



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

---

Report: Audit Committee Annual Report and Internal Audit Work Plan

1. Motion to note and file Fiscal Year 2021-22 Audit Committee Annual Report for the period of July 1, 2021 to June 30, 2022.
2. Motion to note and file Fiscal Year 2022-23 Internal Audit Work Plan for the period of July 1, 2022 to June 30, 2023.

### COUNCIL ACTION

---

**Item Type:** Consent Calendar

**Approved for** August 9, 2022 **calendar**

### EXECUTIVE SUMMARY

---

Each year, the Audit Committee must report its actions and activities to the City Council per Glendale Municipal Code Section 2.82.100 (D). The Audit Committee met four times during Fiscal Year 2021-22 where they were provided with financial and budget updates and internal audit activity reports.

Each year, Internal Audit must prepare an audit work plan based on a risk assessment per Glendale Municipal Code section 2.08.130 (A). This risk-based work plan is used to identify and prioritize high risk areas in order to select and schedule audits. The Fiscal Year 2022-23 Internal Audit Work Plan was reviewed by the Audit Committee at its July 28, 2022 meeting as required by Glendale Municipal Code section 2.82.100 (B). This work plan is comprised of 25 projects.

## **COUNCIL PRIORITIES**

---

N/A

## **RECOMMENDATION**

---

Staff recommends that the City Council note and file the Fiscal Year 2021-22 Audit Committee Annual Report and the Fiscal Year 2022-23 Internal Audit Work Plan.

## **BACKGROUND**

---

### Fiscal Year 2021-22 Audit Committee Annual Report

Each year, the Audit Committee must report its actions and activities to the City Council per Glendale Municipal Code Section 2.82.100 (D). At its July 28, 2022 meeting, the Audit Committee approved its Fiscal Year 2021-22 Report (Exhibit 1), which covers the actions and activities of the Audit Committee for the period of July 1, 2021 through June 30, 2022. At this time, the Audit Committee is presenting this report to the City Council to satisfy the requirements of the Glendale Municipal Code. The Audit Committee met four times during Fiscal Year 2021-22 where they were provided with financial and budget updates and internal audit activity reports:

- The financial activities completed by the Audit Committee include review of the City's financial statement audit as of and for the year ending June 30, 2021, examination of the external auditor's communication on significant audit findings, and review of other financial and budget reports provided by Finance staff.
- The internal audit activities completed by the Audit Committee include review of Fiscal Year 2021-22 Internal Audit Work Plan, review of issued internal audit reports, review of the status of audit follow-up activities including discussion of any audit recommendations not being implemented within 2 and 3 years of audit report issuance and the decision of not implementing an audit recommendation by management.

### Fiscal Year 2022-23 Internal Audit Work Plan

Each year, Internal Audit must prepare an audit work plan based on a risk assessment per Glendale Municipal Code section 2.08.130 (A). Internal Audit's plan of engagements is developed following a risk-based model that includes an annual risk assessment process and a quantitative methodology that assigns a weighted risk value to each potential audit subject area in the City. This risk-based work plan is used to identify and prioritize high risk areas in order to select and schedule audits. This work plan is a flexible and dynamic document that will be amended throughout the year in response to the ever-changing environment and risk landscape. The ongoing risk assessment will be performed through a periodic express risk survey on emerging risks and regular communications with management and the Audit Committee.

The risk assessment process includes reviewing and updating potential audit topics through discussions with key management personnel by gathering information on the

operating environment. These potential audit topics are evaluated and rated for impact and likelihood in the four risk categories of financial, compliance, strategic and operational. The final risk ranking considers factors such as the City's strategic goals and objectives, executive management's specific concerns, explicit management requests, significant changes in operations, key areas not previously audited, and available staff resources. The plan is reviewed with the City Manager and Audit Committee prior to being presented to City Council. This year staff continued a data-driven approach in the annual risk assessment process to identify higher risk areas for audit in the coming year. Staff provided department's third-party data along with a short risk questionnaire to help departments identify higher risk purchase orders and contracts to be audited. Staff tailored the risk assessment questionnaire to the current environment and used a survey tool to gather the assessment results.

The Fiscal Year 2022-23 Internal Audit Work Plan (Exhibit 2) was reviewed by the Audit Committee at its July 28, 2022 meeting as required by Glendale Municipal Code section 2.82.100 (B). The Fiscal Year 2022-23 Internal Audit Work Plan is comprised of 25 projects, including two carried over projects, 10 new and re-selected projects, three recurring projects, and 10 continuous auditing/on-going advisory assignments. In addition, a list of nine potential projects is included within this work plan and may be performed due to changes in risks and priorities or if all the planned audits are completed prior to the end of the fiscal year.

---

**ANALYSIS**

N/A

---

**STAKEHOLDERS/OUTREACH**

N/A

---

**FISCAL IMPACT**

There is no fiscal impact associated with this report.

---

**ENVIRONMENTAL REVIEW (CEQA/NEPA)**

N/A

---

**CAMPAIGN DISCLOSURE**

This item is exempt from campaign disclosure requirements.

---

**ALTERNATIVES**

Alternative 1: The City Council note and file Fiscal Year 2021-22 Audit Committee Annual Report and Fiscal Year 2022-23 Internal Audit Work Plan as presented.

Alternative 2: The City Council note and file Fiscal Year 2021-22 Audit Committee Annual Report and provide input on the Fiscal Year 2022-23 Internal Audit Work Plan.

Alternative 3: The City Council may consider any other alternative not proposed by staff.

## **ADMINISTRATIVE ACTION**

---

**Prepared by:**

Jessie Zhang, Internal Audit Manager

**Approved by:**

Roubik R. Golanian, P.E., City Manager

## **EXHIBITS/ATTACHMENTS**

---

1. Fiscal Year 2021-22 Audit Committee Annual Report
2. Fiscal Year 2022-23 Internal Audit Work Plan