

2022 INTERNAL AUDIT PLAN

January 17, 2022



Introduction

The City of Saskatoon's Internal Auditor's Office provides independent, objective and risk-based assurance and advisory services to add value and improve the City's operations. It assists the City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, internal controls and governance processes.

In accordance with the Internal Audit Charter, the City Internal Auditor's Office develops an annual internal audit plan that is approved by City Council through the Standing Policy Committee on Finance. This document constitutes a 2022 Internal Audit Plan for the City of Saskatoon.

Approach

The following approach was adopted in the development of the 2022 Internal Audit Plan:

- The City Internal Auditor conducted interviews with the Executive Leadership Team members, selected Directors, Managers, and External Auditors to obtain their insights into key risks and areas of focus for Internal Audit.
- Reviewed key documents such as the draft 2022-2025 Strategic Plan, 2022-2023 Multi-Year Business Plan and Budget, 2021 Civic Surveys and the Strategic Risk Register to understand the direction, priorities and areas for improvement for the City of Saskatoon.
- Reviewed Internal Audit Plans of other cities and the previous Internal Audit Plans developed for the City of Saskatoon to understand the internal audit focus areas.
- Reviewed the results from the past internal audit projects conducted and the type of complaints received through the Whistleblower Hotline.
- Reviewed materials published by the Institute of Internal Auditor's and other professional bodies on key risks currently facing the organizations in various industries and the internal audit priorities.
- Considered risk factors such as length of time since the last audit conducted, dollar materiality, asset liquidity and the risk likelihood and impact.
- The City Internal Auditor presented the recommended list of internal audit projects to the Standing Policy Committee on Finance in the December 2021 In-Camera meeting for discussion and selection of audit projects.

Based on the results and professional judgement applied on high-risk auditable areas, the City Internal Auditor has developed a 2022 Internal Audit Plan focusing on high-risk auditable areas.

Planned Internal Audit Projects

For the year 2022, four internal audit projects are planned which focus on high-priority areas within the City. In addition, six internal audit projects may be undertaken in 2023 subject to change as new risks emerge in the City. If resources and time permit, the City Internal Auditor's Office may undertake additional internal audit projects in 2022 after discussion and approval of the Standing Policy Committee on Finance. In situations where the City Internal Auditor's Office plans to defer any approved internal audit projects, an approval will be obtained from the Standing Policy Committee on Finance. The 2022 Internal Audit Plan will be a flexible audit plan to respond to the emerging risks as the year progresses.

The proposed internal audit projects are classified under the following types:

Internal Controls – Assesses the design and operational effectiveness of control processes to mitigate the risks.

Value for Money – Assesses the efficiency, effectiveness and economy of the operations.

Information Technology – Assesses the controls related to management of information technology environments and related infrastructure, applications and data.

When identifying the internal audit projects, the City Internal Auditor has considered a balance between the internal controls, value for money and information technology audits. In addition, the internal audits planned have been spread across city operations to avoid concentration in a specific area.

In addition to the above, the following internal audit activities will be undertaken in 2022:

- Obtain regular status updates from Administration on the implementation status of past audit recommendations and conduct follow-up audits to assess that the audit recommendations are implemented effectively.
- Conduct investigations based on the complaints received through the Whistleblower Hotline and enhance the Whistleblower Program at the City.
- Provide on-going advisory services to Administration on new/existing business processes and key projects / initiatives with the intent to add value and improve the City's governance, risk management and control processes without assuming operational responsibility.

At the commencement of each approved internal audit project, a scoping document (Terms of Reference) will be prepared, which will be discussed with Administration and will be submitted to the Standing Policy Committee of Finance for approval.

Resources

The City Internal Auditor's Office approved 2022 budget of \$427,000 will be used for execution of the 2022 Internal Audit Plan. In addition, the Internal Audit Program Reserve (Reserve) has an unallocated balance of \$403,722 funded from previous years' unspent audit funds, which will be used as necessary. The City Internal Auditor's Office plans to hire a temporary internal audit staff to assist the City Internal Auditor in the execution of the internal audit projects and will also engage internal resources, where required. In addition, where necessary, some internal audit projects will be co-sourced to obtain appropriate level of subject matter expertise and skill set required. The City Internal Auditor's Office will be responsible for the effectiveness and timelines of all internal audit projects, including co-sourced projects.

