

# Agenda

## Audit Committee

2nd Meeting of the Audit Committee

April 13, 2022, 12:00 PM

Virtual Meeting during the COVID-19 Emergency

Please check the City website for current details of COVID-19 service impacts.

Meetings can be viewed via live-streaming on YouTube and the City website

Members

Deputy Mayor J. Morgan (Chair), M. van Holst, J. Helmer, S. Turner, L. Higgs

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Pages

1. **Disclosures of Pecuniary Interest**
2. **Consent**
3. **Scheduled Items**
4. **Items for Direction**
  - 4.1. Internal Audit Follow Up Activities Update Dashboard 2
  - 4.2. Draft Internal Audit Plan - Overview for Audit Committee 4
  - 4.3. Internal Audit Charter 14
5. **Deferred Matters/Additional Business**
6. **Adjournment**

# City of London Audit Committee Meeting Internal Audit Follow Up Activities Update Dashboard

## Internal Audit Follow Up Activities as of (Date)

A strong indicator of an effective internal control environment is the timeliness with which Management addresses reported control deficiencies. On a quarterly basis, MNP will conduct an audit follow-up process to ensure internal audit findings have been effectively remediated through the implementation of related Management action plans on a timely basis.

There are (number) recommendations from completed audits that were followed up on during this quarter. Refer to Appendix A.

- Audit 1 – one (1) medium
- Audit 2 – one (1) medium
- Audit 3 – one (1) high and one (1) medium

	Due	Due in Future Quarters	Closed	Re-Targeted	Total Remaining Open Items
<b>Total</b>	X	X	X	X	X

### Legend

**Due:** Management action plans due to be implemented on or before (Date).

**Due in Future Quarters:** Management action plans due in future quarters.

**Closed:** Remediation activities reviewed by IA and were adequate to close audit finding.

**Re-Targeted:** Management action plans that have been re-targeted.

**Total Remaining Open Items:** Management action plans due in future quarters, including re-targeted ones from this quarter.

Below is a table representing the length of time the open Management action items have been outstanding and the original risk rating attached to the audit finding associated with the Management action item.

Risk Rating <sup>1</sup>	Ageing in Months					Total
	0-3	4-6	7-9	10-12	12+	
<b>High</b>			X			<b>X</b>
<b>Medium</b>		X	X		X	<b>X</b>

<sup>1</sup> Low risk observations are intended as leading practice recommendations and are not subject to follow-up by Internal Audit.

**City of London**  
**Audit Committee Meeting**  
**Internal Audit Follow Up Activities Update Dashboard**

**Appendix A: Open Management Action Plans**

**Audit 1**

#	Responsible Management	Audit Recommendation	Management Action Plan	Risk Rating	Due Date	Time Open	Quarterly Update	Times Re-Targeted
1								

**Audit 2**

#	Responsible Management	Audit Recommendation	Management Action Plan	Risk Rating	Due Date	Time Open	Quarterly Update	Times Re-Targeted
1								

**Audit 3**

#	Responsible Management	Audit Recommendation	Management Action Plan	Risk Rating	Due Date	Time Open	Quarterly Update	Times Re-Targeted
1								

# City of London

## Draft Internal Audit Plan – Overview for Audit Committee

April 13, 2022



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# Objective

**Objective:** To provide a high level overview of the three year draft internal audit plan and the process used to develop it.

## Presentation Overview:

- ✓ Internal Audit Plan Development Process Overview
- ✓ Draft Internal Audit Plan Overview

# Internal Audit Plan Development Process

- ❑ MNP reviewed key documentation including city strategic documentation, previous internal audit material and applicable information from comparable municipalities and public sector organizations as well as leading literature.
- ❑ MNP spoke with members of the Audit Committee, Senior Leadership Team and select members of management. During these meetings with organizational leaders, MNP facilitated a discussion on key risk areas, gaining an understanding of the City's risks, the status of these risks and completing an analysis of each risk to assist with determining the overall significance of each risk item.
- ❑ Audits planned in response to the risk assessment were prioritized based on a range of factors relevant to the operations of the City.

# Internal Audit Plan Development Process (Cont.)

- ❑ In addition to our understanding arising from interviews, documentation review and leading practices, factors considered included:
  - If the area is auditable or not.
  - Audit Committee and Senior Leadership priorities.
  - The results of recently conducted internal audits within each risk area.
  - Major changes expected within the next few years, such as IT and systems, or process changes.
- ❑ This culminated in the development of a risk inventory which was prioritised and evaluated to develop the proposed audits and their respective scopes within the three year risk-based internal audit plan.
- ❑ Audits are delineated into two categories:
  - Compliance and Process – Focussing on adherence to regulations, policies and procedures.
  - Value for Money – Assessing return of investment considering economy, efficiency and effectiveness in the use of City funds.

