



Audit Committee Agenda

Monday, December 15, 2025, 2:30 p.m. - 3:30 p.m.

Council Chambers

City of Kitchener

200 King Street W, Kitchener, ON N2G 4G7

People interested in participating in this meeting can register online using the delegation registration form at www.kitchener.ca/delegation or via email at delegation@kitchener.ca. Please refer to the delegation section on the agenda below for registration in-person and electronic participation deadlines. Written comments received will be circulated prior to the meeting and will form part of the public record.

The meeting live-stream and archived videos are available at www.kitchener.ca/watchnow.

Accessible formats and communication supports are available upon request. If you require assistance to take part in a city meeting or event, please call 519-741-2345 or TTY 1-866-969-9994.

Chair: Mayor B. Vrbanovic

Pages

1. Commencement

This meeting will begin immediately following the Planning and Strategic Initiatives Committee meeting at approximately 2:30 p.m.

2. Disclosure of Pecuniary Interest and the General Nature Thereof

Members of Council and members of the City's local boards/committees are required to file a written statement when they have a conflict of interest. If a conflict is declared please visit www.kitchener.ca/conflict to submit your written form.

3. Delegations

Pursuant to Council's Procedural By-law, delegations are permitted to address the Committee for a maximum of five (5) minutes. All Delegations where possible are encouraged to register prior to the start of the meeting. For Delegates who are attending in-person, registration is permitted up to the start of the meeting. Delegates who are interested in attending virtually must register by 12:30 p.m. on December 15, 2025, in order to participate electronically.

3.1 None at this time.

4. Discussion Items

4.1	2026 Internal Audit Work Plan, CAO-2025-477	15 m	3
	<i>(Staff will provide a 5-minute presentation on this matter.)</i>		

5. Status Updates

5.1	4th Quarter 2025 Audit Status Report, CAO-2025-478	30 m	11
	<i>(Staff will provide a 10-minute presentation on this matter.)</i>		

6. Adjournment

Dianna Saunderson

Manager, Council and Committee Services/Deputy Clerk

REPORT TO: Audit Committee

DATE OF MEETING: December 15, 2025

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: November 19, 2025

REPORT NO.: CAO-2025-477

SUBJECT: 2026 Internal Audit Work Plan

RECOMMENDATION:

That the 2026 Internal Audit work plan be approved as outlined in report CAO-2025-477.

REPORT HIGHLIGHTS:

- The purpose of this report is to outline the proposed assurance and consulting activities to be conducted by the Internal Auditor in 2026.
- The work plan consists of seven assurance/compliance audits, four status updates, and two consulting engagements.
- 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.

BACKGROUND:

Internal Audit Goal

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 Services

To fulfill the above goal, the internal auditor provides two types of service in accordance with the Institute of Internal Auditors definitions:

Assurance services – which involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter; and

Consulting services – which 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.

Internal Audit Work plan

The **assurance services** included on the internal audit work plan outlined in this report consists of topics that have been independently selected by the internal auditor. These topics fall broadly into one of three categories:

- 1) Physical assets – such as physical inventory counts
- 2) Financial resources – such as expense audits
- 3) Policy compliance – such as hiring transparency

This annual plan consists of compliance and controls audits, confidential investigations, and any other independent analysis as required. Standard assurance audit topics which are common to most organizations or other municipalities are included in a recurring 6-year plan. Other assurance topics are added as required based on emerging risks, tips, or other audit findings.

The internal auditor will also provide **consulting services** related to process reviews, capacity analysis, organizational structure analysis, risk assessments and value for money analysis as the need arises. These services are provided to support staff in strengthening organizational capacity, enhancing accountability, and driving continuous improvement in the design and delivery of City services. These types of reviews are requested by divisional management, or by Council through discussions with the CAO on a semi-annual basis. Additional consulting services may be added in the second half of 2025 as requested.

Audit reports on each work plan item will be presented to Audit Committee as completed, on a quarterly basis.

REPORT:

2026 Internal Audit Work Plan

Audit Committee is asked to approve the 2026 Internal Audit work plan shown below as per the Audit Committee terms of reference.

