Plan will be prepared in Q4 2016 which will reconfirm 2017 audits as well as audits proposed for 2018 using a risk-based approach.	