REPORT TO: Audit Committee

DATE OF MEETING: December 16, 2024

SUBMITTED BY: Corina Tasker, Internal Auditor, 519-783-8154

PREPARED BY: Corina Tasker, Internal Auditor, 519-783-8154

WARD(S) INVOLVED: All

DATE OF REPORT: December 4, 2024

REPORT NO.:   CAO-2024-511

SUBJECT: 4th Quarter 2024 Audit Status Report

RECOMMENDATION:

For Information

REPORT HIGHLIGHTS:
- The purpose of this report is to provide information regarding recent audits.
- There are two audits, two consulting engagements, three confidential investigations, and two status updates included in this report.
- With the exception of the confidential investigations, results of the other audits were positive, with no fraud detected.
- There are no financial implications.
- Community engagement included this report posted to the city's website with the agenda in advance of the council / committee meeting.
- This report supports the delivery of core services.

EXECUTIVE SUMMARY:
The following report provides a summary of the Internal Audit assurance and consulting services completed or underway during the period of July to December 2024.

Work in-progress:
Assurance work is in progress on the following topics:
- Employer paid parking – compliance audit
- Deposits – controls audit
- Fire Life Safety – controls audit

<u>Work completed:</u>
The table below shows the audits contained in this report.

Division / Topic	Scope
1. Physical Inventory	Annual Inventory Count Verification
2. Contractor Management	Service Delivery Analysis
3. Bylaw Enforcement	Organizational Structure
4. Hiring Transparency and Nepotism	Controls and Compliance
5. Confidential Investigations	Investigations
6. Petty Cash and Floats	Status Update
7. Accounting and Payroll	Status Update

The physical inventory verification count which was overseen by the Internal Auditor only found 1 variance worth $11 write-down. This is considered a very low value and number of variances found through the audit process and is the lowest variance / most accurate count to date. The 2024 total write-down of $202,804 processed by Stores staff represents 1.9% of the total inventory purchases for the year of $10.6M. This is largely related to uncontrollable inventory such as aggregate. Industry standards indicate that up to 2.5% is an acceptable shrinkage rate. The physical inventory process is in control and no concerns were identified.

The consulting engagement related to capital construction contractor management recommended the establishment of a Project Management Office and several supporting actions to provide more consistency in project management processes. It is anticipated that implementing the recommendations will help projects come in on time, on budget, and within scope more often, while meeting stakeholder expectations and ensuring communication throughout the project.

The consulting engagement related to Bylaw Enforcement led to the staff consensus that combining the Parking and Noise roles into one position in order to better meet the growing demand for service without adding more staff is a promising idea that they support. To make this change successful it will be important to involve staff in the scheduling discussions and be open to making changes as various options are tested.

The Hiring Transparency and Nepotism audit found that there have been significant improvements in the hiring process, training completion and hiring transparency testing results since the previous audits. However, there are still some hiring managers who are not following the process and are not properly storing all required documentation to support the hiring decision. While there were six conflicts with the current Hiring of Relatives policy, none of them represent a risk since none of the employees have authority over their relatives. This topic will remain on the list of recurring assurance audits and nepotism testing against the new policy will occur in 2025.

There were three different confidential investigations throughout 2024.

The status updates of the Petty Cash and Floats audit and the Accounting and Payroll audit did not find any concerns. Both topics will remain on the list of recurring assurance audits.

BACKGROUND:
The overarching goal of internal audit is ***to protect the City's assets and interests.*** This includes, but is not limited to, protecting the long-term health of the organization, its financial and physical assets, its reputation, its ability to perform critical services and the safety and well-being of employees and citizens.

Internal Audit provides assurance and consulting services in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards), IIA 2024. These services include independent, objective activities/reviews designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

- **Assurance services** provide an objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter.

- **Consulting services** are advisory in nature and are generally performed at the specific request of an engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

Audit topics are selected independently by the Internal Auditor and approved by Audit Committee on an annual basis. Audit results and updates are brought back to Audit Committee in reports such as this on a quarterly basis as completed.

