



**SUBJECT: Presentation of internal audit service assessment summary**

**TO: Audit Committee**

**FROM: City Auditor's Office**

Report Number: CA-10-18

Wards Affected: Not applicable

File Numbers: 430-01

Date to Committee: April 12, 2018

Date to Council: April 23, 2018

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**Recommendation:**

Receive and file City Auditor's Office report CA-10-18 providing a presentation of Internal Audit Service Assessment as contained in Appendix A.

**Purpose:**

The City Auditor's responsibilities include keeping the Audit Committee informed of emerging trends and successful practices in internal auditing.

An Engaging City

- Good Governance
- Community Building through Arts and Culture via Community Activities

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**Background and Discussion:**

The International Standards for the Professional Practice of Internal Auditing requires Internal Assessment (Standard 1311) to include:

- Ongoing monitoring of the performance of the internal audit activity.
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

In keeping with Standard 1311, reflection and assessment of the service and its delivery is important to identify what improvements can be made to be of greatest benefit to staff, management, and the City.

### **Strategy/process**

A number of sessions were conducted with directors, managers, and supervisors; all clients of internal audit, with a focus obtaining feedback on:

- Relationships with Management
  - Value Added
  - Process
  - Overall Service.
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### **Financial Matters:**

Not applicable.

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### **Connections:**

Not applicable.

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### **Public Engagement Matters:**

Not applicable.

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### **Conclusion:**

The reflection and assessment sessions revealed what matters most to our clients: collaboration, understanding, flexibility, and communication. Along these lines, there are 22 opportunities for changing internal audit processes, activities, and outputs to ensure this service meets the needs of its clients.

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Respectfully submitted,

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City Auditor

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**Appendices:**

A. CA-10-18 Internal Audit Reflection & Assessment Summary

**Report Approval:**

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.

