



**The Corporation of the  
City of London**  
2017 - 2020 Draft Internal  
Audit plan

May 2017

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# Background

## Overview

The City of London ("City") continues to focus its efforts on creating a City that is connected to the world as a leader in commerce, culture and innovation. The City of London continues to build a respected and inspired public service partnership with the following initiatives:

- Strengthening the City of London community;
- Building a sustainable City;
- Growing the City economy; and
- Leading in public service.

As result of these priorities for the City, the Internal Audit Plan focuses on assessing the impact of these and other changes on the control frameworks for the City. The enclosed Audit Plan is for the 6 month period June 2017-December 2017 and the subsequent three full years and was developed using a combination of critical end-to-end business process coverage, understanding of the City of London environment, understanding of key industry risks, discussions with the Senior Leadership Team (SLT) and members of the Audit Committee, and past audit coverage and results.

The 2017 budget for the proposed plan is \$250,000.00. The plan includes utilizing core business process and IT auditor resources, supplemented by Deloitte subject matter advisors for certain audits to assist with providing value-added recommendations to the Audit Committee and management.

## Objectives

Our overall objectives in executing the proposed 2017 internal audit plan include the following:

- Assist the City Audit Committee and SLT in fulfilling their oversight responsibilities; and
- Provide independent, objective audit and advisory services designed to add value and improve the effectiveness of the City's control, compliance and governance processes.

This will be achieved through the execution of the internal audit plan, which could include a variety of projects covering areas such as:

- Validating that the tone of leadership as set by SLT reflects appropriate risk and control consciousness and accountability, consistent with the City's values;
- Monitoring and evaluating the effectiveness of the City's control activities;
- Validating that management in each division provides effective monitoring and oversight of processes and activities while balancing risk, cost and benefit;

- Reviewing the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information;
- Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on City of London operations;
- Assessing whether resources and assets are adequately protected against loss or misappropriation;
- Reporting on observations raised during the course of our audits and reviews and on any identified incidents of internal and/or management fraud; and
- Facilitating the proper level of coordination between Internal Audit, the Audit Committee, external auditors, service reviews and Lean Six Sigma reviews.

#### Role of Internal Audit

As defined by the Institute of Internal Auditors (IIA), "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

It is management's responsibility to establish, maintain and provide primary assurance to the Committee that appropriate internal control, risk management and governance practices have been put in place within the organization, to reduce business risks to an acceptable level and to ensure that programs are delivered and transactions are executed in accordance with applicable acts, legislation and corporate policies. Internal Audit's role is to provide independent assessment that the practices have been designed appropriately and are operating effectively.

The Institute of Internal Auditors notes that the internal audit function can conduct both assurance services as well as advisory services. Assurance services involve the provision of an objective assessment of internal control, risk management and/or governance practices, often involving the assessment of compliance with policies, procedures and standard operating practices. Advisory services typically involve the conduct of broader business process and efficiency reviews as well as providing support to management in executing its strategies and initiatives, and improving business process performance. When performing advisory services, the internal audit function must maintain objectivity and not assume management responsibility for decision-making.

# Internal Audit plan methodology and risk framework

## Internal Audit plan methodology

The Internal Audit plan methodology and approach draws upon the results of the risk assessment activities and audit risk universe development activities. As part of our approach, we have inquired through discussion about the current priorities at the City to determine the higher risk audit universe areas and developed a prioritized audit plan to address those risks. Our Internal Audit approach also supports a risk based approach.

## Risk framework

The Internal Audit program is designed to provide a more systematic means for determining whether risks are effectively assessed, measured, managed, aggregated, and reported. Below is an initial risk framework developed by Internal Audit based on our industry knowledge and information gained through the risk assessment process, built to identify the key risks to the City. Based on the internal audit planning process the bolded risks are the highest priority for the City.

