



January 8, 2018

City of Saskatoon SPC on Finance
222 Third Avenue North
Saskatoon, Saskatchewan S7K 0J5

2018 Internal Audit Plan

Recommendation:

1) That the enclosed 2018 Internal Audit Plan be approved.

Please find enclosed the 2018 internal audit plan, representing the 1,400 hours to be delivered for the 2018 year plus carry-forward hours from 2017 as indicated in the enclosed document.

We anticipate commencing planning and preparation for each of the individual projects immediately upon approval of the 2018 Internal Audit Plan by the SPC on Finance and will bring individual Statements of Work for each project for the SPC on Finance's approval once they have been prepared.

Please note that the audit plan contains estimated hours and fees for each project to be conducted within a year and also contains a total number of contracted hours and fees for the year, based on the "Internal Audit Services Agreement" dated January 1, 2015 between PricewaterhouseCoopers LLP and the City of Saskatoon. While the contracted hours and fees within a year are fixed, there may be some adjustments to the estimated hours and fees allocated to the individual projects within the course of the year as detailed Statements of Work are developed with the Administration and presented to the SPC on Finance for approval. Any adjustments from the approved audit plan will be included in the recommendation to the SPC on Finance at the time of submission of the detailed Statement of Work for approval.

Yours truly,
PricewaterhouseCoopers LLP

A handwritten signature in black ink, appearing to read "Jesse Radu", written in a cursive style.

Jesse Radu, CPA, CA
Partner

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City of Saskatoon 2018 Internal Audit Plan

For the approval of the SPC on Finance
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Introduction

Risk registers have been developed for each key strategic risk and have been updated and reviewed by the Corporate Risk Committee. While the strategic risk assessment provides a starting point for the Internal Audit Plan, the Inherent and Residual Risk Scores associated with each Strategic Risk assist in further refinement. Those risks with higher Inherent and Residual risks are, generally speaking, afforded higher priority by the Internal Audit Plan as are those with either high or medium priority assigned by City Council.

Assumptions, risk and priority coverage

- A common target for internal audit functions is to address 80% to 100% of high risk areas within a 3 to 5 year cycle, plus emerging issues and management and professional standards requirements.
- In the initial plan presented in July 2015, all high priority areas were covered by projects in the first 3 years of the plan. In the revised plan, all high priority areas continue to be covered although some projects addressing medium risk areas have been moved ahead in order to avoid overlap (i.e. several projects addressing MA-1 re: roads, snow and ice, sidewalks, bridges) as well as to take audit readiness into consideration.
- As part of the continuous risk assessment cycle, changes can be applied to the initial 5-year Internal Audit Plan. In 2016 we were presented with emerging issues to address which resulted in projects related to Multi-Year Budgeting and Saskatoon Land. Similarly, the Carbon Reduction initiative was added to the 2017 plan to address the emerging risk.
- Consideration is also given to audit readiness. Internal Audit works with Administration to identify those areas where, despite Inherent and Residual risk, there may not be audit readiness at the time of development of the Internal Audit plan due to significant work being undertaken currently (or planned for in the near future) by the Administration to identify and address gaps.
- Each “Audit Area”, or internal audit project included in the plan is mapped to the corresponding risk from the Strategic Risk Master Register as well as the Risk Narrative, along with a brief description of the high level scope of the project. The scope of work will be further defined with Administration and confirmed in a Scope of Work (or “SOW”) document.
- An overview of the status of delivery on the 2015-2019 Internal Audit mandate is included on the following page.

2015-2019 Internal Audit mandate – status of delivery

The table below provides an overview of the status of delivery of our internal audit mandate. The detailed list of projects delivered to date and planned for the remainder of the 5-year mandate are included in **Appendix 1**, for the SPC on Finance’s reference.

		Cumulative hours			Cumulative audit fee (\$ 000)		
Year of the Internal Audit mandate	Period of delivery	Planned	Actual	Carry over	Planned	Actual	Carry over
1.	2015	1,400	1,150	250	\$223	\$188	\$35
2.	2015-2016	2,800	2,375	425	\$451	\$392	\$60
3.	2015-2017	4,200	3,925	275	\$683	\$651	\$32
4.	2015-2018	5,600	[Information not yet available.]				
5.	2015-2019	7,000					

During the three years 2015-2017 of the Internal Audit mandate, a total of 3,925 (93%) of planned hours were delivered. As a result, there are 275 carryover hours into 2018 in order to deliver on projects planned for completion by the end of 2018.

