

Audit Committee Report

DATE: Monday, January 27, 2025

WARD(S): ALL

TITLE: 2025 INTERNAL AUDIT RISK BASED WORK PLAN

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: DECISION

Purpose

To present the 2025 Internal Audit Risk Based Work Plan, for approval.

Report Highlights

- The 2025 Internal Audit Risk Based Work Plan was developed using a risk assessment process and information gathered from various sources.
- The work plan is aligned with the 2022 – 2026 Term of Council Service Excellence Strategic Plan.
- The 2025 work plan will remain dynamic and flexible to address emerging risks and issues throughout the year.
- Internal Audit will be able to independently and objectively execute the projects identified in the work plan.

Recommendation

1. That the 2025 Internal Audit Risk Based Work Plan be approved.

Background

The Internal Audit Department adds value to the City by providing objective and relevant assurance and contributes to the effectiveness and efficiency of governance, risk management and control processes. Internal Audit's core responsibilities are to conduct risk based operational and compliance audits and provide advisory services where requested.

According to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and the City's Internal Audit Policy, Internal Audit has a responsibility to develop an audit work plan that reflects the current and emerging risks within the City. The Internal Audit Risk Based Work Plan was developed using a risk assessment process that combined financial, reputational, compliance and operational criteria.

Previous Reports/Authority

Not Applicable

Analysis and Options

The Committee of Sponsoring Organizations (COSO) defines risk assessment as a dynamic and iterative process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed. Management considers possible changes in the external environment and within its own business model that may impede its ability to achieve its objectives. A risk factor is an observable or measurable indicator of conditions or events that could adversely affect the City.

Internal Audit performed an entity wide risk assessment in the summer of 2024 to inform the 2025 and 2026 audit plan priorities. A total of 77 entities were identified in the City's audit universe, by analyzing budget documentation and by reviewing the City's organizational chart. For some areas, we consolidated entities to create efficiencies for the purposes of conducting future audits.

A management survey, which measured strategic, reputational, compliance and operational risks was developed, and completed by either the Director or Manager directly responsible for the entity. The survey contained a total of 22 closed questions and 1 open ended question.

After the completion of the survey, the Director of Internal Audit followed up with management where further explanations were required and to determine whether any of the survey answers needed to be further updated.

The Director of Internal Audit met with each member of the Senior Leadership Executive team to revisit these results and identify any emerging risks or areas of potential concern.

In addition to the entity wide risk assessment, other sources were used for determining risk and work plan priorities. These include:

- Discussions with the senior leadership team members
- Insight from Council
- Financial significance
- Current and emerging risks in the local government sector
- High profile issues in other municipalities

- Management requests
- Themes from previous audits and investigations
- Significant change initiatives

Based on current available resources, a list of priority projects for 2025 has been established

The general philosophy of the Internal Audit Work Plan is that:

- The work plan is not fixed. The intent is a dynamic plan where new projects can substitute existing projects. The Director of Internal Audit has the authority to substitute projects but advises Council, through the Audit Committee, as to the reasons why.
- The Audit Committee has the authority to request projects that are not on the work plan.
- A limited amount of time is built in to accommodate special management requests.

Additional staff may be required if the risk profile changes significantly or if there is a demand for more audit service. In addition, subject to available funding, some projects can be co-sourced. Co-sourcing is helpful when special skills are required to do technically specific projects such as information technology audits.

Time available to complete the work plan considers statutory holidays, vacations, absences, training and various administrative functions. Direct audit time includes work plan audit projects, administration of the anonymous reporting system, special request audits received throughout the year, and advice and education to audit clients on controls, emerging issues and new corporate initiatives. Direct time also includes audit research, quality assurance and improvement initiatives, the maintenance of the internal audit methodology and audit planning.

Times to complete projects are estimates only and reflect historical experience. Risk based Internal Audits require client participation to identify risks, agree on issues and develop management action plans.

The table below outlines the 2025 Internal Audit Risk Based Work Plan projects:

Audit Project	Rationale and Risks	Strategic Plan Area of Focus
<p>Vaughan Public Libraries Audit</p>	<p>Rationale: Vaughan Public Libraries (VPL) provides a valuable service to the residents of Vaughan, reaching out to people of all ages to provide access to a wide variety of materials and equipment, as well as promote learning and community education. More importantly, VPL is a centre for community activity. By participating in a wide variety of innovative programs and services, residents can become more involved in community life and explore the rich cultural and social diversity that makes Vaughan such a great city to live in. VPL currently has 13 locations, with a 14th location expected to be open the beginning of 2025.</p> <p>Risk: VPL continues to recover from the usage decrease during the COVID-19 lockdown and has now exceeded the library usage seen in 2019. Continued steady growth is projected over the next four years. VPL has developed goals and strategies aimed at providing collections, programs and services which meet the needs and demands of all citizens. The goal is to further tailor the resources and services to Vaughan residents and increase the overall activity level. VPL will need to remain dynamic and flexible to meet their objectives in an efficient and effective manner while ensuring satisfaction and excellence in service delivery.</p>	<p>Active, Engaged and Inclusive Communities</p>
<p>Vaughan Fire and Rescue Services Administration Audit</p>	<p>Rationale: Vaughan Fire and Rescue Service (VFRS) is mandated to deliver timely and effective mitigation of emergencies, to ensure fire code compliance and to promote the prevention, education and preparedness for emergency situations for the residents of Vaughan. The three lines of defense for fire protection includes public education, enforcement and suppression.</p> <p>Effective prevention and public fire safety education are likely to have a direct and substantial positive impact on reducing the demand on emergency response services. Public education is considered a proactive activity that promotes fire safety through the community.</p> <p>Risk: It is vital for the City to provide public education and fire investigation services. This ensures that buildings and properties are constructed and maintained in accordance with applicable fire and life safety regulations. It is important for these activities to be administered efficiently and effectively.</p>	<p>Community Safety and Well-being</p>