**Please see Appendix A: Risk framework for risk definitions of the risks depicted below.**

### Environment risk

Stakeholder wants	Technological innovation	Government Policy
Regulatory	<b>Capital availability</b>	Catastrophic loss

### Process risk

Operations	Empowerment	Financial
<b>Citizen satisfaction</b> Citizen fraud	Leadership Authority	Liquidity
<b>Human resources</b> Capacity Partnering	Change readiness Accountability	
<b>Compliance</b> Business interruption Health and safety Security Legal	<b>Integrity</b> Illegal acts <b>Reputation</b>	<b>Information processing/ technology</b> Relevance <b>Integrity</b> <b>Access/Security breach</b> Infrastructure

### Information for decision-making risk

Process/operational	Organizational reporting	Environment/strategic
Contract commitment <b>Performance measurement</b> Organizational alignment	<b>Budget and planning</b> Accounting information Taxation Regulatory reporting Compensation and benefits	Environmental scan Performance measurement Planning

# Audit universe

Internal Audit performs audits and reviews from a process and departmental standpoint. In order to organize and better report on results of internal audits, we have prepared an Internal Audit Universe with an initial mapping of the Universe to the key risks in the risk framework for the City.

This universe is also meant to depict the full scope of areas that could be audited by Internal Audit. Going forward, this universe can be used to demonstrate the coverage provided by the Internal Audit function over time.

**Please see Appendix A: Risk framework for risk definitions.**

Internal Audit Universe Areas		Risks	
Corporate Services	<b>Solicitor</b>	<ul style="list-style-type: none"> <li>Regulatory</li> <li>Government Policy</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Compliance</li> <li>Illegal Acts</li> <li>Catastrophic loss</li> </ul>
	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>Human Resources</li> <li>Health and Safety</li> <li>Reputation</li> <li>Accountability</li> <li>Security</li> </ul>	<ul style="list-style-type: none"> <li>Compensation and Benefits</li> <li>Illegal Acts</li> <li>Capacity</li> <li>Leadership</li> <li>Organizational alignment</li> </ul>
	<b>Finance and Treasury</b>	<ul style="list-style-type: none"> <li>Liquidity</li> <li>Taxation</li> <li>Capital Availability</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Budgeting and Planning</li> <li>Accounting Information</li> <li>Regulatory Reporting</li> </ul>
	<b>Information Technology</b>	<ul style="list-style-type: none"> <li>Relevance</li> <li>Integrity</li> <li>Change Readiness</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Access/Security Breach</li> <li>Infrastructure</li> <li>Technological Innovation</li> <li>Business interruption</li> </ul>
	<b>Corporate Communication</b>	<ul style="list-style-type: none"> <li>Partnering</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Contract Commitment</li> </ul>
	<b>Economic Innovation</b>	<ul style="list-style-type: none"> <li>Partnering</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Change Readiness</li> </ul>

Internal Audit Universe Areas		Risks	
Administration	Planning	<ul style="list-style-type: none"> <li>• Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Scan</li> </ul>
	Compliance Services	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Government Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Reputation</li> </ul>
	Building	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Government Policy</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Partnering</li> <li>• Contract Commitment</li> </ul>
	Environmental	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Government Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policy</li> <li>• Reputation</li> </ul>
	Engineering	<ul style="list-style-type: none"> <li>• Planning</li> <li>• Environmental scan</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Reputation</li> </ul>
Services	Housing	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Stakeholder wants</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policy</li> <li>• Infrastructure</li> </ul>
	Social Services	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policy</li> </ul>
	Dearness Home	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder wants</li> </ul>
	Neighbourhood & Children services	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder wants</li> </ul>
	Fire	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Satisfaction</li> <li>• Partnering</li> </ul>
	Service London	<ul style="list-style-type: none"> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Satisfaction</li> </ul>
Parks & Recreation	Parks & Recreation	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder wants</li> <li>• Citizen satisfaction</li> </ul>



Internal Audit Universe Areas		Risks	
Agencies, Boards, Commissions and Corporations	Argyle Business Improvement Area Board of Management	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Satisfaction</li> <li>• Organizational alignment</li> </ul>
	Covent Garden Market Corporation		
	Eldon house Corporation		
	Housing Development Corporation		
	London Convention Centre Corporation		
	London Downtown Business Association		
	London Hydro Inc.		
	London & Middlesex housing Corporation		
	London Police Services Board		
	London Public Library Board		
	London Transit Commission		
	Middlesex-London Health Unit		
	Museum London		
	Old East Village Business Improvement Area		
	Public Utility Commission of the City of London		
	Elgin Area Water Primary Water Supply System		
Lake Huron Primary Water Supply System			

# Summary 2017-2020 Audit Plan by audit universe area

The following table outlines the audit plan summary by Audit Universe area for each of the four years. A full scoping exercise will be performed and documented at the planning stage for each Internal Audit project which will prioritize risk areas to be audited within the allocated budget.