# Internal Audit Plan 2022

Audit	Type	Inherent Risk	Scope	Timing
Records Management & Retention	Compliance/ Process	The possibility of direct or indirect impacts to operations, resulting from inadequate or failed internal processes and systems and a lack of appropriate safeguards related to the management of records.	An evaluation of the processes and controls for records management, as well as processes followed to ensure compliance to internal records retention policies and applicable records management legislative requirements.	Q2 2022
Talent Management	Compliance/ Process	The City may experience challenges retaining high performing and/or experienced staff possessing important corporate history and/or knowledge are temporarily inaccessible or permanently unavailable resulting in diminished or delayed productivity and service delivery. In addition, the organization may fail to attract, select or match qualified individuals for jobs within the organization.	An evaluation of the City's succession planning framework and related processes for maintaining the necessary skills to ensure operational resilience and minimal disruption during turnover of personnel in key roles, including the identification of key roles, comprehensiveness and adequacy of succession planning and back-up plans, workforce planning, procedural documentation, knowledge management and programs to develop expertise.	Q3 2022
Neighbourhood Decision Making Program	Value for Money	The Neighbourhood Decision Making Program may not be delivering its intended benefits to the City of London.	A review of the design and operating effectiveness of key controls pertaining to the Neighbourhood Decision Making Program, including submission, evaluation and approvals, as well as a review of the mechanisms and processes utilized to determine return on investment (measuring outputs and outcomes).	Q3 2022
Asset Retirement	Compliance/ Process	The City is not compliant with section PS 3280 – Asset Retirement Obligations.	An assessment of the processes and controls in place related to the identification, monitoring and reporting of environmental and financial asset retirement obligations, specifically considering compliance with requirements under Section PS 3280 – Asset Retirement Obligations.	Q4 2022



# Internal Audit Plan 2023

Audit	Type	Inherent Risk	Scope	Timing
Vendor Management	Compliance/ Process	Ineffective vendor management may result in violations of laws, regulations, and internal processes, loss or disclosure of customer information due to negligence or data breach, fiscal performance requirements not being met and operational service interruption.	An evaluation of the mechanisms and processes in place to manage vendor risk (third party), with a focus on governance, compliance and risk management including assessment of materiality and due diligence performed prior to commencement of services and the monitoring and reporting of performance with contractual terms.	Q1 2023
Grant Facilitation Review – Community Arts Investment Program and Community Heritage Investment Program	Value for Money	The Community Arts Investment Program and Community Heritage Investment Program may not be delivering intended benefits to the City of London.	A review of the design and operating effectiveness of the City's key controls pertaining to the Community Arts Investment Program and Community Heritage Investment Program, including a review of the mechanisms and processes utilized to determine return on investment (measuring outputs and outcomes).	Q2 2023
Cybersecurity	Compliance/ Process	The City may be insufficiently prepared to manage cyber threats that could cause operational disruption and reputational harm.	A review of the City's cybersecurity program, policies and standards, its ability to respond to cyber threats, vulnerabilities, risk reporting, risk awareness and culture.	Q2 2023
Human Resources Information System ("HRIS") Implementation	Compliance/ Process	The HRIS implementation may not achieve the desired objectives and outcomes, resulting in operational inefficiencies.	A post-implementation review of the HRIS, focusing on evaluating whether project objectives were met, desired outcomes accomplished, how effectively the project was run and identify any lessons learned.	Q3 2023
Project Management	Compliance/ Process	Inconsistent and ineffective use of project management processes for the delivery and management of projects, may result in undesired outcomes (e.g., delays, overruns, project outcomes not being delivered).	An assessment to determine the effectiveness of project management processes across the City, including methodologies, tools, controls and training in place for project planning, execution and reporting.	Q4 2023

