

## APPROVAL REPORT

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### Internal Audit Reserve Transfer – Year End 2021

#### ISSUE

This report seeks City Council approval to waive the transfer of the Internal Audit Program's unexpended funds of \$ 225,104.55 to the Internal Audit Program's 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 \$225,104.55 for the City Internal Auditor's Office be waived for the year ended December 31, 2021.

#### BACKGROUND

In 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 Internal Auditor's Office.

The City Internal Auditor's Office is 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.

At its regular business meeting on April 26, 2021, City Council waived the transfer of the Internal Audit Program's 2020 unspent amount of \$316,739.79 to the Internal Audit Reserve in order to reduce the City's 2020 operating deficit.

#### DISCUSSION/ANALYSIS

In April 2021, the new City Internal Auditor was appointed by the City Council which resulted in the establishment of City Internal Auditor's Office. The City Internal Auditor reports to City Council through the Standing Policy Committee on Finance and is responsible to provide assurance on the governance, risk management and control processes at the City.

During 2021, \$201,895.45 out of the total annual budget of \$427,000.00 was spent on staffing costs, whistleblower program and administrative costs. Unexpended funding of \$225,104.55 remains as of December 31, 2021 are summarized below:

Dollars

## Internal Audit Reserve Transfer – Year End 2021

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Approved 2021 Operating Budget	\$427,000.00
Staffing Costs	(167,108.92)
Whistleblower Program	(16,981.99)
Administrative Costs (membership fees, relocation costs, training and development)	(17,804.54)
Unexpended Funding	<b>\$225,104.55</b>

There was a positive budget variance of \$ 225,104.55 in 2021 since the City Internal Auditor's Office was in the process of being established and there was limited internal audit activities due to lack of an approved 2021 Internal Audit Plan. The 2022 Internal Audit Plan was approved by City Council in January 2022 and the City Internal Auditor's Office plans to fully utilize the 2022 Internal Audit budget in completion of the 2022 Internal Audit Plan.

### **FINANCIAL IMPLICATIONS**

The financial impact of approving the waiver and not transferring the unexpended funds to the Reserve will reduce the City's overall 2021 operating deficit by \$225,104.55. The City Internal Auditor's Office will not be significantly affected as the 2022 operating funds and the funds that remain in the Reserve are considered sufficient for the execution of the Internal Audit Plan for 2022.

### **OTHER IMPLICATIONS**

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

### **REPORT APPROVAL**

Written and

Approved by:           Sohail Saleem, City Internal Auditor