Audit Project	Rationale and Risks	Strategic Plan Area of Focus
<p align="center">Corporate Security Audit</p>	<p>Rationale: Facility Management Operations maintains and manages the security of all City of Vaughan owned buildings and is responsible for developing, implementing and maintaining a security strategy throughout the organization as it relates to the Criminal Code of Canada, Trespass to Property Act and the Public Works Protection Act.</p> <p>Risk: Not having an effective corporate security strategy can result in increased risk to public safety, damage to City property and increased liability and reputational risk.</p>	<p align="center">Community Safety and Well-being</p>
<p align="center">Payroll Audit</p>	<p>Rationale: Payroll is responsible for processing salaries and hourly wages for approximately 2000 Management, Union, Part-time, Contract and Seasonal employees. Employee pay is processed and deposited into employee bank accounts biweekly. It is important that records are correct, employees are paid according to the time worked and payroll is processed accurately and timely.</p> <p>Risk: Without effective controls in place, there is a risk that employees may not be paid correctly or in a timely manner.</p>	<p align="center">Service Excellence and Accountability</p>
<p align="center">Purchasing Card Audit</p>	<p>Rationale: The City has a Purchasing Card (P-Card) policy and procedures in place that governs when and how P-cards are to be used. P-Cards allow for the purchase of low value goods in a timely and cost-effective manner. When properly issued and used, they support the purchase of low value goods more efficiently with the capability of improving control and accountability.</p> <p>In the fall of 2024, the City switched P-card providers. The new platform is expected to streamline the P-Card process as cardholders will now be able to upload receipts digitally with their managers approving the transactions online.</p> <p>Risk: It is important that policy and procedures are updated to accurately reflect the process changes and appropriate oversight is in place to ensure the P-Card program is achieving its intended outcomes. If P-Cards are not used properly or in compliance with policy, the City could face some degree of financial loss, as well as public exposure or reputational risk leading to citizen and vendor dissatisfaction.</p>	<p align="center">Service Excellence and Accountability</p>

Audit Project	Rationale and Risks	Strategic Plan Area of Focus
<p>Construction Audit of Carville Community Centre: Phase 3 – Close Out</p>	<p>Rationale: The Construction Audit of the Carville Community Centre will encompass the complete lifecycle of the project and will be conducted in three phases. Individual Capital Projects can represent a significant investment for the City. Large projects are managed from a variety of aspects including financial, timeliness and meeting deliverables. Audits of individual projects can provide assurance that risks are effectively managed.</p> <p>The audit will examine whether the lessons learned from the Construction Audit of Fire Station 7-4 have been applied to this project.</p> <p>Risk: If projects are not effectively managed the greatest risk is they do not meet their deliverables either by not being on time or on budget. Projects that are late or over budget can lead to financial loss, quality reduction and erosion of public trust.</p>	<p>City Building and Active, Engaged and Inclusive Communities</p>
<p>Internal Audit Department Annual Report</p>	<p>Rationale: In accordance with the City's Internal Audit Policy, an annual report shall be submitted to the Audit Committee outlining the annual activities of the Internal Audit Department.</p> <p>This report will outline the activities of the Internal Audit Department for the period January 1 through December 31, 2024. It is not a report on the results of the audits conducted, as this information is presented separately throughout the year.</p>	<p>Service Excellence and Accountability</p>
<p>General Internal Audit Follow-up Program</p>	<p>Rationale: As part of the Internal Audit reporting process, Internal Audit and clients agree on action plans to address issues identified in the report. Follow-up is done to determine if the action plans have been implemented.</p> <p>Risk: If action plans are not followed up there is the risk they may not implemented. Risk and control exposures could still be outstanding that could have a negative impact on the City. There is also the risk that initial action plans may not have been suitable. Internal audit can work with clients to develop more suitable plans if follow-up is done.</p>	<p>Service Excellence and Accountability</p>
<p>Anonymous Reporting System Administration</p>	<p>Rationale: The City's Anonymous Reporting System was implemented on April 15, 2014, as an additional mechanism for employees to confidentially and anonymously report suspected fraud and code of conduct violations.</p> <p>Report intake is operated independently by a third party and is accessible by internet and toll-free phone number. It is available 24 hours a day, 7 days a week.</p>	<p>Service Excellence and Accountability</p>

Audit Project	Rationale and Risks	Strategic Plan Area of Focus
	An employee who chooses to file a report is asked to create a password and is provided with a unique case tracking number so that they can log back into the system to follow the progress of their report, provide further details and to answer any questions posed by the investigator, a member of the City's Internal Audit team. Depending on the nature of the issue, management may be required to assist Internal Audit with an investigation.	

Financial Impact

Not Applicable.

Broader Regional Impacts/Considerations

Not Applicable.

Conclusion

The 2025 Internal Audit Risk Based Work Plan has been developed using the best available information and is aligned with the City's Term of Council Strategic Priorities. Based on existing resources, Internal Audit will be able to independently and objectively carry out the priority projects identified in this work plan.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293.

Attachments

None.

Prepared by

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