APPROVAL REPORT

Continuous Assurance – Terms of Reference

ISSUE
This report seeks approval of the Terms of Reference for the Continuous Assurance Project (Project).

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that the Terms of Reference for the Continuous Assurance project, as outlined in the report of the City Internal Auditor dated May 9, 2022 be approved.

BACKGROUND
The City Internal Auditor's Office approved the 2022 Audit Plan which includes a Continuous Assurance project. Traditionally, controls are evaluated on a sample basis and at a given point in time, however, considering the evolving role of audit, advancement in technology at the City of Saskatoon (City) and the changing risk landscape, there is a need to conduct ongoing risk and control assessments.

DISCUSSION/ANALYSIS
The City Internal Auditor's Office is commencing the Project. Through analysis of data and using technology, this audit will evaluate controls for key business processes which includes, but is not limited to, procurement, P-cards, vendor payments, corporate revenue, employee payroll, human resources and information technology.

At the initial level, historical data will be analyzed to evaluate controls for key business processes, however, as the Project matures, data will be analyzed on an on-going basis to detect any errors, over payments, non-compliances, or fraud risks. The audit will provide greater assurance on the whole population and closer to the occurrence of transactions. Thus, errors and frauds will be detected earlier and at times before the money leaves the City.

For employee payroll, various control tests will be conducted to detect any duplicate or fictitious employees in the system, inaccurate employee payments, non-compliance with the payroll policies and practices, large vacation balances of employees resulting in increased financial liability, excessive overtime impacting the work productivity and increased costs and unauthorized salary changes.

For procurement and payments, control tests will be conducted to detect any fictitious or duplicate vendors in the system, duplicate or inaccurate vendor payments, unauthorized purchases, non-compliance with the procurement and payment policies and practices, legal risks, non-segregation of duties, inefficiencies, and other fraud risks.

For P-cards, control tests would detect any duplicate transactions, unauthorized purchases, non-compliances, increased financial exposure and split transactions.

For access to systems, control tests would detect any active network accounts for terminated employees, delay in revoking network accounts for terminated employees and unrestricted or unauthorized access to key applications.

To ensure successful completion of the project, necessary assistance will be sought from departments and external consultants and direct access to the databases will be obtained. The outliers or red flags identified as a result of running the data analytic scripts will be investigated in coordination with the respective business areas and a root cause analysis will be conducted which will assist in identifying recommendations to mitigate the control gaps.

A Continuous Assurance report will be submitted to the Standing Policy Committee on Finance on a semi-annual basis starting in Quarter 3, 2022 which will include the control tests conducted, assessment of controls and any control gaps. The report will also highlight the recommendations to strengthen the control environment at the City. The Project will be revised on a continuously basis, as required and will identify additional processes that require continuous auditing.

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

NEXT STEPS
Upon City Council approval, the City Internal Auditor's Office will commence the Project.

APPENDICES
1.   Continuous Assurance – Terms of Reference

REPORT APPROVAL
Written and
Approved by: Sohail Saleem, City Internal Auditor

Admin Report - Continuous Assurance – Terms of Reference.docx