2022 Internal Audit Projects (In Order of Priority)

#	Internal Audit Project, Audit Type and Staffing Approach	Key Facts	Link to 2022-2025 Draft Strategic Plan
1.	<p>Continuous Assurance (<i>Assurance - Internal Controls</i>) <i>Staffing Approach: In-house</i></p> <p><i>Implement continuous auditing and continuous monitoring around key business processes, which includes, but is not limited to, expense claims, P-Cards, procurement, payments, corporate revenue, employee payroll, human resources, information technology etc.</i></p> <p><i>Note: This will be on-going audit project with semi-annual reporting to the Standing Policy Committee on Finance</i></p>	<ul style="list-style-type: none"> • Through analysis of data and using technology, Continuous assurance will assess whether the controls are operating as intended on a continuous basis and detect any errors, over payments or fraud. • Continuous assurance will provide greater assurance on the whole population and closer to the occurrence of transactions. Thus, errors and frauds are detected earlier and at times before the money leaves the City. • Example of controls tests would include duplicate payments to employees / vendors, payments to fictitious employees / vendors, fraudulent expense claims / corporate credit card transactions etc. • IT and Fusion team expertise will be sought in understanding the data and developing the control test scripts. Where required, expertise from external consultants will be obtained. 	<p>Pillar: Drive Corporate Transformational Change – Efficiency and Effectiveness</p>
2.	<p>Project Management Processes including vendor performance management (<i>Assurance - Internal Controls</i>) <i>Staffing Approach: Co-source</i></p> <p><i>Assess that the City has strong project management processes in place to ensure projects are completed timely, at manageable cost and meets public expectations. This includes assessing management of the vendor contracts.</i></p>	<ul style="list-style-type: none"> • The City spends millions of dollars in undertaking large and complex projects and it is important the City has strong project management practices in place. • The City has implemented a project management framework which establishes a set of procedures, templates and tools to assist in standardizing the approach to project management. 	<p>Pillar: Deliver excellence in core services and operational priorities – Procurement and Project Management</p>
3.	<p>Fusion – Wave 1 Implementation (<i>Assurance – Internal Controls</i>) <i>Staffing Approach: In-house</i></p> <p><i>Assess the success of Fusion Wave 1 implementation as it relates to Finance, Supply Chain Management and Human Resources (Payroll, time and attendance etc.)</i></p>	<ul style="list-style-type: none"> • Fusion is one of the largest technological investments made by the City of Saskatoon and it has significantly changed the city's processes. Success of Fusion is critical to ensure the City's operations are working effectively and efficiently. • Fusion Wave 1 went live in January 2021 with Wave 2 planned to go live in early 2022. • The audit will assess areas at a higher level such as automation of controls, staff training, manual workarounds, tracking and resolution of issues, design of new processes and controls, access to systems, governance, monitoring and reporting. 	<p>Pillar: Deliver excellence in core services and operational priorities – Procurement and Project Management</p> <p>Pillar: Drive Corporate Transformational Change – Efficiency and Effectiveness</p>

#	Internal Audit Project, Audit Type and Staffing Approach	Key Facts	Link to 2022-2025 Draft Strategic Plan
		<ul style="list-style-type: none"> The audit will leverage on the work done by the external auditors / consultants, where possible, to minimize any duplication of efforts. 	
4.	<p>Fleet Services (<i>Assurance: Value for Money</i>) <i>Staffing Approach: Co-source</i></p> <p><i>Assess the effectiveness, efficiency, and economy of the services provided by Fleet Services.</i></p>	<ul style="list-style-type: none"> Fleet Services provides equipment management services for the Corporation's vehicles and equipment fleet, including purchasing, leasing, maintenance and repair, fuel distribution, and operator training. Currently, there are over 1,000 active fleet asset inventory with an estimated replacement value of \$112.7 million. The Fleet Maintenance Program is funded through the fleet services annual operating budget of \$17 million. The audit will also assess alignment with the Asset Management Plan for fleet services. 	<p>Pillar: Deliver excellence in core services and operational priorities – Civic Assets and Equitable and Accessible Service</p>