Assurance Services:

Audit Topic	Type of Audit	Notes
Physical Inventory	Count verification	Annual
Computer Hardware Inventory	Inventory count, Controls	
Hiring of Relatives	Compliance	Re-test under new policy once approved by Council

DocuSign	Compliance	Online document approval system
SAP Invoice	Controls	Financial system for processing vendor invoices
SuccessFactors	Controls	Employee time recording tool
Software Licenses	Controls	
Fire Life Safety	Status Update	
Employer Paid Parking	Status Update	
Custodial at Community Centres	Status Update	
SAP Separation of Duties	Status Update	Financial system
Confidential Investigations	Controls, Compliance	As required

Consulting Services:

Topic	Type of Analysis
Concrete Maintenance	Service Levels (carried over from 2025)
Realty Services – Lease Management	Roles & Responsibilities Review (carried over from 2025)

Definitions

Compliance audit - A test to determine if staff is following all rules, regulations and policies associated with the service.

Confidential Investigations – Investigating staff or public complaints about any alleged staff misconduct including, but not limited to, fraud, theft, or inappropriate behaviour.

Controls audit - An analysis and test of control points within a process to ensure that fraudulent activity can be eliminated or mitigated.

Count Verification – Sampling physical inventory counts to verify the accuracy of staff physical inventory counts.

Inventory Count – physical inventory count compared to records.

Roles & Responsibilities - An analysis and documentation of which roles are best positioned to complete various tasks in the most efficient and effective manner.

Status update – A check-in on the status of recommendations and benefits achieved from previous audits or reviews.

Service Levels – An analysis of current and desired service levels and associated resourcing and costs to achieve objectives.

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:

There are no previous reports/authorities related to this matter.

APPROVED BY: Dan Chapman, CAO

ATTACHMENTS: None

2026 Internal Audit Work Plan

CAO-2025-477

Internal Audit Goal

- To protect the City's assets and interests through ensuring:
 - Operations are as effective and efficient as possible
 - Controls are adequate to protect assets from loss
 - Compliance with policy, procedure, legislation

Internal Audit Services

Assurance Services

- Objective assessment of evidence
- Independently chosen
- Controls, compliance, investigations, comprehensive reviews

Consulting Services

- Advisory / facilitation services
- Requested
- Improvement of design and delivery of City services

2026 Internal Audit Work Plan

Assurance Services	Consulting Services
Physical Inventory	Concrete Maintenance – service levels– carried over from 2025
TIS Hardware - inventory	Real Estate Leases – roles and responsibilities– carried over from 2025
Hiring of Relatives Policy - compliance	
DocuSign – compliance	
SAP Invoice - controls	
SuccessFactors Time Tracking– controls	
Software Licenses – inventory	
Status Updates	
Confidential Investigations (as required)	

REPORT TO: Audit Committee

DATE OF MEETING: December 15, 2025

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 3, 2025

REPORT NO.: CAO-2025-478

SUBJECT: 4th Quarter 2025 Audit Status Report

RECOMMENDATION:

For information.

REPORT HIGHLIGHTS:

- The purpose of this report is to provide information regarding recent audits.
- There are two audits and one service delivery review included in this report.
- Audit and review results found: 1) changes to the staffing model for custodial services at community centres is anticipated to provide a more consistent level of cleanliness and more support for program setups; 2) the physical inventory process is in control; and 3) there are control weaknesses in SAP user access.
- 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 April to December 2025.

Work in-progress:

Work is in progress on the following topics and will be reported at a future Audit Committee meeting:

- Concrete Maintenance – service delivery and Lean review (consulting services)
- Real Estate – City owned facility leases – current state analysis and process review (consulting services)

Work completed:

The table below shows the audits contained in this report.

