

Internal Audit Update and Reserve Transfer – Year-End 2020

ISSUE

This report provides an update on internal audit and consulting services provided to the City of Saskatoon (City) for the year ending December 31, 2020, and also seeks City Council approval to waive the transfer of the Internal Audit Program's unexpended funds of \$316,739.79 to the Internal Audit Program Reserve.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that the transfer to the Internal Audit Program Reserve of the unspent amount of \$316,739.79 for the Internal Audit Program be waived for the year ended December 31, 2020.

BACKGROUND

On February 27, 2017, City Council approved an amendment to Council Policy No. C03-003, Reserves for Future Expenditures, to establish an Internal Audit Program Reserve (Reserve). The Reserve is funded from the annual Operating Budget in an amount equal to any unexpended funds in the City's Internal Audit Program.

Internal audit and consulting services are funded through an annual base amount of \$427,000.00. The Reserve also has an unallocated balance of \$403,722.00 funded from previous years' unspent audit funds.

The internal audit services contract ended on December 31, 2019, and the Administration began the necessary actions to implement a co-sourced internal audit function in the spring of 2020, starting with the recruitment of a City Internal Auditor.

As a result of the COVID-19 pandemic and the impact it had on the City's operations, the City Internal Auditor recruitment was temporarily suspended in March 2020. The recruitment was reactivated in November 2020, and the new City Internal Auditor will be appointed in the spring of 2021.

DISCUSSION/ANALYSIS

Although the City did not have an internal audit function in place during 2020, in accordance with the Internal Audit Charter, the City Manager approved funding for two consulting projects from the Internal Audit Program – a Review of the City's EFAP Program and a Mid-Action Review of the City's COVID-19 Pandemic Response. Both projects were competitively procured through Supply Chain Management.

Overall, \$110,260.21 of the total annual budget of \$427,000.00 was spent in 2020 on consulting projects as well as the Whistleblower Program and the City Internal Auditor recruitment.

Internal Audit Update and Reserve Transfer – Year-End 2020

Unexpended funding of \$316,739.79 remains as of December 31, 2020, as summarized in the following table:

	Dollars
Approved 2020 Operating Budget	\$427,000.00
Consulting Services	(98,600.00)
Whistleblower Program	(10,191.94)
City Internal Auditor Recruitment	(1,468.27)
Unexpended Funding	\$316,739.79

FINANCIAL IMPLICATIONS

The financial impact of approving the waiver and not transferring the unexpended funds to the Reserve will be to reduce the overall 2020 operating deficit by \$316,739.79. The Internal Audit Program will not be significantly affected as the funds that remain in the Reserve are considered sufficient for the internal audit plan for 2021.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

REPORT APPROVAL

Written by: Nicole Garman, Corporate Risk Manager
Approved by: Kerry Tarasoff, Chief Financial Officer

Admin Report - Internal Audit Update and Reserve Transfer – Year-End 2020.docx