



REGIONAL MUNICIPALITY
OF **WOOD BUFFALO**

2020 - 2021 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 25, 2019. 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 may accept consulting engagements which are requested directly from departments within the Municipality. These requests are undertaken at the discretion of the Internal Audit function.

2020 Proposed Audit Objectives

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. Carried forward to 2020 at the request of the department.

PART 9 COMPANY OPERATIONS – CASH CONTROLS & CYBERSECURITY

To review the operational processes and controls of Part 9 Companies which are under the care and control of the Municipality. The audit will include a review of cash handling practices and cybersecurity measures in place.

Status: Objective proposed

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 approved by Council in the 2019-2020 Internal Audit Plan.

FRANK LACROIX MUNICIPAL AGREEMENTS

To assess compliance of arena facility operating and lease agreements, and the support provided by the Municipality via operating and lease agreements. Secondly, to provide a comparison of the arena facility operating and lease agreements and reporting provided to the Municipality by the tenants.

Status: Objective proposed

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, and that the implemented controls are working as intended.

The Fleet Fuel Audit assessed the controls governing the receipt, distribution, and use of fleet gasoline and diesel.

Status: Follow-up 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, and that the implemented controls are working as intended.

The objective of the Municipal Cash Handling Audit was to ensure that all funds received by the Regional Municipality of Wood Buffalo (Municipality) are appropriately controlled, deposited and accounted for, in an accurate and timely manner. Specifically, the audit assessed if policy and procedures are followed during cash handling activities and if management controls are well designed, implemented, and operating as intended.

Status: Follow-up approved by Council in the 2018-2019 Internal Audit Plan.

TRANSIT ADVERTISING (#18 04 FOLLOW-UP)

To determine if the recommendations in the Transit Advertising Audit (file #18 04) have been implemented or if the underlying risks have been mitigated, and that the implemented controls are working as intended.

The transit advertising program was reviewed and a price point which would meet the Transit Services Branch goals, listed below, was suggested:

1. Generate a minimum advertising revenue of \$1,000 per bus per month
2. Affordable pricing for local and commercial businesses
3. Determine the acceptable mix of municipal and government services advertisement space versus paid advertisement space

Status: Follow-up proposed

AMBULANCE COLLECTIONS (#17 12 FOLLOW-UP)

To determine if the recommendations in the Ambulance Collections Audit (file #17 12) have been implemented or if the underlying risks have been mitigated, and that the implemented controls are working as intended.

The objective of the Ambulance Collections Audit was to identify efficiencies within the ambulance billing process to ensure that future invoices are processed

in a timely manner; contain accurate information; and agree with the EMS Ground Ambulance Service Agreement chargeable incidents.

Status: Follow-up proposed

PARKS & RECREATION (#18 09 FOLLOW-UP)

To determine if the recommendations in the Parks & Recreation Audit (file #18 09) have been implemented or if the underlying risks have been mitigated, and that the implemented controls are working as intended.

The objective of the Parks and Recreation Audit was to assess the existence and outcomes of key performance indicators for parks and recreational areas. Including an assessment of maintenance and upkeep, public accessibility and safety, and management of contracted services. Parks and recreational areas may include playgrounds, skate parks, spray parks, baseball diamonds, and soccer fields.

Status: Follow-up proposed

MUNICIPAL FLEET MAINTENANCE (FILE #19 02 FOLLOW-UP)

To determine if the recommendations in the Municipal Fleet Maintenance Audit (file #19 02) have been implemented or if the underlying risks have been mitigated.

The objective of the Municipal Fleet Maintenance Audit (file #19 02) was to assess the processes and controls governing the Fleet Services Branch, and Regional Emergency Services fleet operating activities. The audit focused on system implementation and use, vehicle and equipment maintenance, and if systems are sufficient for business needs.

Status: Follow-up proposed

FORT CHIPEWYAN OPERATIONS (#19 07 FOLLOW-UP)

To determine if the recommendations in the Fort Chipewyan Operations Audit (file #19 07) have been implemented or if the underlying risks have been mitigated.

The objective of the Fort Chipewyan Operations was to assess the internal controls within fuel, cash handling, inventory, parks and recreation processes.

Status: Follow-up proposed

2020 Consulting Engagements

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

WOOD BUFFALO RECREATION SOCIETY

Perform a Financial Statement Audit on the 2019 Financial Statements of Wood Buffalo Recreation Society (WBRS).

Status: Requested by WBRS President on October 17, 2019.