# Internal Audit Plan 2024

Audit	Type	Inherent Risk	Scope	Timing
Privacy	Compliance/ Process	The possibility of direct or indirect impacts to operations, resulting from inadequate or failed internal processes and systems, lack of appropriate safeguards, issues related to staff and/or external events relating to privacy around the collection, storage, adaptation, alteration, disclosure and dissemination of data.	A review of the processes for the collection, use and disposal of personal identifiable information and an evaluation of the design and operating effectiveness of in scope/relevant privacy practices and controls.	Q1 2024
Municipal Affordable Housing Development	Value for Money	Projects and funding associated with affordable housing through the Municipal Housing Development Program may not have delivered its intended benefits to the City.	A review to understand if the Municipal Housing Development Program and associated processes and funds were administered with due regard for economy and efficiency and determine if desired outcomes were effectively achieved.	Q1 2024
Anti-Racism Anti- Oppression (“ARAO”)	Compliance/ Process	The City may not have made the desired/anticipated progress related to its Anti-Racism Anti- Oppression program.	A review of the City's progress towards implementation of its ARAO framework and policies.	Q2 2024
Performance Measurement	Compliance/ Process	Performance metrics may not be aligned to corporate goals and controls around performance measurement and reporting, including information collection, analysis and reporting may not have been designed adequately and not operating effectively, resulting in inaccurate, incomplete and unclear data being reported.	An assessment of the City's performance metrics and frameworks to ensure alignment with corporate strategies and goals. The assessment will support determine whether the City has the data and tools to appropriately evaluate the effectiveness of its performance, including a review of the data and tools used, and controls in place to ensure data for performance standards is accurate, valid, reliable and transparent.	Q3 2024
Climate Emergency Action Plan	Compliance/ Process	The City may not have made the desired/anticipated progress against the action items within the Climate Emergency Action Plan, resulting in operational and reputational impact.	A review of the City's progress against actionable items within the Climate Emergency Action Plan.	Q4 2024

# Internal Audit Plan Audit Pool (1/2)

Additional audits that were identified during the risk assessment process have been placed in an audit pool and can be considered as alternatives to proposed audits and can also be considered for future year audits.

Audit	Type	Inherent Risk	Scope
Procurement	Compliance/ Process	The City may not be compliant in following procurement practices for the purchasing of services, products or resources, resulting in possible fraud, quality, cost and delivery risk.	A review of procurement practices to test compliance to policies and the effectiveness of controls in place to ensure vendors are appropriately approved, authorized, onboarded and terminated.
Emergency Management	Compliance/ Process	The City's emergency management program may not be appropriately designed, operating and sustained.	An assessment of the procedures and controls in place related to the City's emergency management process. Elements of business continuity, disaster recovery and cyber incident response will be considered including an evaluation of end-user requirements.
Accessibility	Compliance/ Process	The City may not appropriately comply with the requirements of the Accessibility for Ontarians with Disabilities Act ("AODA").	An assessment the City's compliance with the AODA and the standards defined in the Integrated Accessibility Standards Regulation ("IASR") in order to provide an overview of gaps in compliance, associated risks with non-compliance, and recommendations for improvement.
Continuous Improvement	Compliance/ Process	The City's Continuous Improvement Program may not be aligned with its strategic framework and implementation plan.	An assessment to determine the effectiveness of the Continuous Improvement Program, including tools and controls in place to support people, processes and customers such as enterprise-wide training, tools and techniques, standard practices, improvement methodologies, and benefits analysis.
Creating a Safe London for Women and Girls	Compliance/ Process	The City may not have made the desired/anticipated progress related to its Creating a Safe London for Women and Girls initiative.	A review of the City's progress towards the execution of its Creating a Safe London for Women and Girls initiative.

# Internal Audit Plan Audit Pool (2/2)

Additional audits that were identified during the risk assessment process have been placed in an audit pool and can be considered as alternatives to proposed audits and can also be considered for future year audits.

Audit	Type	Inherent Risk	Scope
Fire Vehicles	Value for Money	The City may not be obtaining maximum return of investment from its fire vehicles fleet.	A review to understand if City funds have been/are being spent with due regard for economy, efficiency and effectiveness to help determine if there is an opportunity to change the current fire vehicle model (i.e., electrification).
Service London	Value for Money	The City may not be obtaining maximum return of investment from the Service London service.	A review to understand if key processes of Service London are effective and delivering the appropriate return and value for the City, considering economy, efficiency and effectiveness.
Community Improvement Plans	Value for Money	The City may not be obtaining maximum return of investment from Community Improvement Plans.	A review of Community Improvement Plans to assess value for money and determine the effectiveness of these plans. Scope would be limited to one or two plans (depending on size and complexity).