Division / Topic	Scope
1. Custodial at Community Centres	Service Delivery Review
2. Physical Inventory	Count Verification
3. SAP Separation of Duties	Controls

The following is a summary of the key highlights of each audit or review:

- A review of the staffing model for custodial services at community centres found that the current structure and number of resources is not sustainable with growth in operating hours and programming. Switching to a model with nighttime contract cleaning at each centre paired with daytime building attendants to provide program setup and spot cleaning will provide a more consistent level of cleanliness and adequate support for programming needs.
- The annual count verification of the physical inventory found zero variances. Total write-downs for the year were 1.7% of purchases. The process is in control and there are no concerns.
- An audit of SAP user access found many separation of duties conflicts, leaving the City vulnerable to fraudulent or erroneous transactions. Recommendations include removing unnecessary access and closer scrutiny when setting up new user accounts.

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. Custodial at Community Centre – Service Delivery Review

Completed: July 24, 2025

Background

The City owns fourteen community centres which operate six or seven days per week, depending on the centre. Currently the responsibility for setting up and taking down tables and chairs for various programming/third party bookings at community centres rests with either custodial staff (including full-time custodians and part-time building attendants) or community centre staff, depending on the centre and time of day.

Over time the amount of programming and operating hours has increased, with all centres now open on weekends. Although some resources have been added when operating hours increased, no resources were added when programming increased within existing hours. Facilities Management has not consistently advocated for additional resources when programming and hours increased meaning that custodial support has historically not been resourced appropriately. While part-time or contract custodial staffing has been added over time to plug the gaps, the current model is not sustainable as growth continues.

Custodial staff are spending a large portion of their time, from 10-60% or an average of 25% of their 4-5-hour shift, on setup duties rather than on their core service of cleaning the facility. In some cases, they cannot fully support the setup and take-down to the level of service required, meaning that community centre staff are also being taken away from their core duty of providing customer service to patrons to ensure this task is completed. This has also meant that not all desired programming can be offered due to lack of staffing. There was a desire to clarify roles and responsibilities and appropriately resource to better support setups.

The City's Facility Usage Policy (MUN-FAC-2030) states that facility users who rent city facilities (either charge or no-charge) are responsible for setting up, cleaning, putting away the tables and chairs, and returning the facility back to the general condition of cleanliness in which it was found. However, the policy is not being consistently applied across centres with some centres providing setup services for free. Note that this policy also does not apply to city-run or neighbourhood association programming at the centres which make up a large portion of the programming.

Engagement Objectives

The objective of this consulting engagement was to assess the best service delivery model for providing setup and take-down services (referred to simply as setups from here on in), while still providing custodial services. The overall goal was to ensure that our community centres are clean and that program setup needs are met. All solutions were developed with the end customer (community centre patrons) in mind.

Scope

The following areas were within the scope for this review:

- Activities required to come to a decision on the preferred service delivery model for custodial and setup services at community centres
- Guidance/advice on communications to staff and change management activities

Out of scope

- Custodial services at any other city facilities
- Implementation activities

Methodology

The following activities were completed as part of this review:

- Data gathering – custodial staff hours per centre, service levels, average number of programs requiring setup / take down, cycle time, etc.
- Interviews with key stakeholders to confirm process, strengths and weaknesses of current arrangement, and ideas for future improvements
- Surveys of community centre staff to gather opinions on service levels
- Benchmarking
- Option analysis including costing and pros/cons of several different staffing models
- Facilitated management workshops to validate findings, discuss options, and decide on the preferred model

Outcomes

During the management workshops the team decided on some overarching principles to ensure consistency across centres. First, the City will staff to the level required to support programming needs, rather than reducing programming to fit within the existing budget. Second, the City will continue to provide setup service for City and Neighbourhood Association instructors, while rentals will be expected to perform their own setups unless they pay for this service or require an accommodation, as per the existing Facility Usage policy. In addition, a minimum of 15 minutes will be left between programs where required to ensure adequate time for cleaning and room changeover.

Process improvements were explored to see if capacity could be gained without adding more staff. While some improvements such as program optimization to minimize room changeovers and utilizing lighter tables which patrons and groups could set up themselves were agreed on, they will yield very little new capacity.

The team agreed the best course of action was to add nighttime contract cleaning at all centres to provide a consistent daily basic clean and then adjust internal building attendant staffing to meet the setup and spot cleaning needs of each centre. Only 7 of 14 centres currently utilize contract nighttime cleaning service. In some cases, this simply meant adjusting the building attendant shift time to better align with programming needs, while in other cases additional resources were required to address service delivery gaps.