Internal Audit Universe Areas		FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Corporate Services	<b>Solicitor</b>	<b>Freedom of Information Process Assessment:</b> Assess the operational and financial effectiveness and efficiency of processes and controls for providing information and documentation when requested from the public. The audit will also assess the City processes for maintaining confidentiality of data.			<b>Court House Facility Assessment:</b> Assess the operational controls and management oversight controls within the court house. The assessment will include the organizational structure and reporting relationships.
	<b>Human Resources</b>	<b>Management Compensation Process Assessment:</b> Assess the management compensation process and related controls including change management, processing validity, accuracy, and timeliness, organizational structure, authorization and reporting lines, privacy/confidentiality of information and relation to performance management processes.	<b>Health and Safety Assessment:</b> Assess governance, maturity and effectiveness of occupational health and safety against leading standards and compliance to corporate policies and procedures. Processes assessed may include incident management, employee and contractor safety programs, emergency response practices, training and regulatory compliance.	<b>Recruitment Process Assessment:</b> Assess the recruiting and hiring processes for the City with emphasis on controls, adherence to government requirements, the timeliness and effectiveness of the hiring process and the effectiveness of attracting a range of skilled candidates.	

Internal Audit Universe Areas	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Finance and Treasury		<p><b>Procurement Process Assessment:</b> Assess the processes and controls in place related to the centralized procurement process (i.e. purchase to pay cycle) including the newly implemented e-procurement system.</p>	<p><b>Electronic Fund Transfer Compliance Assessment:</b> Assess compliance of the processes and controls in place for electronic fund transfer against policy and City requirements.</p>	
Information Technology	<p><b>IT Cyber Risk Workshop:</b> A one day workshop to inventory the key cyber security threats for the city and identify the high level processes and technology in place to address the threats.</p> <p><b>IT Project Portfolio and Project Management Assessment:</b> Assess the processes and controls in place for managing IT projects and the portfolio of IT projects from intake through end-user delivery and closure of the projects.</p>	<p><b>Class Replacement Project Post-implementation Review:</b> (see description under Parks &amp; Recreation).</p> <p><b>IT Security Assessment:</b> Based on the Cyber workshop and first year experiences, perform a more focused evaluation of one or a select number of IT security areas.</p>	<p><b>Computerised Maintenance Management System (CMMS) Pre-implementation Review:</b> (see description under Engineering)</p>	
Corporate Communication	<p><b>Corporate Communication will be evaluated and assessed, as relevant, as part of other audits.</b></p>			
Economic Innovation				<p><b>Emergency Planning Process Review:</b> Assess the procedures and controls in place related to the City's emergency planning process. Elements of business continuity and disaster recovery will be considered including the evaluation of meeting end-user requirements.</p>

Internal Audit Universe Areas		FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Administration	Planning				<b>Development Charges Process Assessment:</b> Assess the CIP process and control framework for development charges and the grants provided to developers. The audit will also review segregation of duties.
	Compliance Services		<b>Parking Revenue Generation Assessment:</b> Assess the control framework currently in place and recommend areas for improvement based on benchmarking to other local governments. The review will also identify efficiencies to improve the process.		
	Building	<b>Building Permit Process Assessment:</b> Assess the building permit process and control framework in place for issuing permits.			
	Environmental				<b>Public Works Process Assessment:</b> Assess the processes and controls in place for operational and financial processes within public works.

Internal Audit Universe Areas		FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Services	Engineering		<b>Rapid Transit Project:</b> Each year, beginning in 2018, Internal Audit will assess a facet of the Rapid Transit Project based on the milestones reached within the project. Possible assessment areas of focus include project management controls and effectiveness, an assessment of the tendering, awarding and procurement process, construction auditing, and contract compliance auditing and communications assessment.	<b>Computerised Maintenance Management System (CMMS) Pre-implementation Review:</b> Evaluate and assess the controls framework proposed and being established. <b>Rapid Transit Project:</b> (see description under Engineering - FY 2018)	<b>Rapid Transit Project:</b> (see description under Engineering - FY 2018)
	Housing		<b>Housing Process Assessment:</b> Evaluate the efficiency and effectiveness of the housing processes and financial controls in place. The review may include evaluating the Housing Development Corporation (HDC) and the London and Middlesex Housing Corporation (LMHC) processes and controls.		
	Social Services			<b>Social Services Process Assessment:</b> Assess the processes and controls in place for operational and financial processes within social services.	