2018 Internal Audit Plan – for approval by SPC on Finance

As part of the annual Internal Audit planning cycle, we would like to present an overview of proposed Internal Audit activities for 2018, for the review and approval of the City of Saskatoon’s SPC on Finance. These projects are developed based on consideration given to the initial 2015 Internal Audit risk assessment and updated based on discussions with Administration and considerations of the City’s current risk landscape, as highlighted in the December 4 “2017 Year-End Update on Key Strategic Risks”.

Audit area	Risk Description	Project Type	Time (Hrs)	Audit Fee (\$000)
Contract Management	The City’s purchases may not be in accordance with approved policy. [A&FS-12]	<p>Assessment of the user departments' level of compliance with the City’s contract management policies and procedures in place. The project will focus on the areas of contract sourcing, execution, delivery and contract management activities, across the organization. The audit will be performed by a combination of applying data analytics, to the extent applicable, and testing a sample of procurements and purchases made in the period of January 1 to December 31, 2017. The audit will consider Administration's ongoing efforts regarding policy updates, as applicable to any area for improvement noted.</p> <p>Alternatively, Internal Audit could also perform a targeted contract deep-dive to evaluate the performance of specific partners or contractors, adherence to contractual terms and conditions and to provide recommendations for improvement and opportunities for commercial optimization. Involves use of contract compliance and procurement subject matter experts.</p>	450	\$76
Privacy of Information	The City may not be adequately protecting information created by or entrusted to it. [A&FS-9]	<p>Assessment of procedures and controls in place to comply with the regulatory requirements regarding privacy of information. The project will focus on the City’s existing framework for information management and governance policies, Privacy Impact Assessment Process, Privacy Policy (in development) and administrative processes regarding City Clerk’s Office handling of information.</p> <p>Involves use of privacy subject matter experts.</p>	240	\$41

2018 Internal Audit Plan – for approval by SPC on Finance (cont.)

Audit area	Risk Description	Project Type	Time (Hrs)	Audit Fee (\$000)
Cyber Security (Option A - Note 1)	The City may not be adequately protecting information created by or entrusted to it. [A&FS-9]	Assessment of the City’s IT Security Program to evaluate adequacy of risk mitigation activities and to identify vulnerabilities of the City’s key IT systems. The project will focus on the existing risk assessment related to these areas as well as the existing information management strategy and information security program that are in place to address the confidentiality, integrity and availability of business information systems. Involves use of cybersecurity specialists.	450	\$76
Infrastructure Investment Evaluation (Option B - Note 1)	The City’s infrastructure investments may not correspond to growth trends and forecasts for the local or regional economy / The City may not be aligning its financial resources in a way that supports its priorities, strategic goals and core services. [SG-2 and A&FS-5]	Assessment of the City’s current investment planning and prioritization processes around the deployment of capital investment for infrastructure projects and processes to minimize the risk of under/over investment. The project will include conducting a peer review of other select comparable North American cities to benchmark the City’s current approach to capital investment planning and prioritization. The objective of the project is to identify gaps between North American best practices and the existing approach at the City and provide a reasonable roadmap to address those. Involves use of capital projects and infrastructure specialists.		

Note 1 – The two projects have been identified for inclusion in the 2018 Internal Audit plan, based on the 2017 Year-End Update on Key Strategic Risks presented by Administration to the SPC on Finance on December 4, 2017. Internal Audit will work with Administration in January 2018 to evaluate which of these projects should be completed as part of the 2018 Internal Audit plan and which one to defer to 2019. The number of proposed hours and audit fee are identical for the two projects.

2018 Internal Audit Plan – for approval by SPC on Finance (cont.)

Audit area	Risk Description	Project Type	Time (Hrs)	Audit Fee (\$000)
Parks and Recreation	Continued from 2017 audit plan.	Continuation from 2017 audit plan.	260	\$44
TOTAL			1,400	\$237

Appendix 1

2015-2019 Internal Audit mandate – status of delivery

The table below provides an overview of the status of projects included in Internal Audit’s 2015-2019 mandate.

#	Audit area	Risk narrative and reference	Project type	Year	Status
1.	Risk Assessment	[Not applicable.]	Initial risk assessment and audit plan preparation.	2015	Completed
2.	Road Maintenance	The City may not be investing enough money in its transportation infrastructure to maintain an acceptable condition and level of service. [MA-1]	Assessment of economy, efficiency and effectiveness of the program.	2015	Completed
3.	Snow and Ice Management	The City may not be investing enough money in its snow and ice management program to maintain an acceptable condition and level of service. [MA-1]	Assessment of economy, efficiency and effectiveness of the program.	2015/ 2016	Completed
4.	Asset Life Cycle Costs	The City may not be considering the total costs of asset ownership when making investment decisions. [A&FS-2]	Review of capital budgeting process and identify improvements to incorporate asset life cycle costs including future operating cost impact.	2016/ 2017	Completed
5.	Transit Services - Staff Scheduling	The City may not be investing enough money in its public transit infrastructure to maintain an acceptable level of service. [MA-3]	Assessment of economy, efficiency and effectiveness of the program.	2016/ 2017	Completed
6.	Revenue Generation	The City may be unable to adequately diversify its revenue sources. [SG-1]	Assessment of potential options with respect to additional revenue generation.	2016/ 2017	Completed

2015-2019 Internal Audit mandate – status of delivery (cont.)