It is expected that adding nightly contract cleaning will allow custodial staff to focus on setups during program hours, provide spot cleaning as required, and use any downtime to conduct periodic deep cleaning. Using custodial staff for this task is more cost effective than using community centre staff. This will require some alterations to the current building attendant shifts to ensure staff are available during the busiest programming times when support is most needed. There will be times, however, when building attendants are not present when centre staff will need to complete the setups or do some minor spot cleaning. All major emergency cleans should be directed to Facilities Management through the on-call process. Additional deep cleaning will be scheduled for City staff to complete in between programming sessions or can be outsourced to the contractor as required.

If contract cleaning is not added and additional hours are filled through internal part-time staff, then more supervisors are required to handle the additional scheduling, absence coordination, payroll, and direct supervision. The number of direct reports is already significant and difficult to manage. However, the cost of additional supervision and the higher hourly rate for internal staff does not make this a cost-effective solution.

The total estimated cost of all additional resources is \$164K per year. This includes 39.5 hours per week of additional building attendant time, 34 hours per week of contracted service on weekends, and nighttime contractor cleans added to 6 centres. These new resourcing needs can be funded on an ongoing basis through savings found in existing budgets and there will be no new budget requests at this time.

In the past there has been significant growth in the community centre operating hours and programming without a corresponding increase in operating budgets. Most of the centres still have capacity to grow. In the future it is desired by management to calculate the cost of growth and ensure that budgets are increased appropriately before adding operating hours or programs that require setup or cleaning support. It is recommended that Facilities Management work with their financial analyst to complete these calculations and develop a process with Community Centres to incorporate these costs into future budget requests when required.

Conclusion

The proposed changes aim to provide adequate resources for existing programs, improve staff efficiency, and ensure consistent experience for patrons across all centres. As the City moves forward with implementation, it will be critical to monitor the effectiveness of these changes and remain responsive to evolving needs. Continued collaboration between Facilities Management and Community Centres, supported by clear communication and shared accountability, will be essential to sustaining improvements. By aligning custodial resources with programming demands and investing in process enhancements, the City is well-positioned to maintain high service standards while managing costs.

2. Physical Inventory – Count Verification

Completed: November 15, 2025

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 perform regular cycle counts 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 adjust 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

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	2025
Error percentage	10.7%	10.5%	12.7%
Net write-down (without aggregates)	(\$12,202)	(\$19,716)	(\$39,546)
Absolute variance (without aggregates)	\$134,894	\$81,933	\$108,922

Note that aggregates have been excluded from these figures as they are difficult to measure and routinely have large variances. 75% of the net write-down is related to uncontrolled outdoor stock where it is suspected that operational staff have not consistently reported usage.

General Ledger Reconciliation

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 \$7,878. The cause of the variance is unknown currently but is being investigated.

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 22% of the total value of inventory. The sheet-to-floor audits covered the top 15 unit values and top 15 total values. The floor-to-sheet audits consisted of twenty random shelf locations. There were no variances found.

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	2024	2025
Controllable stock write-up	\$25,068	(\$21,388)
Uncontrollable stock write-down	(\$138,791)	(\$231,668)
Total write-up (down)	(\$113,723)	(\$253,056)

In 2025 the total adjustments for the year (Nov.18/24 – Nov.17/25) were \$253,056 write-down. The 2025 total write-down represents 1.7% of the total inventory purchases for the year of \$15.1 million. Industry standards indicate that up to 2.5% is an acceptable shrinkage rate. The ending inventory balance was \$4,061,536.

Controllable Stock Adjustments

Of the 2025 adjustments, \$21,388 write-down was from controllable stock. In 2025 the write-down was attributable to one large write-down of expired COVID masks which were disposed of, offset by small write-ups in multiple material groups and part numbers. 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.

COVID Masks	(\$67,447)
All other controllable parts	<u>\$46,059</u>
Net write-down	(\$21,388)

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 \$231,668 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.