REPORT:
1. Physical Inventory – Count Verification
Completed: October 27, 2024

Overview
The Procurement-Stores section of the Financial Operations division is responsible for the receipt, storage, and disbursement of a variety of physical inventory used in City operations. This inventory is stored within the Stores warehouse within the Kitchener Operations Facility (KOF), as well as some larger items being stored outside in the yard. (e.g., large pipe, catch basins, aggregates, salt).

Stores staff perform an annual inventory of all parts and materials to ensure that financial records match the amounts on hand. They also implemented regular cycle counts in January 2023 which see each high moving part number counted many times per year, including the full physical inventory. This allows variances to be identified earlier and investigated to determine root cause of the error, allowing real-time corrections to be made and eliminating the need to write parts up or down. Currently they are counting approximately 210 parts per week and finding an accuracy rate of about 80-90%. If they can determine the root cause and the user of the part, they will charge it out to that job or cost centre. If they are unable to ascertain ownership, then they will use the write-up or write-down function which then charges the amounts on a prorated basis to all user groups.

Following the full physical inventory Internal Audit then counts a sample of parts to provide assurance that staff counts are accurate. This is a standard audit activity.

In addition, staff make adjustments to inventory balances within SAP throughout the year and during the physical inventory count to restore the financial balance to equal the quantity on hand. An analysis of the total adjustments for the year is also included below.

Definitions

Absolute variance - total variance from adding all the variance amounts without taking into account gains or losses (if we gained $100 on item A and lost $100 on item B the ABSOLUTE variance would be $200)

Controllable stock - stock which the Stores staff have direct control over with regards to purchases and usage. Located within the warehouse.

Error percentage or rate - percentage of items found that did not match what showed in SAP prior to the counts (if we counted 100 items and 10 of them did not match SAP then the error percentage would be 10%).

Floor-to-sheet audit – randomly selecting parts in the warehouse, counting them, and comparing the quantity to what is in the financial system (SAP).

Net write-down - total variance from adding the positive and negative variances together (if we gained $100 on item A and lost $100 on item B the NET variance would be zero).

Sheet-to-floor audit – pre-selecting parts based on unit value or total value, counting them, and comparing the quantity to what is in SAP. This includes both warehouse and outdoor inventory.

Shrinkage rate – the percentage of total inventory purchases that are written-down or lost due to factors such as theft, error, fraud, or damage.

Uncontrollable stock - stock which is located in the KOF yard which are not under direct supervision by the Stores division.

Write-down - the quantity on hand was less than what was recorded in SAP and therefore the financial records were decreased to match the physical quantity. Usually occurs when inventory is used without updating SAP.

Write-up – the quantity on hand was more than what was recorded in SAP and therefore the financial records were increased to match the physical quantity. Usually occurs due to keying errors when setting up or relieving inventory, or when the wrong unit of measure was used (e.g., number of cartons counted instead of individual parts).

Physical Inventory Count
New this year – Stores staff have provided the error rate for their full physical inventory count. This measures the percentage of items counted that did not match what was recorded in SAP. In addition, the net and absolute dollar value of variances have been calculated.

	2023	2024
Error percentage	10.7%	10.5%
Net write-down (without aggregates)	($12,202)	($19,716)
Absolute variance (without aggregates)	$134,894	$81,933

Note that aggregates have been excluded from these figures as they are difficult to measure and routinely have large variances.

General Ledger Reconciliation

New this year - Financial Reporting and Analysis staff have prepared a reconciliation between the physical count and the general ledger immediately after the physical count. This involves comparing the balance in the materials module in SAP, which should now equal the physical inventory, to the balance in the general ledger.   The reconciliation showed that the general ledger was higher than the material module by $148,011. The cause of the variance is unknown at this time but is being investigated. Preliminary analysis shows that this variance has existed in the general ledger account for several years.

Audit Process and Findings

Standard floor-to-sheet and sheet-to-floor audits were done to confirm the physical quantity of parts on hand compared to what staff had counted. The audit covered 21% of the total value of inventory. The sheet-to-floor audits covered the top 10 unit values and top 10 total values. The floor-to-sheet audits consisted of twenty random shelf locations. One variance, which equates to 3% of the sample, was found through this verification process which resulted in a $11.09 write-down. This is considered a very low value and number of variances found through the audit process and is the lowest variance / most accurate count to date. It represents 0.0% of total inventory on hand.

