
Subject: 2019 Internal Audit Plan

Report to: Audit Committee

Report date: Monday, February 4, 2019

Recommendations

That the 2019 Internal Audit Plan attached as Appendix I of Report AC-C 5-2019, **BE APPROVED.**

Key Facts

- The 2019 Internal Audit Plan was developed based on feedback obtained from Audit Committee members, Corporate Leadership Team and selected directors as well as a comprehensive risk assessment of the organization and jurisdictional scan of internal audit plans from comparable Ontario municipalities.
- Internal Control & Organizational Performance (ICOP) is well positioned to independently and objectively carry out the projects identified in this Audit Plan.
- The objective of this 2019 Internal Audit Plan is to provide independent, objective assurance and advisory services designed to add value and improve the organization's operations and system of internal controls.

Financial Considerations

The execution of this Audit Plan will be performed within the confines of the operating budget of the Internal Control & Organizational Performance division. Outcomes from audit projects may have a financial impact on the 2020 budget or beyond.

Analysis

The mission of internal auditing is to provide independent and objective assurance and consulting services designed to add value and improve Niagara Region's operations by bringing a systematic and disciplined approach to evaluate risk management activities, internal controls and governance processes. The ICOP division has a professional obligation to develop a comprehensive risk-based annual audit plan. This is consistent with recommendations published by professional associations including the Institute of Internal Auditors (IIA) and the Chartered Professional Accountants (CPA) of Canada. Our mandate includes the processes, programs and functions of Niagara Region but does not include local Agencies, Boards, Commissions or local area municipalities.

The 2019 Internal Audit Plan was developed based on the following sources:

- Consultation meetings with Audit Committee members and the Regional Chair
- Consultation meetings with members of the Corporate Leadership Team and selected directors
- A risk assessment of processes, programs and functions across the organization
- A jurisdictional scan of hot topics, emerging risks and auditable areas in other local municipal organizations
- Requests from business units to proactively support program delivery

The two principle objectives of the 2018 Internal Audit Plan are:

- Provide assurance to the Audit Committee and Management that internal controls are operating effectively within the areas under review
- Provide recommendations to Management (where applicable) to continuously improve operations, increase efficiencies, mitigate risks or close control gaps

The approach and methodology practiced by the ICOP division will conform to the *International Standards for the Professional Practice of Internal Auditing* (IIA Standards). In 2019, we will self-assess our conformance to these standards for the second time, then report the results to Audit Committee. An Internal Quality Assessment will occur every year, while an External Quality Assessment will occur every five years.

Generally we follow a risk-based approach to auditing; at the commencement of each audit project, we perform a comprehensive risk assessment to identify potential risks and map associated internal controls. Typically, only controls related to high and medium risks are tested. Internal controls are tested in a variety of ways and often the approach is dependent upon specific circumstances. Our audit approach typically includes:

- Observation
- Inspection
- Re-performance / re-calculation
- Analytical procedures
- External confirmation
- Inquiry

The composition of the ICOP team includes a balance of experience and skill sets to adequately complete the portfolio of audit projects. For projects where the ICOP team lacks the required skill set or resources to execute an audit project, a qualified external auditing firm will be retained to perform the work (i.e. Information Technology audits). Further personnel details are identified below:

Name	Title	Credentials	Start Date
Maciej Jurczyk	Director, ICOP	CPA, CMA, CIA, CRMA	26-Jun-17
Frank Marcella	Internal Auditor	MPA, Bed, CGAP	25-Aug-14
Mafu Ojisua	Process & Compliance Auditor	CPA, CMA	20-Nov-17
Vacant	Process & Compliance Auditor	-	-
Xiang (Henrik) Gao	Internal Audit Analyst	MBA	4-Sep-18

The resulting Audit Plan identified in Appendix I identifies 8 audit projects recommended to be performed by ICOP staff during the forthcoming year. It also identifies the scope, rationale and inherent risks for each audit project. The table below summarizes the 2019 Audit at a high level:

Employee benefits claims
Procurement: Sole / Single sourced
HR Employee On-boarding and Off-boarding
Driver Certification Program
Waste Management - Contract Compliance
Homelessness Service Providers Contract Compliance Audit
LTC Homes Risk Assessment
Water Treatment Operations Risk Assessment

In addition to performing independent and objective audit projects, the 2019 Audit Plan also sets time aside for:

1. Following-up with Management on historical audit findings
2. Reporting to the Audit Committee
3. Performing an Internal Quality Assessment
4. 2020 Audit Planning
5. Providing advisory services to Management or external stakeholders (i.e. LAM's) in the areas of: risk, internal controls, corporate governance and/or performing investigations (if required)
6. Assisting the External Auditor (if required)
7. Administrative time

ICOP will report to the Audit Committee on a quarterly basis with a status update of each approved audit project, completed Audit Reports and a dashboard of ICOP performance measures. Throughout 2019, ICOP will be responsive and flexible to accept new assurance or advisory projects identified by the Audit Committee or the Corporate Leadership Team.

Finally, ICOP has identified a tentative Three Year Audit Plan with the following assurance and advisory projects for the period 2020 – 2022. ICOP will re-evaluate the

Audit Plan on an annual basis with a goal of prioritizing high risk processes, programs and functions.

POA Revenue
Vendor/Consultant Performance
Real Estate Procurement & Disposition
Waste-water Operations Risk Assessment
Bridge Inspection Program
IT Cyber security & access controls
Vaccine inventory controls
Payment Card Industry (PCI) Compliance
Investments
Insurance
Facility Repairs, Energy and Occupancy of Regional sites
Facility Physical Access & Security
Occupational Health & Safety
Ontario Works Eligibility Assessment Process
Niagara Specialized Transit Performance
Business Continuity Management & Disaster Recovery Planning

Alternatives Reviewed

Preparing an annual audit plan is a best practice and professional requirement as prescribed by professional associations including the Institute of Internal Auditors, therefore not preparing a plan was not considered. Within the plan, various options for audit projects were considered, with many of these alternatives included above.

Relationship to Council Strategic Priorities

This Audit Plan was designed to align with the past term of Niagara Regional Council's Strategic Priority of "Advancing Organizational Excellence". Specifically, Value For Money audits were identified and approved as a Council Strategic Priority.

Other Pertinent Reports

CBPCOTW CAO-Our Way Forward – FINAL dated February 23, 2017
AC-C 4-2017 Audit Committee Terms of Reference Revisions
AC-C 14-2017 2017 Interim Audit Workplan
AC-C 6-2017 2018 Internal Audit Workplan

Prepared by:

Maciej Jurczyk, CPA, CMA, CIA, CRMA
Director
Enterprise Resource Management
Services

Recommended by:

Todd Harrison, CPA, CMA
Commissioner
Enterprise Resource Management
Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was reviewed by Frank Marcella, Internal Auditor, Mafu Ojisua, Process & Compliance Auditor, Xiang (Henrik) Gao, Internal Audit Analyst and Kristen Delong, Manager, ICOP.

Appendices

Appendix 1 2019 Annual Audit Plan