\$211K of the total write-down is related to aggregate products and another \$26K is related to maintenance hole and catch basin accessories and parts. 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. The main issue with the maintenance hole and catch basin parts is staff utilizing the parts without informing Stores to relieve inventory. This problem is getting worse and will be addressed with management.

Aggregates	(\$211,415)
Maintenance hole & catch basin accessories and parts	(\$26,591)
All other non-controllable parts	<u>\$6,337</u>
Total non-controllable parts	(\$231,668)

Conclusion

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

3. SAP – Separation of Duties
Completed: November 24, 2025

Overview

It is important with any financial system to ensure that users have access appropriate to their job roles and that they cannot intentionally or accidentally create fraudulent or erroneous transactions. An SAP Separation of Duties (SOD) audit was originally performed in 2018 to test all user IDs against a series of high-risk scenarios.

A status update was conducted in 2019. All but one of the recommendations from the original audit had been implemented or was in progress. The only recommendation that was not feasible

at the time was to conduct a similar annual review of user IDs as several custom reports were required to be created to accomplish this. Instead, more diligence in setting up new IDs to avoid these scenarios was to be employed. However, there has been turnover in roles and this direction appears to have been lost.

This topic was added to the list of recurring controls and compliance audits, and it is now time to perform the audit again.

Audit Objectives

The objective of this audit was to determine the high-risk SAP separation of duties scenarios and determine if any users have access that permits these conflicts.

High risk is defined as the ability for an individual to use their SAP access to create transactions which would:

- Allow them to steal funds from the corporation, either individually or in collusion with vendors / suppliers / customers
- Allow them to misrepresent the corporation's financial situation

Methodology

- A list of eleven high-risk scenarios was developed utilizing SAP Master Data Governance Security Guide.
- All active SAP user IDs were tested against the high-risk scenario list to determine if conflicts exist.
- Users were contacted to determine if the conflicting access was required to do their jobs.

Findings and Recommendations

This audit has revealed separation of duties conflicts in all eleven tests that were conducted. Some were known conflicts that are necessary due to a lack of staffing. In these cases, the risk is accepted and mitigating controls such as management oversight of transactions has been employed where possible. However, there were many new conflicts across all testing parameters.

It is recommended that staff remove all access causing conflicts where it is not required for the job role and that access requests be closely monitored for new user accounts to avoid conflicts in the future. In addition, staff should evaluate the implementation of the SAP GRC Access Control tool (a feature available with the next SAP upgrade) to streamline role design, automate separation of duties checks, enhance audit readiness, and reduce access-related risks.

Conclusion

Regular review of access levels is required to ensure separation of duties conflicts and related risks are not created (frequency to be determined by management). Some level of risk will always be present due to limited staffing in some areas. However, all remaining risk can be mitigated through diligent access controls.

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-2024-510: 2025 Internal Audit Work Plan](#)
- Facility Usage Policy (MUN-FAC-2030)

APPROVED BY: Dan Chapman, CAO

ATTACHMENTS: none

4th Quarter Audit Status Update

CAO-2025-478

Summary

Completed:

- ✓ Custodial at Community Centres – Service Delivery Review
- ✓ Physical Inventory – Count Verification
- ✓ SAP Separation of Duties – Controls Audit

In progress:

- ☐ Concrete Maintenance – Service Level Review
- ☐ Real Estate – Leases – Roles and Responsibilities