# Thank You

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## INTERNAL AUDIT CHARTER

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### 1.0 INTRODUCTION AND PURPOSE

This Charter establishes the purpose, authority and responsibilities conferred by the Audit Committee on Internal Audit, with respect to the carrying out of internal auditing activities within the City of London (“City”).

Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve the City’s operations. It helps the City accomplish its strategy and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The objectives of internal auditing are to assist City staff in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and by promoting effective control at a reasonable cost.

Internal Audit is responsible to provide independent assessments to the City Council of the Municipality, through the Audit Committee, as to whether risks are being adequately managed and to provide information to the Audit Committee that supports them in the execution of their responsibilities.

### 2.0 ROLE OF INTERNAL AUDIT

The responsibilities are defined in this charter, which is approved by the Audit Committee.

Internal Audit is independent of management and as such the Audit Committee has the authority to communicate directly with Internal Audit. Additionally, Internal Audit has direct access to the Audit Committee. Internal Audit reports administratively to the Deputy City Manager Finance Supports and functionally to the Audit Committee of the City.

### **3.0 AUTHORITY**

In carrying out its duties and responsibilities, acting reasonably, Internal Audit is entitled to have full and unrestricted access to all City activities, records, property, personnel, and information, which it considers to be necessary to properly fulfill its function.

Internal Audit are authorized to:

- Have full and free access to the Audit Committee;
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives; and,
- Obtain the necessary assistance from personnel in units of the City where they perform audits, as well as other specialized services from within or outside the City.

Internal Audit are not authorized to:

- Perform any operational duties for the organization or its affiliates;
- Initiate or approve accounting transactions external to Internal Audit; and,
- Direct the activities of any City employee not employed by Internal Audit, except as follows:
  - To the extent that employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors, they may be directed by Internal Audit staff.

### **4.0 INDEPENDENCE**

The independence of Internal Audit is largely determined by its reporting lines in the City. Internal Audit reports functionally to the Audit Committee (including required regular in camera meetings) and administratively to the Deputy City Manager Finance Supports.

In addition, all internal audit activities shall remain free of influence by any element in the City, including matters of audit selection, scope, procedures, frequency, timing, or report content, to permit maintenance of an independent and objective attitude necessary in providing reports.

Internal audit shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited. An internal audit does not in any way relieve other persons in the City of the responsibilities assigned to them.

### **5.0 RESPONSIBILITIES**

Internal Audit is entrusted with the responsibility to appraise the policies, procedures, and management controls of the City to ensure that the activities are properly managed and to promote effective controls at reasonable cost. In discharging this responsibility, Internal Audit shall:

**Performance**

1. Ensure that internal audit resources are appropriate, adequate, and effectively deployed to achieve the approved plan. This would include maintaining an adequate complement of professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter. Where the necessary skills are not available internally within the audit team, these should be obtained externally through outsourcing/co-sourcing agreements, or through recruitment.

**Annual Planning and Execution**

2. Develop an annual internal audit plan and budget using an appropriate risk-based methodology, including any risks or control concerns identified by the Senior Leadership Team and the Audit Committee and submit that plan to the Audit Committee for review and approval as well as periodic updates.
3. Implement the annual internal audit plan, as approved, including as appropriate any special tasks or projects requested by the Senior Leadership Team and the Audit Committee.

**Scope and Focus of Work**

Examine and evaluate the adequacy, effectiveness and efficiency of risk management practices and methodologies to provide assurance that management is operating prudently and within the City's Risk Management Appetite.

4. Review systems and operations to assess the extent to which City objectives are achieved, and determine the adequacy and effectiveness of risk management, control, and governance systems. Assess the design and operation of systems of control to give reasonable assurance that the following objectives are achieved by management:
  - a) safeguarding assets and verify their existence;
  - b) complying with established policies, procedures, and instructions;
  - c) complying with legal and regulatory requirements and codes of conduct;
  - d) providing relevant, reliable, and accurate management and financial information; and,
  - e) detecting and deterring fraud.
5. Confirm the effective operation of the controls as designed through testing of transactions.
6. Assess the efficiency and effectiveness of internal controls and recommend improvements in procedures and systems.
7. Evaluate and assess significant merging/consolidating of functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.



**Reporting**

Internal audit will report periodically to the Audit Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.