Internal Audit Universe Areas		FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
	<b>Dearness Home</b>				
	<b>Neighbourhood and Children services</b>	<b>Homelessness Prevention Management Process Assessment:</b> Review the processes and controls in place for operational and financial processes within Homelessness.			
	<b>Fire</b>			<b>Fire Process Assessment:</b> Assess the processes and controls in place for operational and financial processes within fire services.	
	<b>Service London</b>				<b>Service London Process Assessment:</b> Review the processes and controls in place for operational and financial processes within Service London.
<b>Parks &amp; Recreation</b>	<b>Parks &amp; Recreation</b>	<b>Cash Handling Process Review:</b> For a sample of parks, outdoor facilities and recreational facilities, review and test the controls in place to manage cash handling and perform sample testing of cash handling compliance.	<b>Class Replacement Project Post-implementation Review:</b> Evaluate and assess the controls framework established for the Class system.		

Internal Audit Universe Areas		FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Agencies, Boards, Commissions and Corporations	Argyle Business Improvement Area Board of Management				
	Covent Garden Market Corporation				
	Eldon house Corporation				
	Housing Development Corporation		Housing Process Assessment: (see description under Housing).		
	London Convention Centre Corporation				
	London Downtown Business Association				
	London Hydro Inc.				
	London & Middlesex housing Corporation		Housing Process Assessment: (see description under Housing).		
	London Police Services Board				
	London Public Library Board				

Internal Audit Universe Areas		FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
	London Transit Commission				
	Middlesex-London Health Unit				
	Museum London				
	Old East Village Business Improvement Area				
	Public Utility Commission of the City of London				
	Elgin Area Water Primary Water Supply System				
	Lake Huron Primary Water Supply System				

Other Internal Audit activities	
• Annual Internal Audit Planning	
• Audit Committee and Management reporting	
• Attendance at management meetings and coordination with Lean Six Sigma and Service Review teams, as required	
• Quarterly follow-up on outstanding high/medium priority findings	



# Summary June 2017 to December 2017

The Audit Plan has been developed with a view of addressing the highest areas of risk for the City based on our understanding of risks from discussions with the Audit Committee members, Senior Leadership and past audit results and our understanding of industry. Internal Audit will review the results of the risk assessment when reviewing the plan on a quarterly basis to determine if changes are required to the plan to address higher priority risks and any changes to the plan will be presented to the Audit Committee for approval. The following table outlines the audit projects for June 2017 to December 2017 with associated budgets.

<b>Internal Audit Plan</b> June 2017 to December 2017	
<b>Projects</b>	<b>Budget</b>
Freedom of Information Process Assessment	\$35,000
Management Compensation Process Assessment	45,000
Building Permit Process Assessment	35,000
IT Portfolio Management and Project Management Assessment	30,000
Homelessness Prevention Management Process Assessment	30,000
Parks & Recreation Cash Handling Process Review	25,000
One Day Cyber-intelligence Workshop	Nil
Project Management, management meetings and Audit Committee reporting and attendance	35,000
Follow-up of outstanding observations *	15,000
Initial 4-year Internal Audit Plan	Nil
IA Transition	Nil
<b>Total 2017 Internal Audit Budget</b>	<b>\$250,000</b>
Actual incurred expenses will be billed in accordance with the engagement letter terms	
* Internal Audit Follow-ups for 2017 will be performed in advance of each Audit Committee meeting for outstanding observations that are due and will include verbal updates, validation of status and summary reporting on results of the follow-up.	

# Appendix A: Risk framework

The following details the risk definitions by risk type that have been mapped in the Audit Universe.

## Environmental

Environment risk arises when there are external forces that could affect the viability of the City, including the fundamentals that drive the overall objectives and strategies.

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*Stakeholder wants risk.* Pervasive stakeholder needs and wants change and the City is not aware (e.g., citizens, employees, government, regulatory bodies, etc.).

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*Technological innovation risk.* The City is not leveraging advancements in technology in organizational activities to achieve advantages

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*Capital availability risk.* Insufficient access to government capital threatens the City's capacity to grow and execute on strategic priorities.