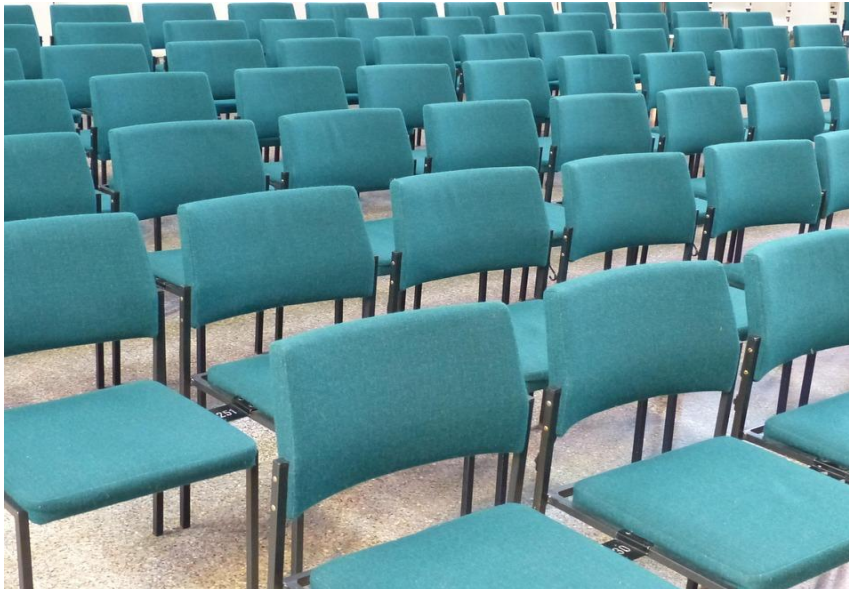
A photograph of the Kitchener Kingsdale Community Centre. In the foreground, a large white sign with a black border features the Kitchener logo (a stylized building with a flag) and the text "KITCHENER KINGSDALE COMMUNITY CENTRE". Below this, a semi-transparent white box contains the address "72 WILSON AVENUE". In the background, the modern, white, angular building of the community centre is visible under a clear blue sky. A paved parking lot with yellow lines is in the foreground.

KITCHENER
**KINGSDALE
COMMUNITY CENTRE**

Custodial at Community Centres – Service Delivery Review

Review Objective

To assess the best service delivery model to ensure community centres are clean and program setup needs are met.



Scope



All community centres



Setup / Take Down



Custodial Services

Methodology

- Staff & management surveys and interviews
- Benchmarking
- Data gathering
- Analysis of staffing models
- 3 facilitated management workshops



Challenges

- Programming and operating hours have increased over time
- Custodial resourcing has not kept pace
- 25% of custodial shift spent on setups
- Inconsistency in responsibility for setups
- 6 of 14 centres have challenges with completing set-ups
- 9 of 14 centres need more custodial support

Outcomes

- Overarching principle – staff to program needs
- Optimize programming to limit room change overs
- Implement nighttime contract cleaning
- Alter building attendant shifts to better support setups
- Cost - \$164K / year funded through existing sources

Benefits

- Most cost-effective option to address growth
- Centres are clean on opening
- Consistent service across centres
- Building attendants available during the busiest program times to provide set-ups, spot cleaning, bathroom restocking and clean-up after messy programs
- Centre staff can focus on customer service

A photograph of a warehouse aisle with high blue metal shelving units. Yellow signs are attached to the shelving. The sign on the left reads "NON-INVENTORY" and the one on the right reads "ITEMS ONLY IN THIS ROW". The aisle is filled with various items, including boxes and bags, and a person is visible in the distance.

Physical Inventory – Count Verification

Objectives

Physical Inventory (done by Stores staff):

- Count all inventory to ensure financial records match physical inventory on hand

Count Verification (done by Internal Audit):