Potential Internal Audit Projects for 2023

#	Internal Audit Project, Audit Type and Staffing Approach	Key Facts	Link to 2022-2025 Draft Strategic Plan
1.	<p>Fire Rescue Operations (<i>Assurance: Value for Money</i>) <i>Staffing Approach: In-house</i></p> <p><i>Assess that the City has an effective fire rescue operation in place to protect its citizens</i></p>	<ul style="list-style-type: none"> The Saskatoon Fire Department provides response to all fire emergencies for the safety of the public and spends around \$52 million annually on fire operations. The fire response time target has not been met in the last 3 years and the year-over-year progress has declined. (Target is $\geq 90\%$ response within 6 minutes and 20 seconds, actual was 74.3% in 2020 and down from 2018 and 2019). 	Pillar: Deliver excellence in core services and operational priorities – Quality of Life and Public Safety
2.	<p>Procure to Pay Process (<i>Assurance - Internal Controls</i>) <i>Staffing Approach: In-house</i></p> <p><i>Assess the design and operating effectiveness of key controls pertaining to purchasing, receiving and payments.</i></p>	<ul style="list-style-type: none"> The City of Saskatoon spends over \$500 million annually on the procurement of goods and services and it is critical that the City has strong purchasing, receiving and payments controls in place to mitigate the financial, operational and reputational risks, including the risk of fraud. The City has recently implemented a new Fusion system for the procure to pay process. This audit will cover the end-to-end process from procurement to payments and will also assess if the controls are working as intended. 	<p>Pillar: Deliver excellence in core services and operational priorities – Procurement and Project Management</p> <p>Pillar: Drive Corporate Transformational Change – Efficiency and Effectiveness</p>
3.	<p>Corporate Asset Management (<i>Assurance – Internal Controls</i>) <i>Staffing Approach: In-house</i></p> <p><i>Assess that Administration has an effective corporate asset management program in place and the practices are aligned with various asset management plans.</i></p>	<ul style="list-style-type: none"> The City has developed asset management plans across key asset categories to manage infrastructure and ensure that the City's assets are capable of meeting the required levels of service. The asset categories include buildings and facilities, roads, sidewalks, bridges, overpasses, parks, fleet-vehicles and equipment, transit and access transit fleet, water, wastewater and storm and electrical utility. The audit will assess the current state and progress of the City's asset management strategy and the activities and practices against leading practices. 	Pillar: Deliver excellence in core services and operational priorities – Civic Assets
4.	<p>Employee Payroll Process (<i>Assurance - Internal Controls</i>) <i>Staffing Approach: Co-source</i></p> <p><i>Assess the design and operating effectiveness of key controls pertaining to payroll processes including time and attendance and overtime controls</i></p>	<ul style="list-style-type: none"> The City of Saskatoon's annual employee payroll (including overtime) amounts to approximately \$248 million. In addition, the City also provides payroll services to statutory boards and controlled corporations. It is important that payroll has strong controls in place to mitigate the risk of payroll errors and fraud. 	Pillar: Drive Corporate Transformational Change – Efficiency and Effectiveness

#	Internal Audit Project, Audit Type and Staffing Approach	Key Facts	Link to 2022-2025 Draft Strategic Plan
5.	<p>Cybersecurity Program Assessment (Assurance – Information Technology) Staffing Approach: Co-source</p> <p><i>Assess that the City has an effective cybersecurity program in place to protect and respond to cyber threats.</i></p>	<ul style="list-style-type: none"> • Cybersecurity threats continuous to pose significant risk to organizations. • The City has commenced a Cybersecurity Program in 2021 and will be implementing audit recommendations arising from the audit of Fraud Risk Program assessment conducted in 2019. • A cybersecurity assessment has recently been commenced by Administration to identify critical weakness in the cybersecurity protection and assist in enhancing, updating and strengthening the cybersecurity policies and procedures. • Internal Audit plans to commence an internal audit in 2023 and will leverage on the work done by the consultants, where possible, to avoid duplication of efforts. 	<p>Pillar: Drive Corporate Transformational Change – Efficiency and Effectiveness</p>
6.	<p>Waste Services (Assurance: Value for Money) Staffing Approach: In-house</p> <p><i>Assess whether the City's Waste Services is able to achieve its vision, mission, and desired outcomes in an efficient, effective, and economical manner</i></p>	<ul style="list-style-type: none"> • Waste Handling includes solid waste collections, the management of City-owned garbage carts, the landfill gas collection facility and the operation of the Saskatoon Regional Waste Management Facility (Landfill) to ensure solid waste is managed in a safe and environmentally sound manner. • Performance Measures have been established for increased waste diversion (70% by 2023). The year-over-year progress to meet the target has improved (26% in 2020) but the long-term progress needs improvement. • The City will be undergoing some changes to the waste services program. The audit will assess the impact of the changes and the audit timing. 	<p>Pillar: Deliver excellence in core services and operational priorities – Equitable and Accessible Service and Quality of Life and Public Safety</p> <p>Pillar: Drive Corporate Transformational Change – Customer Centric Service Delivery</p>