

The Regional Municipality of York

Audit Committee
January 20, 2022

Report of the Director, Audit Services

2022 Risk Based Work Plan

1. Recommendations

Regional Council approve the Audit Services Branch's 2022 Risk-Based Work Plan (Attachment 1).

2. Summary

- This report provides Audit Services' 2022 Risk-Based Work Plan (Work Plan) for Council's approval (Attachment 1). The Work Plan is flexible and dynamic to allow for changes in response to the Region's changing priorities.
- Throughout the pandemic, Audit Services experienced an increased demand for consulting engagements, requiring the allocation of more time and resources than originally budgeted.
- This report informs Council of the risk assessment methodology used by the Region's Director, Audit Services to conduct a Region wide risk assessment. This risk assessment is one component for developing the 2022 Risk-Based Work Plan.
- Audit Services confirms their ability to independently and objectively carry out the audits identified in the 2022 Risk-Based Work Plan. Through the budget process, Audit Services has been allocated sufficient resources to deliver the Work Plan.

3. Background

The Region's Audit Services Branch follows the *International Standards for the Professional Practice of Internal Auditing* ("Standards") as defined by the International Institute of Internal Auditors. The *Standards* states that: "the chief audit executive must establish a risk-based plan to determine priorities of the internal audit activity, consistent with the organization's goals". The *Standards* require that "the internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually."

The Region's risk landscape has been fundamentally altered by the ongoing pandemic. Consistent with last year, Audit Services has prepared a one-year risk-based work plan for 2022 for Audit Committee's approval.

The *Standards* require that the Director, Audit Services confirm to the board, at least annually, the organizational independence of the internal audit activity. Organizational independence requires the audit function to be free of interference in determining the scope of internal auditing, performing audit work, and communicating audit results.

The Audit Services Branch, through its service offerings including assurance, consulting and investigation services, assists the Region in achieving its goals and community results areas in Vision 2051 under Open and Responsive Governance and in the 2019 to 2023 Strategic Plan under Good Government. The internal audit activity is designed to add value and improve an organization's operations through a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and processes.

4. Analysis

Risk Assessment

Audit Services identified five areas of risk that were assessed, which are summarized in Table 1 below.

Table 1
Risk Categories

Risk Categories	Description of Risk
Strategic	Risks that may prevent the achievement of business outcomes and objectives. Exposure to loss resulting from a lack of response to the changing business environment, adverse business decisions, and/ or improper implementation of decisions.
Operational	The risk of loss from people, systems, internal procedures or events which have the potential for the organization to deviate from its objectives and outcomes. Day-to-day risks typically managed by mid-level management and staff.
Reputational	Risk associated with negative publicity, perceived or real, regarding Regional business practices, actions or inactions which could cause a decline in the public's trust and confidence.

Risk Categories	Description of Risk
Compliance	The risks associated with non-compliance with laws, legislation, regulation or policy. Non-compliance may be due to the complexity of the legislation and various regulatory requirements across multiple business lines.
Financial	Risk that the organization may not have adequate cash flow to sustain financial obligations.

Audit Services conducted over 40 interviews with Directors, Managers and General Managers to discuss each of the risk categories as they related to the service areas of their responsibility. Audit Services developed a series of statements and questions related to each of the five risk categories. Through these discussions, management assessed the extent to which they agreed or disagreed with the questions and statements posed. Audit Services assigned a numeric value associated with the answers that management provided and calculated the overall relative risk associated with each risk area. These values were used to calculate the overall risk ranking for each service and sub-service.

The Region’s audit universe is comprised of 38 distinct service and sub-service (units). An audit universe represents all areas that could be subject to internal audit activities within the Region. The Region’s audit universe excludes York Regional Police as they are governed by the York Regional Police Services Board. Table 2 below summarizes the distribution of results of the risk ranking of the audit universe.

Table 2
Risk Prioritization Summary

Risk Level	Number of Units	Percentage (%)
Very High	6	15.8
High	12	31.6
Medium	14	36.8
Low/Medium	6	15.8
Total	38	100.0

The 2022 Risk-Based Work Plan focuses Audit Services’ resources on the units identified as Very High and High risk.

Audit Plan

In developing the 2022 Risk-Based Work Plan (Attachment 1), Audit Services incorporated information from different sources as outlined in Chart 1 below.

Chart 1
Risk Prioritization Summary



Audit Services prepared the 2022 Risk-Based Work Plan, assigning resources to the highest risk areas. The Work Plan is flexible and dynamic to respond to the Region’s changing priorities. The Work Plan includes time for management requests and investigations, which are inherently unpredictable and occur throughout the year. The Work Plan also includes time for the fraud prevention program, outreach and process improvement initiatives as well as time to follow-up on outstanding management action plans and controls monitoring.

5. Financial

Audit Services Branch will manage its workload within the Audit Services budget. Through the budget process, Audit Services has been allocated sufficient resources to deliver the Work Plan.

6. Local Impact

The Audit Services Branch continues to provide audit and consulting services to seven of the local municipalities through an Audit Services Memorandum of Understanding, on a cost

recovery basis. A similar exercise of risk assessment and audit planning is conducted at the local municipalities.

7. Conclusion

The Audit Services Branch's 2022 Risk-Based Work Plan was developed using a risk assessment methodology to determine how to best allocate audit and consulting resources across the Region to the areas of highest risk.

For more information on this report, please contact Michelle Morris, Director Audit Services at 1-877-464-9675 ext. 71205. Accessible formats or communication supports are available upon request.

ORIGINAL SIGNED

Recommended by:

Michelle Morris

Director, Audit Services

January 11, 2022

Attachment (1)

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