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## Internal Audit Update and Reserve Transfer – Year-End 2018

### Recommendation

That the Standing Policy Committee on Finance recommend to City Council that the unspent amount of \$142,045 for Internal Audit be transferred to the Internal Audit Program Reserve.

### Topic and Purpose

The purpose of this report is to provide an update on the expenditures for internal audit and consulting services provided by PricewaterhouseCoopers (PwC) as of December 31, 2018, and to obtain City Council approval to transfer unspent funds to the Internal Audit Program Reserve.

### Report Highlights

1. As of December 31, 2018, 79% of the total budgeted internal audit hours for the year have been completed. Audit reports for the projects that have carried over into 2019 are expected to be presented to the Standing Policy Committee on Finance in early 2019.
2. As of December 31, 2018, 27% of the total funds available for additional internal audit and consulting projects have been spent on professional services and disbursements.
3. As the Internal Audit Program had \$142,045 of unspent funds in 2018, the Administration is recommending that these funds be transferred to the Internal Audit Program Reserve to be spent in future years.

### Strategic Goal

Efficient and effective performance of internal audits supports the long-term strategy of being more efficient in the way the City of Saskatoon (City) does business under the Strategic Goal of Continuous Improvement.

### Background

Internal audit services are funded through an annual base amount of \$427,000. The Internal Audit Reserve also has a balance of \$152,462 from previous years' unspent audit funds which could be used for completing outstanding audits or new audits. This is the end of the fourth year of the five-year internal audit services contract.

### Report

#### Internal Audit Plan

As of December 31, 2018, 79% of the total budgeted internal audit hours for the year have been completed, and 77% of the total contracted funds for audits have been spent.

The internal auditor is continuing to work on the last two internal audit projects as approved in the 2018 Internal Audit Plan. The draft Privacy Assessment audit report has been provided to the Administration for review, and fieldwork activities continue for the Infrastructure Investment Evaluation project.

Additional Consulting/Auditing Funds

As of December 31, 2018, 27% of the total funds available for additional internal audit and consulting projects have been spent on professional services and disbursements.

Two projects were approved as additional internal audit and consulting projects in 2018. The CO2 Reduction Initiatives audit, carried over from 2017, was completed in August 2018. As approved in July 2018, a review of the City’s Workers’ Compensation Board Benefits Administration Process is nearing completion.

Attachment 1 provides detailed information regarding each project. The Statement of Work describing the scope and approach for each audit/project is available on the Corporate Risk webpage of the City’s website.

Audit Reserve

Overall, \$284,955 of the total budget of \$427,000 was spent in 2018. Unexpended funding of \$142,045 is being recommended for transfer to the Internal Audit Program Reserve, resulting in a year-end reserve balance of \$294,507 as shown in the following table:

|                                | Internal Audit Plan |           | Add'l Projects | Total     |
|--------------------------------|---------------------|-----------|----------------|-----------|
|                                | Dollars             | Hours     | Dollars        | Dollars   |
| Approved 2018 Operating Budget | \$222,600           | 1,400.0   | \$204,400      | \$427,000 |
| Carryover from 2017            | 37,220              | 275.0     | (37,220)       | -         |
| Professional Services Provided | (199,645)           | (1,330.0) | (75,900)       | (275,545) |
| Disbursements Incurred         | -                   | -         | (9,410)        | (9,410)   |
| Transfer to Reserve            | \$60,175            | 345.0     | \$81,870       | \$142,045 |
| Opening Reserve Balance        | -                   | -         | -              | 152,462   |
| Ending Reserve Balance         | -                   | -         | -              | \$294,507 |

**Options to the Recommendation**

There are no options to the recommendation as Section 29.2 of Council Policy No. C03-003, Reserves for Future Expenditures, states that unspent funds from the City’s Internal Audit Program be transferred to the Internal Audit Program Reserve.

**Other Considerations/Implications**

There are no policy, financial, environmental, privacy or CPTED implications or considerations. Neither public and/or stakeholder involvement nor a communication plan is required.

**Due Date for Follow-up and/or Project Completion**

A budget information update report will be submitted monthly to the Standing Policy Committee on Finance.

**Public Notice**

Public Notice pursuant to Section 3 of Policy No. C01-021, Public Notice Policy, is not required.

**Attachment**

1. Internal Audit Budget Status Report

**Report Approval**

Written by: Nicole Garman, Corporate Risk Manager

Approved by: Kerry Tarasoff, CFO/General Manager, Corporate Financial Services Department

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