Total Adjustments

In addition to reporting on the variances found through the audit process during the physical inventory, the total adjustments for the year are also reported below. These numbers include the adjustments made by staff during the physical inventory as well as all other adjustments made throughout the year. The purpose of this analysis is to identify any material groups or part numbers that have large or unusual adjustments to ensure the root cause has been identified and actions put in place to eliminate or reduce adjustments in the future.

(Note that positive numbers represent write-ups and negative numbers represent write-downs.)

Year	2023	2024
Controllable stock write-up	$50,084	$31,334
Uncontrollable stock write-down	($47,276)	($234,138)
Total write-up (down)	**$2,807**	**($202,804)**

In 2024 the total adjustments for the year (Oct.29/23 – Oct.28/24) were $202,804 write-down. The 2024 total write-down represents 1.9% of the total inventory purchases for the year of $10.6 million. Industry standards indicate that up to 2.5% is an acceptable shrinkage rate. The ending inventory balance was $4,044,935.

Controllable Stock Adjustments

Of the 2024 adjustments, $31,334 write-up was from controllable stock. In 2024 the write-up was attributable to multiple material groups and there was not a large write-up in any specific part number. However, the material groups which saw the largest total write-ups included gas utility parts and vehicle maintenance parts. Write-ups are most often due to errors in issuing out stock, such as using the wrong unit of measure causing too much inventory to be relieved.

Over time, as more root causes of variances are determined and rectified, it is anticipated that the total amount of adjustments will decrease.

Uncontrollable Stock Adjustments
The remaining $234,138 of write-down is related to stock which is outside in the KOF yard which are not under direct supervision by Stores staff. It is impractical to have dedicated staff monitoring the outdoor inventory on a 24/7 basis and therefore there is a reliance on staff to inform Stores when they take inventory from the yard. However, this often does not happen, leading to the write-downs in products such as pipe or aggregates.

$252K of the total write-down is related to aggregate products, offset by write-ups in other uncontrollable part numbers.   The main issue with aggregates is the difficulty in accurately measuring the piles of product using estimation techniques, either when relieving inventory or when doing the physical inventory count.

Conclusion
Overall, the physical inventory process is in control and no concerns were identified. The adjustments to controllable stock are generally small write-ups. Uncontrollable stock adjustments are typical and are expected given the current uncontrolled environment and issues with measuring aggregates. Improvements to measurement techniques and ongoing cycle counts will help reduce the amount of inventory adjustments.

2. Capital Project Contractor Management Review
Completed: September 12, 2024

Background
Contract administration for capital project delivery is not performed consistently across the organization and there are knowledge gaps to effectively manage the construction phase of a project. In addition, City-led construction projects undertaken in the downtown core are often uniquely challenging as a result of requiring consideration of business impacts, special events, and the general higher level of scrutiny that these projects engender. Outcomes of this review will ultimately help support any strategic plan projects that involve contractors or consultants.

Review Objectives
The purpose of this review was to assess organizational strengths and weaknesses related to contractor management for capital projects, with consideration for those City-led projects in the downtown core and develop recommendations to ensure effective project delivery. It was senior management's desire that this review explore transformative change and provide recommended clarity around accountability.

Scope
The following areas were within the scope for this review:
- Review of project management processes, tools, and templates currently in use for capital projects compared to Project Management Institute (PMI) best practice or other known entities that are consistently delivering successful projects of a similar nature
- Review of what recourse is available to the City for significant delays and/or poor performance on projects

- Review of a sample of projects to understand what circumstances led to success or lack of successful outcomes. This is for the purposes of improvement and mitigation of future risks.

