

**Date:** 2023-10-29

**Subject:** **Internal Audit Work Plan Status Update November 7 2023**

**Contact:** Claire Mu, Director, Internal Audit

**Report Number:** CAO's Office-2023-939

**Recommendations:**

1. That the report from Claire Mu, Director, Internal Audit, Office of the CAO to the Audit Committee Meeting of November 7, re: **Internal Audit Work Plan Status Update**, be received.

**Overview:**

- This report provides an update on the 2023 Internal Audit Work Plan as set out in Appendix 1.
- On average, the Internal Audit Division was staffed at 50 percent capacity throughout 2023 due to staff departures resulting from below-market compensation and difficulty in filling vacancies. Internal Audit worked with HR and the CAO's Office and adjusted the pay scale for audit staff. Three vacancies have been filled (Manager, Audit Project Lead, and Senior Advisor, Audit Communications) to bring us to 77% capacity.
- Internal Audit expects that the remaining two additional vacancies will be filled by mid-November.
- Internal audit is on track to complete the modified 2023 Internal Audit Work Plan.

**Background:**

The Director of Internal Audit is required to report periodically to the Audit Committee regarding the Internal Audit Work Plan ('Work Plan') and progress against the plan. The Work Plan may be adjusted based on any information, issues, or concerns that have

been identified. The Director is also responsible for communicating the impact of resource limitations on the Work Plan, adjustments, and significant changes to the Work Plan. The 2023 Internal Audit Work Plan was presented at the February 21, 2023, Audit Committee meeting.

## **Current Situation:**

### 2023 Internal Audit Work Plan

On June 12, 2023, we informed the Audit Committee that it was unlikely that Internal Audit would complete the 2023 Work Plan due to staff departures resulting primarily from below-market compensation and a lack of growth opportunities. We have since worked with HR and the CAO's Office, re-evaluated the audit roles, and adjusted the audit staff pay scale. As a result, we filled three vacancies, including two audit staff (an Audit Manager and an Audit Project Lead). We are now staffed at 77% capacity. We expect to fill the two remaining vacancies in mid-November and gradually operate at 100% staffing capacity. We have made a concerted effort to catch up on the audit work plan backlog and expect that we will be able to deliver the amended work plan, with the last four audit reports on the amended work plan to be wrapped up by the end of the year and presented at the February 2024 Audit Committee meeting.

**Appendix 1** sets out the status of the 2023 Audit Work Plan. Of the eight planned audits, four are complete, and three are underway and scheduled to be presented at the February 2024 Audit Committee meeting. The Review of the Q2 2023 Procurement Activities was added through Council Resolution CW316-2023 on September 20, 2023 with some urgency.

*"CW316-2023*

*3. That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee."*

As a result, this project will replace the By-Law Enforcement Audit as the eighth audit and be presented at the February 2024 Audit Committee. The By-Law Enforcement Audit, originally scheduled for Q4 delivery, will be postponed to 2024.

### Other Planned Work – Impacted by Staffing Constraints

- Internal Audit is not staffed to manage the Ethics Hotline. All work from the 2023 Work Plan on expanding the ethics hotline program beyond monitoring the reporting hotline is on hold. We will continue to monitor the Ethics Hotline on a best-effort basis so that we can focus on the audit work plan until we receive further resources. The 2024 Budget Request includes one additional audit project lead to help build capacity to monitor the City's Ethics Hotline, conduct preliminary inquiries related to complaints received, verify management action plans, and bring a focus to the quality assurance and

improvement program. The other budget ask – one Senior Advisor, IT Audit, is related to increasing Internal Audit's IT audit capacity and building IT audit continuity.

- We continue to work towards IIA compliance but at a reduced speed due to staffing constraints. We expect to move at full speed on this initiative in 2024.
- The automation of the Management Action Plan follow-up processes is on hold pending staff availability. We expect to resume this initiative starting December 2023. The deliverables for 2023 are still achievable.
- Completing a Vendor Roster for Audits, IT Audits, and Investigations – we paused this project due to staff shortage. Still, we expect to deliver this initiative by December 31, 2023, and present the results to the Feb 2024 Audit Committee.
- The 2024 Audit Work Plan is in progress and will be delivered to the February 2024 Audit Committee, according to plan.
- Internal Audit worked with the CAO's Office, City Legal Services, and the City Clerk and completed two significant pieces of policy work:
  - [By-Law 108-2023](#) Audit Committee Terms of Reference and Internal Audit Charter was enacted and passed on June 14<sup>th</sup>, 2023.
  - Updated the City's [Corporate Fraud Prevention Policy](#) and the [Operational Approach](#) document which was carried at the June 12 session of the Audit Committee under resolution AU022-2023.

### **Corporate Implications:**

#### Financial Implications:

N/A

#### Other Implications:

N/A

### **Strategic Focus Area:**

Government & Leadership: Internal Audit is an essential service and provides a systematic, disciplined approach to evaluate and improve the effectiveness of the City's governance, risk management, and internal controls and processes.

### **Conclusion:**

The Internal Audit Work Plan will be reviewed regularly and updated when needed. Internal Audit intends to keep the Work Plan agile and flexible, ensuring that identified

and emerging risks are appropriately addressed. The Plan is designed to add value to the organization and provide the highest standard of professional, independent, and timely solutions in partnership with City departments.

Authored by:

Reviewed by:

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Richard Gervais, Senior Advisor  
Internal Audit

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Claire Mu, Director, Internal Audit

**Attachments:**

- Attachment 1 – Appendix 1: 2023 Internal Audit Work Plan