#	Audit area	Risk narrative and reference	Project type	Year	Status
7.	Human Capital Planning and Management	The City's existing strategies may not be adequate to attract, hire, manage, develop and retain top talent to support existing and future operations. [CI-2]	Assessment of human capital strategies with respect to attracting, developing and retaining talent.	2017	On track
8.	Business Continuity	The City may not be prepared to timely and effectively resume operations in the event of serious incident, accident, disaster or emergency. [A&FS-1]	Assessment of the disaster recovery and business continuity plans in place.	2017	On track
9.	CO2 Reduction Initiatives	The City may fail to identify and pursue corporate CO2 reduction initiatives. [EL-3]	Assessment of the City's environmental strategy in place, including CO2 reduction initiatives and carbon tax implications.	2017	On track
10.	Parks and Recreation	The City may not be investing sufficient funds in its parks infrastructure to maintain an acceptable condition and level of service. [QL-1]	Assessment of economy, efficiency and effectiveness of the program.	2017/ 2018	On track
11.	Contract management	The City's purchases may not be in accordance with approved policy. [A&FS-12]	Assessment of the user departments' level of compliance with the City's contract management policies and procedures in place.	2018	Planned (Note 1)
12.	Privacy of information	The City may not be adequately protecting information created by or entrusted to it. [A&FS-9]	Assessment of procedures and controls in place to comply with the regulatory requirements regarding privacy of information.	2018	Planned (Note 1)

2015-2019 Internal Audit mandate – status of delivery (cont.)

#	Audit area	Risk narrative	Project type	Year	Status
13.	Cyber security	The City may not be adequately protecting information created by or entrusted to it. [A&FS-9]	Assessment of IT security policies, procedures and practices in place.	2018	Planned – Option A (Note 1)
14.	Infrastructure Investment Evaluation	The City’s infrastructure investments may not correspond to growth trends and forecasts for the local or regional economy / The City may not be aligning its financial resources in a way that supports its priorities, strategic goals and core services. [SG-2 and A&FS-5]	Assessment of current investment planning and prioritization processes around the deployment of capital investment for infrastructure projects. Assessment of management’s process to minimize the risk of under/over investment.	2018	Planned – Option B (Note 1)
15.	Citizen Engagement Process	The City’s engagement and communications initiatives and opportunities may not be effectively reaching its citizens. [CI-1]	Assessment of processes in place for engaging with citizens including customer response.	2019	TBC (Note 2)
16.	Sidewalks	The City may not be investing enough money in its transportation infrastructure to maintain an acceptable condition and level of service. [MA-1]	Assessment of economy, efficiency and effectiveness of the program.	2019	TBC (Note 2)
17.	IT Governance	The City’s information technology strategy may not be properly aligned with the organization’s goals and objectives. [A&FS-7]	Assessment of IT governance process in place including IT goals and initiatives and their alignment to business needs.	2019	TBC (Note 2)

2015-2019 Internal Audit mandate – status of delivery (cont.)

#	Audit area	Risk narrative	Project type	Year	Status
18.	Building Maintenance	The City may not be investing enough money in its facilities to maintain an acceptable condition and level of service. [SG-3]	Assessment of economy, efficiency and effectiveness of the program.	2019	TBC (Note 2)
19.	Bridge Maintenance	The City may not be investing enough money in its facilities to maintain an acceptable condition and level of service. [MA-1]	Assessment of economy, efficiency and effectiveness of the program.	2019	TBC (Note 2)

Note 1: Projects included in the 2018 Internal Audit Plan, for the review and approval of the SPC on Finance.

Note 2: “To Be Confirmed” or “TBC”. Potential projects for inclusion in the 2019 Internal Audit Plan, based on the initial risk assessment performed in 2015, subject to change. The relevance and priority of these projects will be reviewed as part of the annual audit planning cycle in November-December 2018, based on the re-evaluation of the City’s risk landscape. The list of proposed projects will consider available Internal Audit budget set at 1,400 hours of delivery.