The following areas were out of scope for this audit:
- Maintenance and/or emergency related work (i.e., watermain breaks, sanitary issues, etc.)
- IT related capital projects – the intent of this project is to review infrastructure (hard assets) and not to review software, hardware, etc. related projects

Methodology
The following activities were completed for this review:
- Document review (report on previous work, examples)
- Internal stakeholder interviews / surveys
- Review of best practice from Project Management Institute (PMI)
- Comparison of a sample of successful and unsuccessful projects to the PMI best practice criteria
- Research and analysis of roles, responsibilities, and organizational structure to support project delivery
- Discussion with City of Cambridge and City of Guelph staff
- Workshop with project managers and stakeholders to brainstorm transformational ideas to address issues that were uncovered in the interviews, surveys, and analysis

Findings and Recommendations
Six problem statements were generated by the review team based on what they saw as the main issues to be solved. Solutions were brainstormed for each problem statement. The six problems included:
1. How might we ensure a consistent project management approach to construction project management?
2. How might we enhance stakeholder engagement and communication strategies to meet or exceed expectations on capital projects?
3. How might we ensure better contractor performance on every project?
4. How might we set project managers up for success and ensure they have adequate training, to ensure a skilled and motivated project manager and a reduction in turnover?
5. What could we explore in terms of resources, structure and/or capacity that would enhance project delivery at the City?
6. How might we identify, implement, and integrate tools and software solutions to streamline budget tracking processes, ensuring visibility, data accuracy, and integration across all stages of capital projects?

A total of 361 ideas were generated which were then vetted and prioritized. Two transformational ideas were further analyzed and are outlined below. These represent ideas that could fundamentally change how capital project management is done at the City. In addition, five other tactical recommendations have been provided.   Implementation of the transformational ideas will enable these other recommendations to also be completed.

Transformational Idea #1: a Project Management Office (PMO) for capital construction and high-risk projects is being established on a pilot basis through an 18-month secondment, reporting to the Director of Strategy and Corporate Performance in the CAO's Office. Initially, the role of the PMO is to establish standard practices, tools, and training to support a consistent approach to capital project management across the corporation, with application to other types of projects occurring over time (e.g., projects that involve the development of a plan or strategy, like the official plan or master plan). They are also responsible for providing ongoing services such as supporting the onboarding process of all new project managers (from a training perspective), providing advice and support to PMs when needed, and overseeing risk assessments of large and complex projects. Without this role, project delivery will remain inconsistent across departments/divisions as individual divisions may not have the time, resources, or desire to create the processes and training required.

Transformational Idea #2: Select capital construction projects should have two project managers and/or resources – one to manage stakeholder engagement and communications, and one to manage construction wherever feasible. This would be appropriate for large, complex projects and / or projects where there is a high risk of public dissatisfaction due to disruption or change. This has worked successfully in several past projects (e.g., Customer Service Centre project). This would provide enhanced customer service, communications and change management through staff who are specifically skilled in stakeholder engagement. In situations where there is no funding to support an additional project manager/engagement consultant or no additional internal resource available, the project manager should at a minimum develop a comprehensive engagement and communication plan.

Other Recommendations: In addition to the two transformational recommendations outlined above, there are 5 other recommendations which will support successful project outcomes and will largely fall to a PMO to lead or implement:
1. Provide consistent training for construction project managers.
2. Establish consistent construction project management tools and templates.
3. Enable project managers to share their knowledge with each other.
4. Clarify project manager roles and responsibilities.
5. Explore different service delivery methods and processes.

Conclusion:
In general, project managers and stakeholders are eager for change and are looking for more supports to ensure projects are successful. It is anticipated that implementing these recommendations will help projects come in on time, on budget, and within scope more often, while meeting stakeholder expectations and ensuring communication throughout the project.

3. Bylaw Enforcement – Re-organization
Completed: August 6, 2024

Background
The Bylaw Enforcement division has been operating with five parking enforcement full-time equivalents (FTEs) for over 30 years, and five noise enforcement FTEs for over 12 years. Although the complement has changed in size, the current staffing structure and job descriptions have remained static. There was a perceived need to make changes to better meet the growing needs of the corporation and the community including an increase in

demand for service, changing landscape and more complex issues, and issues with attracting and retaining staff.

