



REGIONAL MUNICIPALITY
OF **WOOD BUFFALO**

2019 - 2020 Internal Audit Plan

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Internal Audit Plan Development

PURPOSE OF AN INTERNAL AUDIT PLAN

A formal Internal Audit Plan is to provide a disciplined approach to the identification of potential internal audit projects. Formal planning has benefits, such as:

- Creating a focus on high-risk or high-priority areas.
- Provides the basis for the involvement of clients and stakeholders in the Internal Audit planning process.
- Ensures all departments and branches are considered for internal audit attention during the planning process.
- Serves as a standard against which to measure the performance of the internal audit function within the Municipality.

INTERNAL AUDIT PLANNING PROCESS

1. Internal Audit function creates the Audit Universe which represents the potential range of all internal audit activities within the Municipality.
2. The Audit Universe is risk ranked based on likelihood and consequence of specific audit objective events.
3. Financial Services Department proposes the Internal Audit Plan to the Chief Administrative Officer for consideration.
4. Director of Financial Services to present the proposed Internal Audit Plan to Council for consideration.
5. Obtain endorsement from Council.

The plan is based on risks and priorities that exist as at November 5, 2018. The Financial Services Department will update the Internal Audit Plan annually and report changes to Council each year.

BACKGROUND

The Municipality houses the internal audit function within the Financial Services Department. There is currently one Internal auditor employed by the Municipality. Internal Audit tasks which require subject matter experts or additional auditors will be outsourced through the internal audit contractor, Meyers Norris Penny (MNP) Edmonton firm.

In addition to the annual internal audits planned, when an independent and objective assurance opinion is required the internal audit function will engage in consulting engagements which are requested directly from departments within the Municipality. These requests are undertaken at the discretion of the Internal Audit function.

2019 Proposed Audit Objectives

DEVELOPMENT PERMITS

To assess the effectiveness of controls over the development permit process and to determine if controls are working as intended. The scope of this audit will include a review of the complete development permit process from applications to final approval of permits and will be conducted on a sample basis.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan and carried forward from 2018

ANIMAL SERVICES

To assess the animal control program processes and services offered in-house by Bylaw Services; including facility upkeep, retrieval and release of animals, extraordinary veterinarian care, and animal licensing.

Status: Objective approved by Council in the 2017-2018 Internal Audit Plan

ENVIRONMENTAL MANAGEMENT

To determine if the Municipality has an appropriate environmental management governance framework to ensure internal environmental strategic objectives and legislative requirements are met. That the reported results for environmental strategies are reliable, accurate and complete, and that the processes to choose the targets for environmental strategic objective indicators are appropriate. Consultant engagement would be required.

Status: Objective approved by Council in the 2017-2018 Internal Audit Plan

FLEET SERVICES COMPLETE REVIEW

To perform a complete review of the Fleet Services branch systems, processes, and controls in place. Systems under review will include the Automatic Vehicle Location (AVL) and RTA Fleet Management Software. The audit will focus on system training, implementation and use; fleet right-sizing; inventory control; vehicle and equipment maintenance; and fleet procurement process.

Status: Vehicle and Equipment Maintenance objective approved by Council in the 2017-2018 Internal Audit Plan; the scope has expanded in the proposed revised objective

RECYCLING AND GARBAGE COLLECTION PROGRAM

To evaluate the effectiveness of the Municipality's recycling efforts, curbside recycling, and garbage collection program. The audit will include an analysis of the equipment used to carry out the day to day operations.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan

HUMAN RESOURCES RECORDS

To assess the processes and controls governing the maintenance of employee records, and that the employee records are complete and accurate.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan

FORT CHIPEWYAN OPERATIONS

To perform past audit engagements analysis and process controls for Fort Chipewyan, including: parks and recreation, fuel, animal control, non-standard inventory, cash handling, and inventory controls

Status: Objective proposed

PROCUREMENT CARDS (#15 08 FOLLOW-UP)

To determine if the recommendations suggested in the Procurement Card Audit (file #: 15 08) have been implemented or if the underlying risks have been mitigated.

Status: Objective proposed

PETRO PASS

To review the Petro Pass processes and controls that govern the cards issuance, utilization, and disposal.

Status: Objective proposed

2019 Consulting Engagements

Consulting engagements are requested and completed on an as-need basis.

WOOD BUFFALO RECREATION SOCIETY

Perform a Financial Statement Audit on the 2018 Financial Statements of Wood Buffalo Recreation Society (WBRS).

Status: Requested by WBRS President on October 22, 2018

NAAA OPERATING AGREEMENT

To determine if the operating funds provided to Northern Alberta Athletic Association for the years of 2013 to 2019 were spent in accordance with the basis of payment, terms, and conditions of Municipal agreements.

Status: Requested by Corporate and Community Services on October 29, 2018

2018 Audit Objective In-Progress 2019 Quarter One

NON-STANDARD INVENTORY

To assess the controls governing the receipt, distribution, and use of non-standard inventory, such as gravel and concrete.

Status: In-progress quarter four 2018 with completion during quarter one 2019

VENDOR MASTER FILE

To determine whether key controls over the vendor master file are adequately designed, implemented, and operating as intended; including a review of the changes to vendor payment information and if segregation of duties exist.