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*Regulatory risk.* Changing regulations threaten the City's position and its capacity to efficiently offer programs and services.

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*Catastrophic loss risk.* A major disaster threatens the City's ability to sustain operations.

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*Government policy risk.* Changes in government policy threaten the City's position and its capacity to efficiently offer programs and services.

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## Process Risks

Process risk is the risk that the City processes are not effectively providing programs and services; are not clearly defined; are poorly aligned with the City strategies and are not performing effectively and efficiently in satisfying citizen needs.

## Operations risk

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*Citizen satisfaction risk.* A lack of focus on citizens threatens the City's capacity to meet expectations.

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*Citizen fraud risk.* Fraudulent activities perpetrated by citizens expose the City to financial loss.

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*Human resources risk.* The risk that we do not have the right people or that our people do not have the necessary skills, knowledge and expertise to allow the City to successfully achieve objectives.

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*Capacity risk.* Insufficient capacity threatens the City's ability to meet demands, or excess capacity threatens the City's ability to offer programs and services.

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*Partnering risk.* Inefficient or ineffective alliance, outsourcing, affiliate and other external relationships affect the City's capability to deliver; these uncertainties arise due to choosing the wrong partner, poor execution and failing to capitalize on partnering opportunities.

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*Compliance risk.* Non-compliance with prescribed policies and procedures or laws and regulations may result in lost reputation, penalties, fines, etc.

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*Business interruption risk.* Business interruptions stemming from the unavailability of labour, information technologies or other resources threaten the City's capacity to continue operations.

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*Health and safety risk.* The risk that the City's infrastructure is not safe for citizens, employees and other stakeholders thereby interrupting the operation of the City or threatening the delivery of programs and services.

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*Security.* The City's security measures fail to prevent damage, injury or loss.

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*Legal risk.* Actions of City employees increase exposure to lawsuits or other legal action.

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### **Empowerment risk**

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*Leadership risk.* The risk that the City's staff are not being effectively led, which may result in a lack of direction, focus, motivation to perform, executive credibility and trust throughout the organization.

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*Authority/limit risk.* Failure to establish or enforce limits on personnel actions may cause employees to commit unauthorized or unethical acts, or to assume unauthorized or unacceptable risks.

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*Change readiness risk.* Staff are unable or unwilling to implement process and program or service improvements to keep pace with changes.

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*Accountability risk.* Management and front-line staff are not held directly accountable for their actions and/or the results of their performance.

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### **Integrity risk**

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*Illegal acts risk.* Illegal acts committed by management and front-line staff expose the City to fines, and sanctions.

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*Reputation risk.* Damage to the City's reputation exposes it to citizen dissatisfaction and unnecessary media attention.

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### **Financial risk**

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*Liquidity risk.* Liquidity risk is the exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner.

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### **Information processing/technology risk**

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*Relevance risk.* Irrelevant information created or summarized by an application system may adversely affect users' decisions.

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*Integrity risk.* All of the risks associated with the authorization, completeness and accuracy of transactions as they are entered into, processed by, summarized by and reported by the various application systems deployed by the City.

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*Access risk/ breach of security.* Failure to adequately restrict access to information (data or programs) may result in unauthorized knowledge and use of confidential information, or overly restrictive access to information may preclude personnel from performing their assigned responsibilities effectively and efficiently.

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*Infrastructure risk.* The risk that the City does not have the information technology infrastructure (e.g., hardware, networks, software, people and processes) it needs to effectively support the current and future information requirements of the City in an efficient, cost-effective and well-controlled fashion.

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### Information for decision-making risk

Information for decision-making risk is the risk that information used to support the execution of the operating model, the internal and external reporting on performance and the continuous evaluation of the effectiveness of the City is not relevant or reliable.

#### Process/operational information for decision-making risk

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*Contract commitment risk.* The risk that contract commitments are not captured and documented exposing the City to multiple or duplicate contracts or commitments.

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*Performance measurement risk.* Performance is not measured or performance measures are not aligned with City strategies and business objectives.

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*Organizational alignment risk.* Failure to align process objectives and performance measures with objectives and strategies may result in conflicting, uncoordinated activities throughout the City.

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#### Reporting information for decision making risk

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*Budget and planning risk.* Non-existent, unrealistic, irrelevant or unreliable budget and planning information may cause inappropriate financial conclusions and decisions.