Initial analysis including benchmarking, financial analysis and pros and cons of a proposed solution were previously completed by Bylaw management. The proposed solution includes combining the full-time parking and noise officer roles into a single position as an alternative to adding more staff to meet growing demand.

Review Objectives
The purpose of this consulting engagement was to provide feedback on the proposed solution and workshop facilitation assistance for the division to fully vet the solution before proceeding.

Scope
The following areas were within scope for this engagement:
- Facilitation of two workshops with Bylaw staff to gather their input on issues or concerns with the proposed solution.
- Advice / suggestions to management on how to proceed with the re-organization of 24 staff including considerations, risks, and tactics.

The following areas were out of scope for this engagement and were performed by management:
- Discussions with HR on the impact of combining the roles
- Individual interviews with staff prior to the workshop
- Implementation of the re-organization

Methodology
The following activities were completed for this engagement:
- Work with management to schedule staff for one of two workshops
- Preparation of materials for the workshops
- Facilitate the workshops
- Document outcomes of the workshops
- Debrief meeting with management

Outcomes
Two workshops were held with Bylaw parking and noise officers.   Staff were reminded of the reasons driving the change including an increase in demand for service, changing landscape and more complex issues, and issues with attracting and retaining staff.   The new organizational structure was reviewed and staff had the opportunity to ask questions. The bulk of the workshop was spent exploring the solution in more detail through facilitated discussions.

The consensus of staff was that this is a promising idea that they support.   To make this change successful it will be important to involve staff in the scheduling discussions and be open to making changes as various options are tested. Data should be used to determine optimal shift sizes and routes. It will also be important to provide consistent training to all staff.

It will be important to regularly gather feedback from staff on what is working or not and analyze data to adjust as required. A list of change management tasks that should be considered were provided to management.

4. Hiring Transparency and Nepotism – Controls and Compliance
Completed: October 23, 2024

Background
The topic of Hiring Transparency and Nepotism has been audited twice before – originally in 2011 and then a status update and follow-up audit were conducted in 2018. This topic is part of the recurring list of assurance audits.

Audit Objectives
There were four objectives in this audit:
1) To re-assess the transparency of the hiring process;
2) To re-assess compliance with the Hiring of Relatives policy;
3) To provide a status update on the recommendations from the 2011 audit;
4) To provide a status update on the recommendations from the 2018 follow-up audit.

Methodology
This audit included the following components:
- Analysis of the current hiring process and technology used to support it
- Review of management training records related to Hiring@Kitchener training
- Testing a sample of recent hiring decisions to ensure transparency and fairness
- Cross-reference of employee names and addresses to identify and evaluate relationships between employees in the context of compliance with the Hiring of Relatives policy
- Status update of recommendations from the 2011 audit and 2018 status update

Findings

Hiring Process
The documented process appears to be following best practice and if followed, should lead to a fair, transparent, and legally defensible outcome. As noted below, there are some steps however which are not being followed by all hiring managers.

Training
A key requirement to ensure hiring managers are conducting fair and transparent hiring competitions is that they have taken all three modules of the Hiring@Kitchener training. In 2020 only 55% of management had taken the original training. As of October 21, 2024, 80% of management have taken all three modules of the new training.   Additional in-person sessions were offered this fall with the intent to increase the completion rates.

Applicant Tracking System
Through the course of the testing for this review, the auditor had the opportunity to use the current applicant tracking system to look up data about the sample of job competitions. While this use was not comprehensive, one observation was that the summary analytics for each competition indicating number of applicants in each status (i.e. hired, interviewed, selected for review by hiring manager, rejected, etc.) was not accurate and could not be relied on. In addition,

there was no place to capture any notes about the decision which would have been helpful. It is understood that the system will be replaced in the near future, and it is hoped that these issues can be resolved, lending more functionality to the system for tracking, storing, analyzing, and reporting on hiring competitions.

Transparency Testing
A report was generated to show all hiring competitions from January 1, 2024 – August 31, 2024. The date range was selected with the intent of assessing hiring transparency after the majority of hiring managers had received the Hiring @ Kitchener training to see if they were following the process. The report was further divided into 101 HR-led and 25 Hiring Manager (HM) led competitions.

