

Date: February 27, 2020

Subject: **Internal Audit Work Plan – 2020**

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Recommendations:

1. That the report titled: **Internal Audit Work Plan- 2020 (I 27/2020)**, to the Audit Committee Meeting of March 10, 2020, be received.

Overview:

- The 2020 Internal Audit work plan is developed using a risk-based approach which included input from senior management (in progress), issues from previous audits, evaluation of audit results and risk assessments.
- The objective of performing audits is to add value to improve the operations of the City as well as assist the City in accomplishing its objectives.
- On a regular basis, Internal Audit reviews and updates the work plan as needed based on current information, concerns and discussions with the leadership team, issues identified and risk reviews.
- This report provides Audit Committee the Audit Work Plan for 2020.
- Currently, the Internal Audit department is in the process of hiring one Cyber Security Expert and two full time and one part time auditors. The proposed plan of 2020 has taken this into consideration.

Background:

The Internal Audit annual work plan was developed using a risk-based approach as outlined in the Internal Audit Charter. Several factors are taken into consideration in developing the Audit work plan such as:

- Risk assessment results;
- Last time the area/process was audited;
- Results of previous audits;

Internal Audit is focused on performing an objective assessment of evidence to provide an independent opinion as to the effectiveness and efficiency of a process or system in order to assist departmental management in achieving their business objectives and goals.

The results of audits performed are communicated to the Audit Committee and the Leadership Team to provide information to assist them in carrying out their governance responsibilities.

Internal Audit also conducts consulting engagements at the request of management. Consulting services include advice, facilitation, and training. For this activity, the nature and scope of the engagement are agreed upon between management and the Office of Internal Audit. The objective is for the Office of Internal Audit to add value and help improve an organization's risk management and control processes without assuming management responsibility. The results of consulting engagements are reported to departmental management.

The annual Audit work plan will be reviewed on a regular basis and may be adjusted based on any information, issues, or concerns that have been identified. Updates and changes to the Audit work plan will be communicated to the Audit Committee.

Current Situation:

The 2020 Audit work plan (**Appendix A**) sets out the priorities of the Internal Audit function that are reflective of the City of Brampton's strategic goals, objectives, concerns, and priorities, integrated and coordinated with a corporate risk assessment. The annual Audit work plan is comprised of operational audits, investigations, and follow up reviews

Any changes to the Audit work plan may require the removal or deferral of a project identified within this report or alternatively, the hiring of an outside auditor to perform the audit. Any changes throughout the year will be communicated to the Audit Committee.

Internal Audit activities will be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. The specific scope of each project will be determined during the engagement's planning phase.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report achieves the Strategic Plan priority of Good Government through the support of the Corporate Fraud Prevention Policy and Fraud Hotline, which promotes Corporate accountability, our Corporate Values, and governance best practices.

Conclusion:

The Internal Audit work plan will be reviewed on a regular basis and updated if needed. Our intention is to keep the Audit work plan agile and flexible, ensuring that identified risks are appropriately addressed. The Audit work 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 and recommended by:

Sunny Kalkat, CPA, CGA
Director, The Office of Internal Audit

Approved and Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix A: Internal Audit Work Plan 2020

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#	Title	Audit Objective	Scope
1	Brampton Transit	The annual operating budget for Brampton Transit is \$174M, and is one of several major services provided to the residents of Brampton. The main objective of the audit is to ensure that: policies and procedures are in place and adhered to, the operations are streamlined and transparent, proper processes are in place to ensure all costs and revenue are accounted for, and the budgets are properly maintained and variances are properly analyzed and approved.	Due to the size of the operations, the following significant areas of the operations will be reviewed. Governance Procurement-Purchase vs. Lease -Outsourcing vs. Own Fleet. Revenue-Marketing (Advertising) Revenue -Operating Revenue. Fuel Management Process. Maintenance Process-Internal and External. Training and Licensing Process. Inventory Management (Fleet and spare parts) Depreciation. Disposals.
2	Building Design and Construction	To ensure that: proper policies and procedures are in place, resources are properly utilized, proper and transparent process exist to award tenders, project costing is properly reviewed and approved on a timely basis, and budgets are regularly monitored during the projects. Proper controls are in place for change management.	Governance Award of Tender and Site Management Project Costing Contract Administration Scaffolding Fraud Analysis Change Order Management
3	Real Estate Management	Risks and control objectives surrounding the assets regarding Real Estate Investment and Ventures. This includes purchased assets, leased assets, foreclosed properties, low income housing as owned, investment through purchases, or for sale. Cost benefit analysis.	Renting vs. Ownership Analysis Leasing Process (in and out) Billing Process Lease Payment Process Bank Loan Review Depreciation Disposals (if applicable)