Status: In-progress quarter four 2018 with completion during quarter one 2019

SOCIAL MEDIA

To determine if a social media policy, procedures, and processes exist within the Municipality and are working as intended.

Status: Objective Approved by Council in the 2017-2018 Audit Plan

2020 Proposed Audit Objectives

Subject to alterations in the 2020 to 2021 Audit Plan

PAYROLL

To review the accuracy of payroll by ensuring active employees were paid the correct rate and hours. In addition, review the third-party payroll payment reconciliation process to identify efficiencies and additional controls that could be implemented (LAPP, APEX, etc.).

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan and carried forward from 2018.

MUNICIPAL TRANSIT WAREHOUSE INVENTORY

To assess the controls governing the ordering, receipt, and distribution of Municipal transit warehouse inventory; including an analysis of cycle counts, inventory turnover, security and relevance.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan and carried forward from 2019.

INFORMATION TECHNOLOGY DISASTER RECOVERY PLAN

To assess the information technology disaster recovery plan within the Municipality and determine if it is sufficient for business continuity.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan and carried forward from 2019.

FLEET FUEL (#17 04 FOLLOW-UP)

To determine if the recommendations suggested in the Fleet Fuel Audit (file #: 17 04) have been implemented or if the underlying risks have been mitigated.

Status: Objective proposed

MUNICIPAL CASH HANDLING (#17 06 FOLLOW-UP)

To determine if the recommendations suggested in the Municipal Cash Handling Audit (file #: 17 06) have been implemented or if the underlying risks have been mitigated.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan and carried forward from 2019.

FACILITY RENTAL

To review facilities leased by the Municipality to customers to determine if rent and utilities have been collected according to the terms and conditions of the lease agreements.

Status: Objective proposed

Risk Matrix

The 2019 Audit Plan was developed based on a risk ranking of the Audit Universe in combination with the immediate needs of the Municipality. The Audit Universe consists of all identified potential audits within the Municipality based on the information available. The Audit Universe was updated as at November 5, 2018.

Risk Matrix					
Likelihood	Consequence				
	(1) Insignificant	(2) Minor	(3) Moderate	(4) Major	(5) Extreme
(5) Almost Certain	5	10	15	20	25
(4) Likely	4	8	12	16	20
(3) Unlikely	3	6	9	12	15
(2) Rare	2	4	6	8	10
(1) Extremely Rare	1	2	3	4	5

Risk Rating		Description
1 to 4	Low Risk	Manage by routine procedures and operations
5 to 7	Moderate Risk	Manage by specific monitoring or response procedures
8 to 11	High Risk	Management responsibility should be specific & appropriate actions taken
12 to 25	Extreme Risk	Immediate action required with senior management involved

Likelihood Rating Table		
Likelihood Rating	Description	Likelihood of Occurrence
5	Almost Certain	Event is already occurring or expected to occur
4	Likely	Event will likely occur within one or two years
3	Unlikely	Event is fairly likely to happen sometime in the future
2	Rare	Event has a remote possibility of occurrence
1	Extremely Rare	Event is extremely unlikely to happen

Consequence Rating Table		
Consequence	Rating	Criteria
Extreme	5	<ul style="list-style-type: none"> - Viability of the Municipality in question - Significant damage to the Municipality’s credibility or integrity - Business interruption for more than one month - Loss of a whole business unit
Major	4	<ul style="list-style-type: none"> - Event that requires major realignment of resources - National media or public inquiry - Loss of a member of senior leadership - Business interruption up to one month
Moderate	3	<ul style="list-style-type: none"> - Wide spread media - \$2,000,000+ potential loss - Organization wide
Minor	2	<ul style="list-style-type: none"> - Can be dealt with at a department level, however, some senior management notification is required - Business interruption at a project level - Loss of a staff member - Up to \$2,000,000 potential loss
Insignificant	1	<ul style="list-style-type: none"> - No media attention - Can be dealt with at a department level, no senior management notification or involvement

Audit Activity Status (as at December 31, 2018)

File #	Audits Completed in 2018	Status
18 01	Competitive Procurement Evaluation Process	Issued May 8/18
18 02	Wood Buffalo Recreation Society Financial Statement	Issued March 20/18
18 03	Indigenous Northern Affairs Canada Grant Compliance	Federal Audit
18 04	Transit Advertising	Issued August 29/18
18 05	CUPE Vacation Accrual	Issued April 25/18
18 06	Whistleblower and Human Resources Investigations	Ongoing
18 07	Fort McMurray Heritage Society	Issued May 17/18
18 08	Procurement Card Best Practice	Issued June 8/18
18 09	Parks and Recreational Areas	Issued December 10/18
18 10	Transit Payroll	Issued November 7/18
18 11	Accounts Receivable Process	Issued September 14/18
18 13	Indigenous and Rural Relations Financial Controls	Issued October 18/18
File #	Audits Carried into quarter 1 2019	Status
18 12	Social Media	Reporting
18 14	Non-Standard Bulk Inventory	Planning
18 15	Vendor Master File	Reporting
	Planned 2018 Audits Deferred to Future Years	Status
	Development Permits	Deferred to 2019
	Payroll	Deferred to 2020