A random sample of 15 HR-led (15%) and 10 HM-led (40%) competitions was selected for review and analysis. The total sample represented 20% of the hiring competitions during the assessment period.

All available hardcopy files, online documents, and information stored in the applicant tracking system were reviewed for each competition and assessed against the following criteria:

- Job was posted (either internally, externally, or both), ensuring it was available broadly and not given to a single individual without following a fair hiring process
- Two or more hiring managers conducted the interviews to avoid bias
- Interview notes were kept, showing comments and scoring for each candidate
- Scoring of all candidates to support selection decision (either in a summary sheet or taken from the interview notes)
- Fully executed offer letter for the successful candidate
- Reference checks where applicable

Criteria	HR- Led	HM-led
Sample size	*15*	*10*
Job posted	100%	100%
2+ hiring managers	100%	100%
Interview notes	100%	60%
Scoring	93%	50%
Fully executed offer letter	100%	90%
Reference checks (excl. internal or series 9000)	93%	100%

Overall, there have been significant improvements in the hiring transparency testing results since the previous audits. However, there are still some hiring managers who are not following the process and are not properly storing all required documentation to support the hiring decision.

Nepotism Testing
To review the degree of compliance with the employment of relatives policy a report was run from PeopleSoft which listed all current employees, address, position, division, and department.

All records were then matched on address or last name. Any matches were then evaluated against the current policy which states:

- The CAO, general managers, directors, and HR employees may not have any relatives working anywhere at the City of Kitchener
- Managers and supervisors must not work in the same department as their relatives, unless the relative is a student in which case they may not work in the same division.

Note that the original 2011 nepotism audit had recommended changes to the policy to remove reference to departments and divisions and replace with wording indicating that no employee shall supervise or be supervised by a family member or be placed in a position of influence over a family member. While this work is now underway in 2024, the new policy has not been finalized or released yet. Therefore, the testing done in this audit is in relation to the existing policy.

The testing found six technical conflicts with the current policy, three of which were new. However, none of them present a risk since none of the employees have authority over their relatives, and therefore no action is being taken currently.   Once the new policy is released, testing can be repeated and appropriate action taken to document any conflicts identified under the new policy.

2011 Audit Status Update
Status Definitions:

- **Complete** = the recommendation has been fully implemented.
- **In progress** = implementation has begun.
- **Not started** = No work has begun yet but will in the future.
- **Not required** = the recommendation either does not require any action, or it is no longer relevant, and no work will be done to implement it.

Recommendation Status Overview			
	Status Update: July 20, 2018	Status Update: November 2, 2020	Status Update: July 22, 2024
#of original recommendations:	12	12	12
# complete:	6	5	6
# in progress:	1	2	4
# not started:	4	4	0
# not required:	1	1	2

The four recommendations still in progress relate to Hiring @ Kitchener training which continues this fall and the Hiring of Relatives policy update which will go to CLT and Council for approval in early 2025.

2018 Audit Status Update

Recommendation Status Overview		
	2020 Status Update	2024 Status Update
# of original recommendations:	5	5
# complete:	2	4

# in progress:	0	1
# not started:	3	0
# not required:	0	0

The one recommendation still in progress relates to senior management following up with management who have not taken the training. In addition to the list provided as part of this audit, HR will run targeted reports to determine who has not completed the training and then enlist GM's or directors to follow up with those staff.

Recommendations
In addition to completing the actions above, it was recommended to HR to make it mandatory that hiring managers complete a scoring matrix for each competition (currently an optional step), document any variance or anomalies, and HR should follow up with the hiring manager to ensure all documentation is properly filed.

Conclusion
Overall, there have been significant improvements in the hiring process, training completion and hiring transparency testing results since the previous audits. However, there are still some hiring managers who are not following the process and are not properly storing all required documentation to support the hiring decision. Recommendations aim to strengthen controls in this area.

This topic will remain on the list of recurring assurance audits (which occur every 5 to 6 years) and nepotism testing against the new policy will occur in 2025.

5. Confidential Investigations
Completed: Throughout 2024

In 2024 Internal Audit was involved in three separate confidential investigations.