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*Accounting information risk.* Overemphasis on financial accounting information to manage the City may result in the manipulation of outcomes to achieve financial targets at the expense of not meeting satisfaction, quality and efficiency objectives.

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*Taxation risk.* Failure to accumulate and consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences that could have been avoided had transactions been structured differently.

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*Regulatory reporting risk.* Incomplete, inaccurate and/or untimely reporting of required financial and operating information to regulatory agencies may expose Davis + Henderson to fines, penalties and sanctions.

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*Compensation and benefits risk.* Incomplete and/or inaccurate information pertaining to compensation and benefits (i.e., pension plans, deferred compensation plans, benefit plans, etc.) may preclude the City from meeting its defined obligations to employees on a timely basis and result in a loss of morale and reputation, work stoppages, litigation and additional funding requirements.

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#### Environment/strategic information for decision-making risk

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*Environmental scan risk.* Failure to monitor the external environment or formulation of unrealistic or erroneous assumptions about environment risks may cause the City to retain strategies long after they have become obsolete.

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*Performance measurement risk.* Non-existent, irrelevant or unreliable performance measures that are inconsistent with established business objectives threaten the City's ability to execute its business objectives.

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*Planning risk.* An unimaginative and cumbersome strategic planning process may result in irrelevant information that threatens the City's capacity to formulate viable strategies.

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# Appendix B – 2017 Audit plan rationale

The following table outlines the specific audit projects and rationale for inclusion in the 2017 Internal Audit plan scheduled for execution from June 2017 to December 2017.

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Solicitor</b>						
<b>Freedom of Information Process Assessment:</b>	Assess the operational and financial effectiveness and efficiency of processes and controls for providing information and documentation when requested from the public. The audit will also assess the City processes for maintaining confidentiality of data.	X	X	X		X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Human Resources</b>						
<b>Management Compensation Process Assessment</b>	Assess the management compensation process and related controls including change management, processing validity, accuracy, and timeliness, organizational structure, authorization and reporting lines, privacy/confidentiality of information and relation to performance management processes.	X	X	X		X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Information Technology</b>						
<b>IT Cyber Risk Workshop</b>	A one day workshop to inventory the key cyber security threats for the city and identify the process and technology in place to address the threats.	X			X	
<b>IT Portfolio Management and Project Management Assessment</b>	Assess the processes and controls in place for managing IT projects and the portfolio of IT projects from intake through end-user delivery and closure of the projects.	X		X	X	X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Building</b>						
<b>Building Permit Process Assessment</b>	Assess the effectiveness and efficiency of the building permit process and control framework in place for issuing permits.	X	X	X		X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Neighbourhood and Children Services</b>						
<b>Homelessness Prevention Management Process Assessment</b>	Review the effectiveness and efficiency of processes and controls in place for operational and financial processes within Homelessness.	X		X	X	X
<b>Parks &amp; Recreation</b>						
<b>Cash Handling Process Review</b>	For a sample of parks, outdoor facilities and recreational facilities, review and test the controls in place to manage cash handling and perform sample testing of cash handling compliance.	X	X	X		

# Appendix C – Risk Prioritization and Audit Universe Coverage

The following table outlines the coverage by Internal Audit Universe Area since 2012 and the planned coverage from 2017-2020. Also included is Internal Audit’s initial risk prioritization of the Audit Universe Area based on our planning interviews with management and our understanding of the inherent risks and current controls in place and residual risks. Our risk prioritization will be updated as Internal Audit’s work progresses.

		Previous Outsourced IA Function					Deloitte Outsourced IA Function				
Internal Audit Universe Areas		Prioritization	FY 2012 January 2012 to December 2012	FY 2013 January 2013 to December 2013	FY 2014 January 2014 to December 2014	FY 2015 January 2015 to December 2015	FY 2016 January 2016 to December 2016	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Corporate Services	Solicitor	Medium						Freedom of Information process Assessment			Court House Facility Assessment
	Human Resources	High	Succession Planning					Management Compensation Process Assessment	Health and Safety Assessment	Recruitment Process Assessment	
	Finance and Treasury	High	Purchasing Cards Expenditure Approval and Payment Payroll Administration	Budgeting Process Facilities and Property Utilization Property Tax Assessments & Collections			Construction and Procurement of Higher Risk Assets, including Normal School		Procurement Process Assessment	Electronic Fund Transfer Compliance Assessment	
	Information Technology	High		Project Management and Utilization				IT Cyber Risk Workshop  IT Project Portfolio and Project Management Assessment	Class Replacement Project Post-implementation Review IT Security Assessment	Computerised Maintenance Management System (CMMS) Pre-implementation Review  TBD System Controls Review	
	Corporate Communication	Medium						Corporate Communication will be evaluated and assessed as necessary as part of other audits.			
	Economic Innovation	Medium									Emergency Planning Process Review



