

2023 AUDIT PLAN

May 3, 2023



Introduction

The Independent Office of the City Auditor (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 Office develops an annual audit plan that is approved by the Standing Policy Committee on Finance. This document constitutes a 2023 Internal Audit Plan for the City of Saskatoon (City).

Approach

The following approach was adopted in the development of the 2023 Audit Plan:

- The City Auditor leveraged the detailed risk assessment that was conducted in the development of the 2022 Audit Plan and conducted a risk refresh to identify areas of focus for 2023.
- Reviewed key documents such as the 2022-2025 Strategic Plan, 2022-2023 Multi-Year Business Plan and Budget, and 2018 Strategic Risk Register to understand the direction, priorities, and areas for improvement for the City of Saskatoon.
- In 2021 and 2022, the City Auditor interacted with Administration to obtain insights into key risks. These insights were used to identify areas of focus for 2023.
- Reviewed Audit Plans of other cities and the previous Audit Plans developed for the City of Saskatoon to understand the audit focus areas.
- Reviewed the results from past audit projects 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 organizations in various industries and the audit priorities.
- Considered risk factors such as length of time since the last audit was conducted, dollar materiality, asset liquidity and the risk likelihood and impact.
- The City Auditor presented the recommended list of audit projects to the Standing Policy Committee on Finance in the April 2023 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 Auditor has developed a 2023 Audit Plan focusing on high-risk auditable areas.

Planned Audit Projects

For the year 2023, three audit projects are planned, which focuses on high-priority areas within the City. In addition, six audit projects may be undertaken in 2024, subject to change as new risks emerge in the City. If resources and time permit, the Office may undertake additional audit projects in 2023 after discussion and approval of the Standing Policy Committee on Finance. In situations where the Office plans to defer any approved audit projects, approval will be obtained from the Standing Policy Committee on Finance. The 2023 Internal Audit Plan will be a flexible audit plan to respond to emerging risks as the year progresses.

In addition to the above, the following audit activities will be undertaken in 2023:

- Conduct investigations based on the complaints received through the Whistleblower Hotline and enhance the Whistleblower Program at the City.
- Provide ongoing 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 a new audit project, a scoping document (Terms of Reference) will be prepared, which will be discussed with Administration and submitted for approval to the Standing Policy Committee of Finance.

Resources

The Office approved 2023 budget of \$427,000 will be used for the execution of the 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 Office will use a combination of in-house and external resources to execute the audits.

2023 Audit Projects (in order of priority)

#	Audit Project, Audit Type and Staffing Approach	Key Facts and Rationale	Link to 2022-2025 Strategic Plan
1.	<p>Financial Review (Assurance – Financial) <i>Staffing Approach: Co-source</i></p> <p>Assess the City’s operating financial condition compared to other municipalities and provide recommendations to avoid future operating deficits.</p>	<ul style="list-style-type: none"> • The City has posted operating deficits in the last several years. For example, in 2021 and 2022, the City’s preliminary year-end financials showed \$ 6.54 million and \$ 10.99 million in deficits in the civic operating programs. The City funds the deficits through fiscal stabilization reserve and other means. • It is important that the City’s budget and actuals are in line to avoid operating deficits and to deliver the services its residents expect with the resources provided, endure economic challenges, and respond to change. It also puts less pressure on the depleting reserves. • The audit will compare the City’s operating budget and actual results and process with other municipalities and provide value-added recommendations to mitigate future operating deficits. • The audit report will be presented in Quarter 4, 2023. 	<p>Pillars:</p> <p>Advance City Council’s Priorities – All Categories</p> <p>Deliver excellence in core services and operational priorities – All Categories.</p> <p>Drive Corporate Transformational Change – All Categories</p>
2.	<p>Follow-up audit - Investigation of service disruptions in Saskatoon Transit (Assurance – Internal Controls) <i>Staffing Approach: In-house</i></p>	<ul style="list-style-type: none"> • An investigation of services disruptions in Saskatoon Transit in the winter of 2021-2022 was conducted, and a detailed report was presented to the SPC on Transportation in the November 2022 public meeting. • In accordance with the Committee’s earlier direction, the Office will conduct a detailed follow-up to assess whether the audit recommendations provided in the report were effectively implemented. The follow-up report will be presented to SPC on Transportation in Quarter 4, 2023. 	<p>Pillar: Advance City Council’s Priorities – Transportation</p> <p>Pillar: Deliver Excellence in Core Services and Operational Priorities – City Assets, Equitable and Accessible Service, Quality of life and public safety</p> <p>Pillar: Drive Transformational Change – Customer-centric service delivery and efficiency and effectiveness</p>

#	Audit Project, Audit Type and Staffing Approach	Key Facts and Rationale	Link to 2022-2025 Strategic Plan
3.	Audit Recommendations Status Update and Follow-up (Assurance – Follow-up) <i>Staffing Approach: Co-source</i>	<ul style="list-style-type: none"> • The Office will obtain status updates from the Administration on the implementation status of past audit recommendations and conduct validations to assess whether the audit recommendations are implemented effectively. • For 2023, the Office will work collaboratively with Administration to discuss and assess the practicality and cost-effectiveness of implementing the past outstanding audit recommendations, re-assess the risk rating of the audit recommendations and consider alternative actions that have already been undertaken or can be undertaken to mitigate the risks. • Due to additional efforts required, the Office will present the audit report in Quarter 2, 2024. 	Pillars: Advance City Council's Priorities – All Categories Deliver excellence in core services and operational priorities – All Categories. Drive Corporate Transformational Change – All Categories

Potential Audit Projects for 2024

#	Internal Audit Project, Audit Type and Staffing Approach	Key Facts	Link to 2022-2025 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). 	<p>Pillar: Deliver excellence in core services and operational priorities – Quality of Life and Public Safety</p>
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 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 that 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 and sidewalks, bridges and 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. 	<p>Pillar: Deliver excellence in core services and operational priorities – Civic Assets</p>
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. 	<p>Pillar: Drive Corporate Transformational Change – Efficiency and Effectiveness</p>

#	Internal Audit Project, Audit Type and Staffing Approach	Key Facts	Link to 2022-2025 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 to protect and respond to cyber threats.</i></p>	<ul style="list-style-type: none"> • Cybersecurity threats continue to pose a significant risk to the City. • The City has commenced a Cybersecurity program in 2021 and will be implementing audit recommendations arising from the audit of the fraud risk program assessment conducted in 2019. • The Office plans to commence an audit in 2024 and will leverage 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>