1. Suspected fraud by a contracted service provider.
- Investigation did not uncover fraud but did call the efficiency of service into question
- Identified the potential for unsubstantiated billings
- Vendor contract was terminated and additional controls added to RFP

2. Personal use of corporate credit card
- Corporate card used for personal expenses, subsequently recovered from employee
- Employee terminated with cause

3. Benefits fraud
- Benefits fraud identified by Sunlife, subsequently recovered from employee
- Employee terminated with cause

6. Petty Cash and Floats – Status Update
Completed: November 27, 2024

Overview:
In 2023 an audit was conducted to physically confirm that petty cash and float balances were correct and that the cash was adequately protected from theft. The results showed that the cash floats are generally well protected. There were no large discrepancies or suspicions of theft. The implementation of SAP Concur has greatly decreased this risk as petty cash is only used in a few instances.

Audit Objective:
All services which have undergone a service review in the past are subject to a status update, not sooner than one year following the original audit. The purpose of status updates is to hold staff accountable for addressing the audit findings and to identify any areas that have not seen significant progress. In addition, if applicable, further testing or review may also be done to test whether improvements have had the intended effect.

Status Definitions:

- **Complete** = the recommendation has been fully implemented.
- **In progress** = implementation has begun.
- **Not started** = no work has begun yet but will in the future.
- **Not required** = the recommendation either does not require any action, or it is no longer relevant, and no work will be done to implement it.

Number of original recommendations:	4
Number of recommendations complete:	3
Number of recommendations in progress:	1
Number of recommendations not started:	0
Number of recommendations not required:	0

All unneeded floats were returned to Financial Operations and deposited.   Updates were made to the custodians, approvers, and amounts as required. Parking has reduced their required float and continue to balance their float each time the parking machines are emptied. However, they still need to start reconciling the revenue reports from the machine to the deposits to ensure all funds are accounted for.

There are no concerns about this topic, however it will remain on the list of recurring assurance audits.

7. Accounting and Payroll – Status Update
Completed: December 3, 2024

Overview
A comprehensive audit of the Accounting and Payroll sections was completed in 2016. A follow-up audit was conducted in 2019.   Part of the audit focused on controls within the financial processes. Audit of just the financial controls was then added to the list of recurring assurance

audits and was completed in 2023. The objective was to document and test various financial controls to ensure assets are adequately protected from fraud, theft, or error.

Audit Objective:
All services which have undergone a service review in the past are subject to a status update, not sooner than one year following the original audit. The purpose of status updates is to hold staff accountable for addressing the audit findings and to identify any areas that have not seen significant progress. In addition, if applicable, further testing or review may also be done to test whether improvements have had the intended effect.

Status Definitions:

- **Complete** = the recommendation has been fully implemented.
- **In progress** = implementation has begun.
- **Not started** = no work has begun yet but will in the future.
- **Not required** = the recommendation either does not require any action, or it is no longer relevant, and no work will be done to implement it.

Number of original recommendations:	13
Number of recommendations complete:	7
Number of recommendations in progress:	5
Number of recommendations not started:	1
Number of recommendations not required:	0

Several actions have been completed to ensure sufficient backup for a variety of financial transactions. Work is underway to develop and implement several new policies and procedures to even further improve controls. The one recommendation that has not been started yet is dependent on the upcoming installation of a new payroll system which will occur over the next 1-2 years.

There are no concerns about this topic, however it will remain on the list of recurring assurance audits.

STRATEGIC PLAN ALIGNMENT:
This report supports the delivery of core services.

FINANCIAL IMPLICATIONS:
Capital Budget – The recommendation has no impact on the Capital Budget.

Operating Budget – The recommendation has no impact on the Operating Budget.

COMMUNITY ENGAGEMENT:
INFORM – This report has been posted to the City's website with the agenda in advance of the council / committee meeting.

PREVIOUS REPORTS/AUTHORITIES:
- CAO-2023-527 2024 Internal Audit Work Plan

APPROVED BY: Dan Chapman, CAO

ATTACHMENTS: none