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Internal Audit Universe Areas		Prioritization	FY 2012 January 2012 to December 2012	FY 2013 January 2013 to December 2013	FY 2014 January 2014 to December 2014	FY 2015 January 2015 to December 2015	FY 2016 January 2016 to December 2016	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
Administration	Planning	Low		Urban Forestry and Planning Application Process							Development Charges Process Assessment
	Compliance Services	Medium	Building Control Compliance		By-law Enforcement & Licensing	Processes and Approvals Surrounding Inspection Phase of Site Plans and Subdivisions	Building Cash Controls		Parking Revenue Generation Assessment		
	Building	Low					Building Permit Process Assessment				
	Environmental	Low	Contract and Tendering Administration	Urban Forestry and Planning Application Process	Solid Waste - Landfill Process Review Solid Waste (Garbage) Collection and Recycling Process Review						Public Works Process Assessment
	Engineering	High	Contract and Tendering Administration Fleet Asset Management		Roads & Transportation - Project Management and Resource Utilization Roads & Transportation - Capital Budget Development and Project Costing		Construction and procurement of higher risk assets, including Normal School Allocation of Administrative Costs to Lake Huron & Elgin Areas Water Supply Boards		Rapid Transit Project	Computerised Maintenance Management System (CMMS) Pre-implementation Review Rapid Transit Project	Rapid Transit Project
Services	Housing	Medium			Housing Access Centre Process Review				Housing Process Assessment		
	Social Services	Medium	Financial Management and Ontario Works Claims Review	London Public Library Revenue base and Fee Structure		Long-term Care - Governance, Oversight and Structure Review				Social Services Process Assessment	
	Dearness Home	Low									
	Neighbourhood and Children	Medium						Homelessness Prevention Management Process Assessment			
	Fire	Medium								Fire Process Assessment	

		Previous Outsourced IA Function					Deloitte Outsourced IA Function				
Internal Audit Universe Areas		Prioritization	FY 2012 January 2012 to December 2012	FY 2013 January 2013 to December 2013	FY 2014 January 2014 to December 2014	FY 2015 January 2015 to December 2015	FY 2016 January 2016 to December 2016	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
	Service London	Medium									Service London Process Assessment
Parks & Recreation	Parks and Recreation	Medium	Health and Safety	Revenue Strategies		Cost Structure and Delivery Model		Cash Handling Process Review	Class Replacement Project Post-implementation Review		
Agencies, Boards, Commissions and Corporations	Argyle Business Improvement Area Board of Management										
	Covent Garden Market Corporation										
	Eldon house Corporation										
	Housing Development Corporation								Housing Process Assessment		
	London Convention Centre Corporation			Revenue & Growth Opportunities							
	London Downtown Business Association										
	London Hydro Inc.										
	London & Middlesex Housing Corporation			Organizational Review Purchased Services Review						Housing Process Assessment	
	London Police Services Board										
	London Public Library			Revenue Base and Fee Structure							
London Transit Commission			Payroll & Time-off Provisions								

		Previous Outsourced IA Function					Deloitte Outsourced IA Function				
Internal Audit Universe Areas		Prioritization	FY 2012 January 2012 to December 2012	FY 2013 January 2013 to December 2013	FY 2014 January 2014 to December 2014	FY 2015 January 2015 to December 2015	FY 2016 January 2016 to December 2016	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020
	Middlesex-London Health Unit			Efficiency & Shared Services Review							
	Museum London										
	Old East Village Business Improvement Area										
	Public Utility Commission of the City of London										
	Elgin Area Water Primary Water Supply System						Allocation of Administrative Costs to Lake Huron & Elgin Areas Water Supply Boards				
	Lake Huron Primary Water Supply System						Allocation of Administrative Costs to Lake Huron & Elgin Areas Water Supply Boards				



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