ROADS – ASSET PROTECTION

To determine if the Municipality is adequately protecting its roads as a capital asset; and if the pothole and signage repairs are efficient and effective. The audit will include an assessment of the process of accommodating exceptionally wide and heavy loads which require short-term route modifications to accommodate the cargo. Snow removal and winter maintenance will not be included in the scope of this audit.

Status: Requested by Senior Manager of Parks, Roads & Rural Operations on October 4, 2019.

2019 Audit Objective In-Progress 2020

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: Planning in 2019 with completion during 2020.

PETRO PASS

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

Status: Planning in 2019 with completion during 2020.

2021 Proposed Audit Objectives

Subject to alterations in the 2021 to 2022 Audit Plan

ANIMAL SERVICES

To assess the animal control program processes and services offered in-house by Bylaw Services and whether external services by the SPCA are in compliance with municipal agreements. The scope will include facility upkeep, retrieval and release of animals, veterinarian care, and animal licensing. Inclusive in the review will be a cost per animal analysis, and cost in house versus outsourced analysis.

Status: Objective approved by Council in the 2018-2019 Internal Audit Plan. Carried forward to 2021 at the request of the department.

ROADS SNOW AND ICE CONTROL

To assess the snow removal and ice control processes within both urban and rural communities. The timeliness of addressing winter road condition resident complaints will be reviewed. The scope will include a review of both in-house and outsourced work, and the removal and disposal of street sand. The Fort Chipewyan Winter Road will be excluded from the scope of this audit.

Status: Objective proposed

PROPERTY TAX ASSESSMENT PROCESS

To review the processes and governance of determining, reviewing, and approving property tax assessments.

Status: Objective proposed

UTILITIES

To review the utility accounts paid for by the Municipality, including but not limited to electricity, natural gas, and internet services. The existence and occupancy of the corresponding infrastructure will be assessed. Included in the audit scope will be Part 9 Companies use of Municipal rates.

Status: Objective proposed

INSURANCE RISK REVIEW PROCESS

To assess the Insurance Services Branch processes for determining what assets and occurrences are insurable. The audit will take an in-depth look at if assets are omitted due to process errors.

Status: Objective proposed

FUTURE FOLLOW-UP ENGAGEMENTS

Vendor Master File (File #18 15 Follow-Up)

Recycling and Garbage Collection Program (Follow-Up)

Part 9 Company Operations – Cash Controls & Cybersecurity (Follow-Up)

Roads – Asset Protection (Follow-Up)

Development Permits (#19 10 Follow-Up)

Facility Rental (Follow-Up)

Petro Pass (#19 11 Follow-Up)

Social Media (File #18 12 Follow-Up)

Human Resource Records Management (#19 01 Follow-Up)

Risk Matrix

The 2020 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 25, 2019.

Risk Matrix					
<i>Consequence</i>					
<i>Likelihood</i>	(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 November 25, 2019)

File #	Audits Completed in 2019	Status	Action Plan (1)
19 01	Human Resource Records Management	Issued March 7/19	✓
19 02	Municipal Fleet Maintenance	Issued August 23/19	✓
19 03	Wood Buffalo Recreation Society Financial Statements	Issued March 20/19	
19 04	INAC Grant Support Continued (2017 & 2018)	Federal Audit	
19 05	NAAA Operating Agreement	Issued August 9/19	
19 06	ACFN ATR Consulting	Consulting Service	
19 07	Fort Chipewyan Operations	Issued November 20/19	✓
19 08	RES Land Mobile Radio Consulting	Fieldwork	
19 09	Procurement Cards (#15 08 Follow-Up)	Fieldwork	✓
18 14	Aggregate (Non-Standard) Inventory	Fieldwork	✓
18 12	Social Media	Issued February 22/19	✓
18 15	Vendor Master File	Issued February 15/19	✓
File #	2019 Audits Carried into Q1 of 2020	Status	Action Plan (1)
19 10	Development Permits	Planning	
19 11	Petro Pass	Planning	
	Planned 2019 Audits Deferred to Future Years or Cancelled	Status	Action Plan (1)
	Animal Services	Deferred to 2021	
	Recycling and Garbage Collection Program	Deferred to 2020	
	Municipal Transit Inventory	Cancelled (2)	
	Environmental Management	Cancelled (3)	

- (1) Action Plan indicates that Administration has committed to mitigating identified risks. Follow-up audits will occur in following years to review the implementation of recommendations. No Action Plan indicates the engagement was for informational purposes only.
- (2) Scope expanded in file #19 02 Municipal Fleet Maintenance to examine Municipal Transit Inventory.
- (3) Consulting services hired by department in 2019 to assess environmental management.