

## 2014 ANNUAL AUDIT PLAN

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### EXECUTIVE SUMMARY

This report presents the City Auditor's Office 2014 Annual Audit Plan for Audit Committee approval.

#### RECOMMENDATION(S)

1. That Audit Committee accepts the City Auditor's Report relating to Council Motion NM2013-39;
2. That Audit Committee approve the City Auditor's 2014 Audit Plan and forward to Council for information; and
3. That Audit Committee recommends to Council that the City Auditor presents the City Auditor's 2014 Audit Plan to Council.

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004, *City Auditor Bylaw*, requires the City Auditor to prepare an Annual Audit Plan for approval by Audit Committee.

During September 17 2013 Council meeting, motion NM2013-39 regarding an audit on The City's response to the June 2013 flooding was referred back to Audit Committee for consideration in the 2014 Audit Plan. Further direction was given to provide a report back to Council in conjunction with approval of the 2014 Audit Plan no later than January 2014.

### BACKGROUND

The City Auditor's Office provides independent and objective internal audit services for the City of Calgary. Bylaw 30M2004 states that 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.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

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.

### Stakeholder Engagement, Research and Communication

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

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- Other sources (e.g. external audit, whistleblower hotline tips, etc.).

The identification of potential audit projects is a continuous process. As part of the preparation for the 2014 Annual Audit Plan, the City Auditor conducted individual meetings with members of Council, Audit Committee, and the Administrative Leadership Team from July to September 2013. Audit projects as described in NM2013-39 were also included in the potential audit projects.

### **Strategic Alignment**

The City Auditor's Office annual audit planning process is designed to ensure that the City Auditor's Office resources are focused on areas of high risk to The City. The Annual Audit Plan is developed by matching available resources to priorities established using a risk based approach that assesses all identified areas and activities against a common set of risk criteria.

Effective utilization of the City Auditor's Office resources assists Council to fulfill its governance role.

### **Social, Environmental, Economic (External)**

This report has been reviewed for alignment with The City of Calgary's Triple Bottom Line (TBL) Policy Framework. No implications are identified.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

The City Auditor's 2014 Annual Audit Plan has been developed in accordance with The City's 2012-2014 budget requirements. The 2014 Annual Audit Plan is based on the assumption that the existing complement of 14 FTEs will remain unchanged in 2014.

#### **Current and Future Capital Budget:**

N/A

### **Risk Assessment**

To be most effective, the Annual Audit Plan must be developed through a systematic and disciplined process that is independent of the areas being considered for review.

City Council has established the independence of the City Auditor's Office through Bylaw 30M2004. The City Auditor has established an annual planning process that systematically captures and assesses areas of risk facing The City to prioritize areas of focus for the City Auditor's Office. The City Auditor then calculates an estimate of available resources and prepares an Annual Audit Plan for Audit Committee approval.

### **REASON(S) FOR RECOMMENDATION(S):**

1. Bylaw 30M2004 requires the City Auditor to prepare an annual audit plan for approval by Audit Committee. Bylaw 48M2012 states that Audit Committee 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.

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2. Bylaw 48M2012 states that the City Auditor shall present the annual audit work plan to Council for information.
3. Council directed in the meeting on September 17 2013 that the audit on The City's response to the June 2013 flooding be referred back to Audit Committee for consideration in the 2014 Audit Plan. Direction was given to provide a report back to Council in conjunction with approval of the 2014 Audit Plan no later than January 2014.

**ATTACHMENT(S)**

1. City Auditor's Office 2014 Annual Audit Plan
2. Report on Motion NM2013-29