- To count a sample of inventory to verify that staff counts are accurate

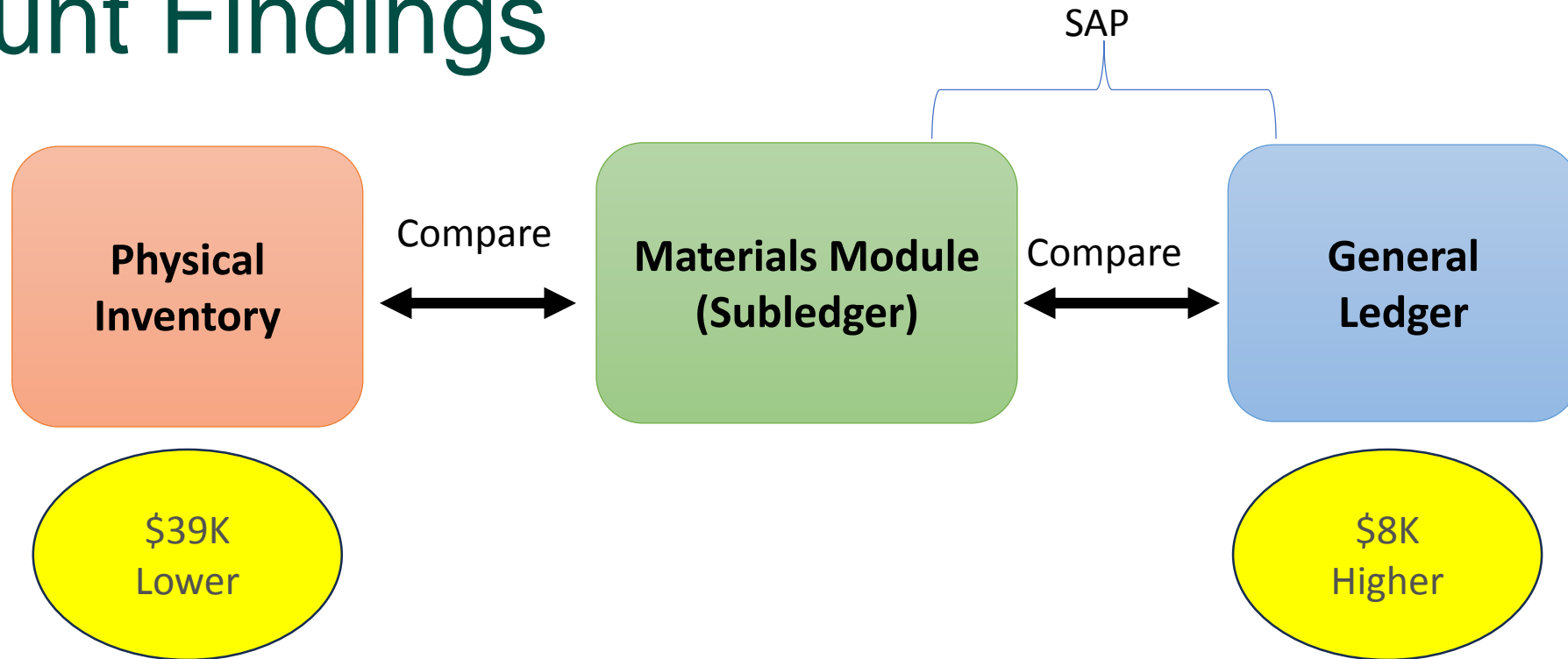
GL Reconciliation (done by Finance):

- To reconcile the general ledger to the subledger

Methodology & Results

- Sheet-to-floor counts
 - Top 15 total values
 - Top 15 unit values
- Floor-to-sheet counts
 - 20 random parts
- Verified 22% of the total inventory value
- Zero variances found

Count Findings



	2023	2024	2025
Error percentage	10.7%	10.5%	12.7%
Net write-down (without aggregates)	(\$12,202)	(\$19,716)	(\$39,546)
Absolute variance (without aggregates)	\$134,894	\$81,933	\$108,922

Total Full Year Adjustments

Type of Stock	Amount	Write-up or down	Main Drivers
Controllable	\$21K	Write-down	\$67K obsolete COVID PPE
Uncontrollable	\$232K	Write-down	\$211K aggregates
Total	\$253K	Write-down	

- Typically see large write-downs in aggregates
- Difficult to accurately measure piles of material and users don't always report usage to Stores

Conclusion

- Total write-downs are 1.7% of total inventory purchases
- Adjustments are small in value and expected
- Ongoing cycle counts to proactively identify and fix variances
- Inventory process is in control



SAP – Separation of Duties Audit

Audit Objectives

- To ensure users have SAP access appropriate to their job roles and they are not able to create fraudulent or erroneous transactions

Methodology & Results

- Identified list of 11 high-risk scenarios to avoid
- Tested all active SAP user IDs against the list
- Contacted users to determine if conflicting access was required

Findings

- Separation of duties conflicts found in all 11 tests
- Some conflicts were known and necessary
- Many new conflicts, despite recommendations from the previous audit in 2018

Recommendations

- Remove all unnecessary access
- Monitor creation of new user ID's to avoid conflicts
- Evaluate implementation of access control tool