CA-10-18 Appendix A

# **Internal Audit Service Reflection & Assessment Summary**

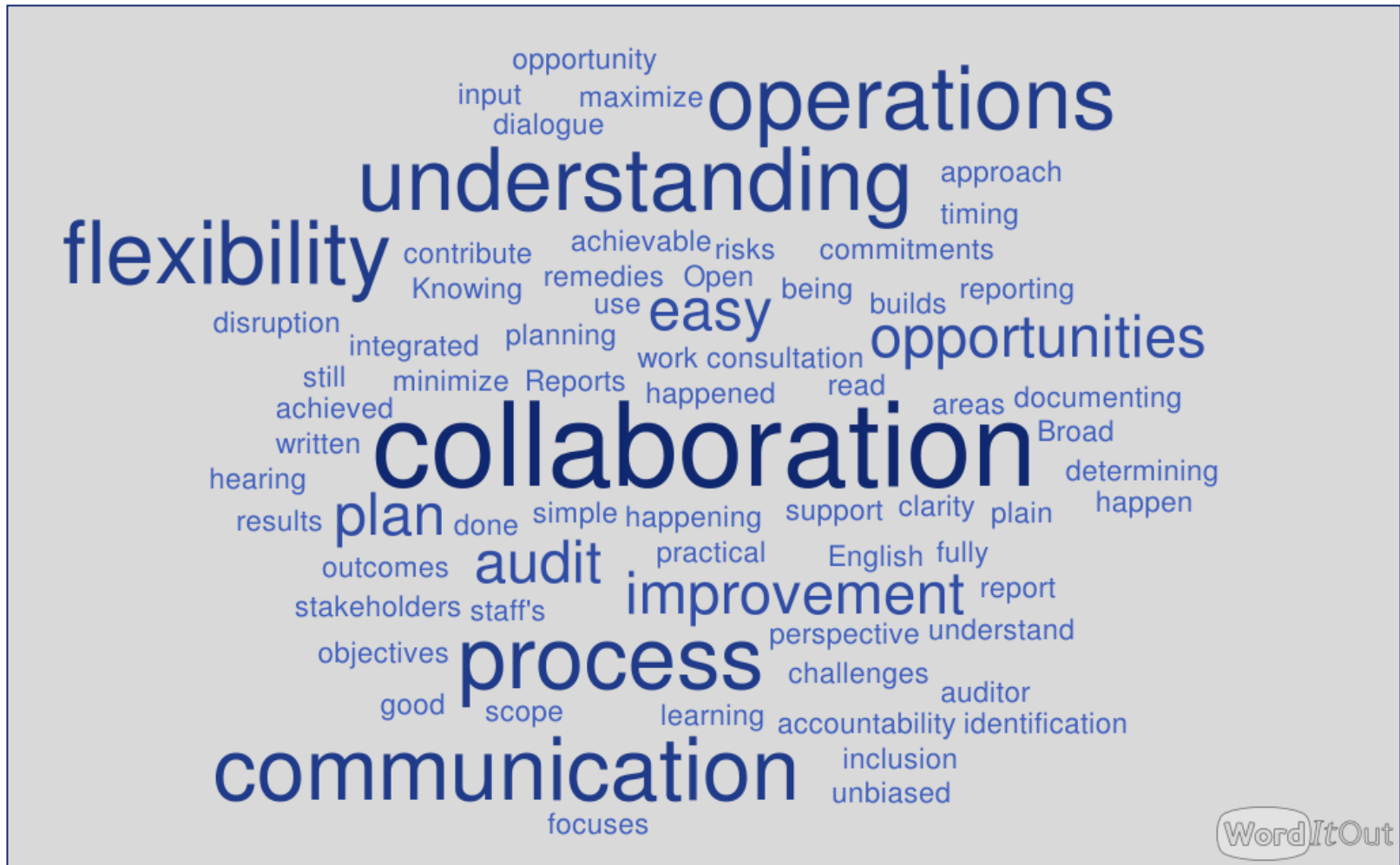
March 2018

# VALUE CHAIN ANALYSIS



STEP 1 LIST...	STEP 2 DEFINE...	STEP 3 ANALYZE...	STEP 4 BRAINSTORM...								
<p><b>Inherent Risk Assessment Update</b></p> <ul style="list-style-type: none"> <li>confirm attributes through collaboration with management</li> </ul> <p><b>Audit Planning</b></p> <ul style="list-style-type: none"> <li>plan objectives &amp; scope through collaboration with management</li> </ul> <p><b>Audit Reporting</b></p> <ul style="list-style-type: none"> <li>discuss results through collaboration with management and staff</li> </ul>	<p><b>Audit Work Plan Development</b></p> <ul style="list-style-type: none"> <li>confirm sub-services with involvement of management</li> </ul> <p><b>Audit Fieldwork</b></p> <ul style="list-style-type: none"> <li>conduct audit with involvement of management and staff</li> </ul> <p><b>Audit Follow up</b></p> <ul style="list-style-type: none"> <li>monitor management action plans by consulting with management and staff</li> </ul>	<p>... how the customer would rate each step.</p> <table> <tr> <td>1</td><td>2</td><td>3</td><td>4</td></tr> <tr> <td>FAIL</td><td>PASS</td><td>GOOD</td><td>WOW</td></tr> </table>	1	2	3	4	FAIL	PASS	GOOD	WOW	<p>... ways to create more WOW!</p>
1	2	3	4								
FAIL	PASS	GOOD	WOW								

# What matters most to our clients?



# Our Clients Value...

## Collaboration

- In getting an unbiased perspective of operations.
- In the planning process so they can contribute to, and fully understand, the objectives and scope of the audit.
- In documenting the outcomes, and determining practical, and achievable, remedies to move forward.
- Through the inclusion of all stakeholders, regardless of department, in the identification of opportunities for improvement and learning across the organization.

## Understanding

- Their risks through a simple, and easy to use, process.
- Knowing what has happened; is happening; and what is still to happen.
- By an auditor who builds an understanding of the operations, including the opportunities and challenges.
- The accountability achieved through the process, and hearing of the results of the commitments.

## Flexibility






- In timing to minimize disruption and maximize staff's input.
- Of an audit work plan that is integrated into their work plans through consultation and collaboration.

## Communication







- Open dialogue to support clarity and understanding of operations.
- Broad communication of the audit work plan through various management levels.
- A report that focuses on good work being done while reporting on areas for improvement.
- Reports written in plain English, and are easy to read.

# Opportunities

## Collaboration

-  Change report from outstanding audit issues to in progress management action plans. - COMPLETED
-  Design a structured approach to determining root cause and remedies to include Lotus Blossom Diagram (use a How Might We question that includes the issue) and principles of brainstorming to drive out the Who? What? Where? When? How? and flow through to a Strategic Game Plan. Include more people in the structured discussion; e.g. managers, supervisors, coordinators, staff, as necessary. – IN PROGRESS/PILOT STARTED
-  Initiate discussions with 2<sup>nd</sup> line of defense areas to identify common objectives, and how tools and outputs can be leveraged.
-  Determine how IA can become more involved in projects through work with ITS and PMO.
-  Connect broader set of stakeholders for discussions regarding whistleblower program.

## Understanding

-  Include stakeholder/partner identification in audit scoping discussions. – IN PROGRESS
-  Research risk models to determine an easier way to assess risk. Review and update model based on research; ensuring factors consider the service operations.
-  Develop and deliver an introductory program for new management-level employees including an orientation check list.
-  Review and update audit entities to give consideration to major balance sheet items and major cross functional processes.
-  Create and implement consultation process for directors and service owner in audit work plan determination.
-  Create a repository of issues and include link in communications to management and staff.



# Opportunities

## Flexibility

- ✓ Include in planning discussions the expectations of staff and timelines for fieldwork. – IN PROGRESS
- Q Review the frequency for follow up on high, medium and low severity issues.
- Q Design reporting workflow to include directors and managers on a more formal basis earlier in the process.
- 🎯 Determine best approach to engaging stakeholders for next year's audits during current year.
- 🎯 Work with service owners to incorporate risk assessment into cycle of business activities and business plans.

## Communication

- ✓ Research report to update and refresh current format – ensuring any new format meets accessibility standards. Keep in mind length so support is consistent with level of risk. – IN PROGRESS
- Q Research change in Audit Committee version of report (e.g. summary report).
- Q Establish and implement a communications and marketing campaign to raise the awareness of internal audit service in the City including work of Audit Committee.
- 🎯 Establish protocol with client to bring in or advise director of planning discussions.
- 🎯 Develop a catchy manner to communicate results of risk assessment, annual work plan, and rolling 3-year work plan.
- 🎯 Refresh web page and transform it to an internal resource for management and staff. Include in the final result of the management action plan in the repository on 360.

# Next Steps

