



REGIONAL MUNICIPALITY  
OF **WOOD BUFFALO**

## **2017 – 2018 Audit Plan**

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## Audit Plan Development

### PURPOSE OF AN AUDIT PLAN

A formal Audit Plan is to provide a disciplined approach to the identification of potential 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 Audit Planning process.
- Ensures all departments and branches are considered for audit attention during the planning process.
- Serves as a standard against which to measure the performance of the audit function within the Municipality.

### AUDIT PLANNING PROCESS

1. Audit function creates the Audit Universe which represents the potential range of all 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 2017-2018 Audit Plan to the Chief Financial Officer for consideration.
4. Chief Financial Officer to present the proposed Audit Plan to the Audit Committee for consideration.
5. Obtain endorsement from the Audit Committee.

The plan is based on risks and priorities that exist as at March 28, 2017. The Financial Services Department will update the Audit Plan annually and report changes to the Audit Committee each year.

### BACKGROUND

The Municipality houses the audit function within the Financial Services Department. There is currently one auditor employed by the Municipality. 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 audits planned, the audit function will engage in consulting engagements. Consulting engagement requests are received directly from departments within the Municipality when an independent and objective assurance opinion is required. These requests are undertaken at the discretion of the audit function.

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## 2017 Proposed Audit Objectives

### FLEET FUEL EXPENSE

To assess the controls governing the receipt, distribution, and use of bulk fuel (both gasoline and diesel).

Status: Objective Proposed

### EXIT INTERVIEWS

To assess the exit interview process and effectiveness of reporting the information that may highlight risk areas or gaps identified by past employees.

Status: Objective Proposed

### LOW VENDOR BIDS

To assess the change order approval process. In addition, selecting a sample of projects with low vendor bids with supplemented change orders compared to the request for proposal responses.

Status: Objective Proposed

### MUNICIPAL CASH HANDLING

To assess the cash collection, handling, and balancing process to ensure controls are adequate, cash is properly accounted for and deposited in a timely manner. Segregation of duties, physical security over cash, and the reconciliation process will be assessed.

Status: In Progress

### RECREATIONAL FACILITIES

To assess whether recreational facilities (recreation centers, rinks, parks, sport fields, arenas) are maintained adequately, have appropriate operational hours, and that the public can access the facilities.

Status: Objective Proposed

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**INFORMATION TECHNOLOGY ASSET MANAGEMENT – 2014 FOLLOW-UP AUDIT**

To determine if the 13 recommendations from the Information Technology Asset Management Audit (File #14 18) have been effectively implemented or that management has accepted the risk and consequences of not taking action.

Status: In Progress

**RISK BASED UPDATING OF THE AUDIT UNIVERSE**

To update the audit universe and define the potential scope of internal audit activities within the Municipality by identifying all major organization units, processes, systems, and control structures. The audit universe will be used to draft the 2017 Audit Plan and future Audit Plans. The audit universe will be updated on a periodic basis.

Status: Completed

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## 2018 Proposed Audit Objectives

### NON-STANDARD INVENTORY

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

Status: Objective Proposed

### 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, and obsolete inventory.

Status: Objective Proposed

### 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 Proposed

### HUMAN RESOURCE RECORDS

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

Status: Objective Proposed

### PAYROLL

To determine if payroll is accurate including active employee verification, rates of pay, and a review of hours paid.

Status: Objective Proposed

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**STANDARD OPERATING AGREEMENTS**

Assess the Standard Operating Agreements (SOA) within the Municipality to determine if there is a need for additional SOA's and assess the reach of the program by determining if the existing SOA's are being utilized for cost saving opportunities.

Status: Objective Proposed

**ANIMAL SERVICES**

To assess the effectiveness and efficiency of the animal control program offered in house by Bylaw Services.

Status: Objective Proposed

**SOCIAL MEDIA**

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

Status: Objective Proposed

**ENVIRONMENTAL MANAGEMENT**

To determine if the Municipality has an appropriate environmental management governance framework to ensure environmental strategic objectives 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.

Status: Objective Proposed

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## 2017 Consulting Engagements

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

### **FUSESOCIAL**

Assess the 2015 Financial Statements and advise Community Services on concerns that may impact the 2017 Community Investment Program grant.

Status: Completed

### **WOOD BUFFALO RECREATION SOCIETY**

Perform a Financial Statement Audit on the 2016 Financial Statements of Wood Buffalo Recreation Society (WBRS).

Status: Completed

### **NON-RECOVERABLE WILDFIRE COSTS**

To determine if any costs listed as “non-recoverable” by the Task Force are indeed recoverable.

Status: Completed

### **WASTE MANAGEMENT**

To determine if Waste Management invoices for contract QU2763 (March 2014 to February 2015) and QU2894 (March 2013 to October 2016) were paid in accordance with the basis of payment, terms, and conditions of the contracts.

Status: In Progress



## Risk Matrix

The 2017 Audit Plan was developed based on a risk ranking the Audit Universe in combination with the immediate needs of the Municipality. The Audit Universe is all identified potential audits within the Municipality based on the information available. The Audit Universe was updated as at March 23, 2017.

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