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4	P-Card Management	Purchasing Cards (P-cards) are used for a significant portion of Corporate expenses. Large spending limits are awarded to card holders. There is a risk of misappropriation of funds and fraudulent use of the cards. Currently, there are 419 P-cards and the total spend in 2019 using these cards was \$11Million.	Adequate policies and procedures exist. P-Cards are properly authorized. Users are properly trained and required to sign off on the user acceptance criteria. P-Cards are cancelled after employment is terminated. P-Cards are only used for business purposes. Purchases are properly reviewed and approved. P-Cards payments are properly reconciled.
5	Compensation Benefits Note: This is a phase 2 benefit audit. The first phase covered EHS, LTD and STD. Other benefit plans will be covered under this review.	Proper policies and procedures are in place to provide proper benefits to users. All distribution payments are authorized and accounted for. Employee paid portion of premium is accurately accounted for. Actuarial valuations and other benefits activity is reviewed. Payments made for self assured benefits are properly reconciled. Investment gains and losses are accurately recorded. Workman Compensation Management.	Governance All eligible, but only eligible employees, dependents, and retirees receive the benefits for which they are enrolled. All plans are administered in a cost-effective and efficient manner; and in accordance with plan provisions and all applicable laws and regulations. Data is kept confidential. All cost are accounted for accurately and timely on the Payroll System and General Ledger. All payments to Benefit Plan Providers are paid in accordance with contracts, supported, authorized and accounted for on General Ledger All plans are properly funded Worker's compensation accruals (case reserves and IBNR (incurred but not reported)) amounts are accurately recorded in the financial statements.
6	Insurance Providers	Proper service providers are selected for all benefits including ASO (Administrative Services Only), LTD, STD, and Life insurance.	Review the insurance carrier process to ensure the following: <ul style="list-style-type: none"> • Contracts are not locked for long periods of time; • Proper quotes are received from various insurers; • All quotes are given appropriate review by selection committee;

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			<ul style="list-style-type: none"> • Selected carriers are discussed and approved by appropriate senior management; • Benchmarking is completed with other municipalities in order to stay competitive; • Cost benefit analysis is completed and provided to senior management to determine the employee paid vs City paid benefit premium arrangements; • Reviews are conducted by third parties (actuaries) to ensure that the proper value is received for the premium amounts paid by the organization; and • Pension funds and investments are reviewed by a qualified third party.
7	Contract Management	No audit has been completed for the contract management process as a whole. Currently, there are around 2300 active contracts in place. To determine if contract management process exist at the organization level to ensure that policies and procedures are consistently followed. Best value of money is attained while implementing the contracts.	<p>Strong policies and procedures exist at the organization level.</p> <p>Contract negotiation, execution, and implementation activities adhere to policies and procedures.</p> <p>Economies of scale are attained where applicable.</p> <p>Fair and transparent tender and quote processes are in place to award contracts.</p> <p>Budget vs. actual are properly monitored on a regular basis.</p> <p>Over-spends are properly analyzed and approved.</p> <p>Contingency funds are reserved and accounted for.</p> <p>All surplus amounts are accounted for.</p>
8	Segregation of Duties	To ensure that proper segregation of duties exist to safeguard City assets.	<p>Review segregation of duties in the following areas:</p> <ul style="list-style-type: none"> Accounts Payable Accounts Receivable IT HR and Payroll Inventory Management

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			Bank and Cash
9	Cyber Maturity Assessment and Vulnerability Assessment	<p>To manage information security within the organization.</p> <p>To provide management direction and support for information security in accordance with business requirements and relevant laws and regulations.</p> <p>To manage information security within the organization.</p> <p>To maintain the security of the organization's information and information processing facilities that are accessed, processed, communicated to, or managed by external parties.</p>	<p>Set a clear policy direction in line with business objectives and demonstrate support for, and commitment to, information security through the issue and maintenance of an information security policy across the organization.</p> <p>Develop a framework to initiate and control the implementation of information security within the organization. Review the information security policy, assign security roles, and coordinate and review the implementation of security across the organization.</p> <p>Ensure that the security of the organization's information and information processing facilities must not be reduced by the introduction of external party products or services. Any access to the organization's information processing facilities and processing and communication of information by external parties is controlled.</p>
10	Asset Management/End of Life Management	To assess the effectiveness and efficiency of the processes to determine adequacy of controls, compliance to policies, and procedures	Gap analysis of the processes and tools in place to identify, document, track, and monitor assets, including software, as well as the resourcing requirements for this process.
11	Data Architecture and Management	To assess the effectiveness and efficiency of the processes to determine adequacy of controls, compliance to policies, and procedures	Gap analysis to assess the adequacy of data governance processes and controls that ensure there are no variances in the integrity, quality and/or usability of data which would have implications on business decisions that may potentially impact safety, privacy and customer service.

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12	IT Assurance and Risk Management	To assess the effectiveness and efficiency of the processes to determine adequacy of controls, compliance to policies, and procedures.	<p>Gap analysis to assess the adequacy of process and controls to manage IT risks within the City of Brampton, including:</p> <ul style="list-style-type: none"> - Identifying, documenting, monitoring and reporting of IT Risks, - Reporting of IT Risk metrics to senior management; and - Resolution of actions arising from information security audits, reviews, and self-assessments.
13	Fleet employees Driver Licensing and Certification (DCP)	To fulfil provincial requirement (MTO)	Conduct a review to ensure all drivers are properly trained, certified, and carry active licenses to operate the designated vehicles.