Reporting will include:

9. Significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the Audit Committee.
10. Periodic reports to the Audit Committee and management summarizing results of audit activities, including the follow up of previously reported issues.
11. Assessing progress against the approved internal audit plan, as well as any proposed changes to the plan for approval.
12. Bring to the attention of the Audit Committee any significant observations that warrant their immediate attention.
13. Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
14. Assist in the investigation of suspected fraudulent activities within the City and notify management and the Audit Committee of the results.
15. Monitor the overall effectiveness and progress of management in clearing outstanding audit observations and highlight items where timely action is lagging.

**Coordination with Other Assurance Functions**

Auditing and oversight assurance functions are critical for all organizations. External auditors also independently assess the effectiveness of selected areas of organizational operations. Given the impact that audit and oversight functions have on other parts of the organization it is important to ensure the necessary work is coordinated, well organized and that similar or redundant requests are avoided whenever practical. This helps optimize the performance of the City. In this regard, Internal Audit shall:

16. Consider the scope of work of the external auditors, as appropriate, for providing sufficient audit coverage to the organization at a reasonable overall cost. Wherever possible, share information and coordinate activities with the external auditors and providers of other assurance and consulting services to ensure proper coverage and minimize duplication of efforts; and,
17. Consider the degree of reliance that can be placed on other Governance structures within the City to reduce the amount of Internal Audit work required and thus reduce overall disruption to the City while ensuring that governance and risk assessments are appropriate, consistent, and communicated to the Senior Leadership Team and the Audit Committee, as needed.

**Quality Assurance and Improvement Program**

Internal audit will develop and maintain a quality assurance and improvement program

that covers all aspects of the internal audit activity and continuously monitors its effectiveness. Internal audit will adopt a process to monitor and assess the overall effectiveness of the quality program, which will include:

- Internal assessments including ongoing reviews of the performance of the internal audit activity and periodic reviews performed through self-assessment or by other persons within the organization, with knowledge of internal auditing practices and internal audit standards.

## **6.0 CONSULTING ACTIVITIES**

In addition to its responsibilities to provide appropriate levels of internal audit coverage to the organization overall, Internal Audit can also add value in a consulting capacity. As such, it is responsible to carry out ad hoc assessments, inspections, investigations, examinations, or reviews requested by the Senior Leadership Team or by the Audit Committee.

### **Guidance on Accepting and Performing Consulting Activities**

Consulting engagement objectives must address governance, risk management, and control processes to the extent agreed upon with the City.

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the City to determine whether to continue with the engagement.

Internal auditors must exercise due professional care throughout a consulting engagement by considering the:

- Needs and expectations of the City, including the nature, timing, and communication of engagement results and the availability of skills to meet these expectations;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and,
- Cost of the consulting engagement in relation to potential benefits.

Internal Audit must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement, or the engagement conflicts with internal audit's assurance role.

## **7.0 SCOPE OF WORK**

The scope of work of Internal Audit is to determine whether the City's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups to leverage their work as practical

- and minimize the “oversight burden” on operating departments;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees’ actions comply with policies, standards, procedures, and applicable laws and regulations;
- Resources are utilized efficiently and effectively, and adequately safeguarded;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the City’s control process; and,
- Significant legislative or regulatory issues impacting the City are recognized and addressed appropriately.

Opportunities for improving management control, profitability, and the City’s image may be identified during audits. They will be communicated appropriately to management and the Audit Committee.

## **8.0 ACCOUNTABILITY**

Internal Audit, in the discharge of its duties, shall be directly accountable to the Audit Committee to:

- Meet with the Audit Committee at least quarterly and provide an assessment on the adequacy and effectiveness of the City’s key processes for controlling its activities and managing its risks in the areas set forth under the scope of work, as well as the basis for the assessment;
- Report significant issues related to the processes for controlling the activities of the City and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution;
- Periodically provide information on the status and results of the annual internal audit plan and the sufficiency of department resources; and,
- Co-ordinate with and provide assessment of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

## **9.0 STANDARDS OF AUDIT PRACTICE**

The internal audit profession is covered by the International Professional Practices Framework of The Institute of Internal Auditors. This framework includes mandatory elements consisting of the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. Internal Audit will meet these mandatory requirements of the profession.

Internal Audit shall employ established and proven frameworks and practices that are appropriate for the organization and for the effective performance of Internal Audit responsibilities.

**10.0 CODE OF CONDUCT**

All internal auditors shall abide by the Institute of Internal Auditors' Code of Ethics.

**11.0 AMENDMENT OF CHARTER**

The Internal Audit Charter will be reviewed, updated, and reported to the Audit Committee for approval at least annually.