

# City of Mississauga Corporate Report



Date: April 16, 2021

To: Chair and Members of Audit Committee

From: Luis H. Souza, CPA, CMA, CIA, Director, Internal Audit

Originator's files:

Meeting date:  
May 3, 2021

## Subject

**Internal Audit Work Plan 2021-2023**

## Recommendation

That the Corporate Report dated April 16, 2021 from the Director, Internal Audit entitled "Internal Audit Work Plan 2021-2023" be approved.

## Executive Summary

- An Internal Audit Work Plan for the period 2021-2023 was developed based on various sources of information regarding risks, processes and the overall control environment at the City. These included the Corporate Risk Assessment conducted in 2020, knowledge obtained in previous audits, and meetings with Commissioners and Directors.
- As required by the Internal Audit Charter, the Work Plan is being presented to the Audit Committee for approval at its May 3, 2021 meeting.
- Starting in 2021, the plan will be formally revised on an annual basis, in order to keep up with the pace of change in the business environment and to ensure that Internal Audit's efforts are focused on the aspects of City operations where they can add most value.
- The Work Plan remains flexible to accommodate other requests for assurance and advisory work by Senior Management or the Audit Committee.

## Background

The Internal Audit Charter (By-law 0065-2013) requires the Internal Audit Division to develop "a flexible audit plan using an appropriate risk-based methodology, including any risk or control concerns identified by management, and submit that plan to the Audit Committee for review and approval as well as periodic updates."

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In order to fulfil this mandate, Internal Audit has developed an approach that uses multiple sources of information regarding risks, key processes and the overall control environment at the City, including ongoing consultation with members of the Leadership Team and the Extended Leadership Team.

This report identifies the audit assignments being recommended for the period 2021 to 2023. As of this year, the list will be revised annually and may be updated should the City's risk profile change. Any changes to the work plan will be communicated to the Audit Committee for approval.

## **Present Status**

Historically, the Internal Audit Work Plan was developed every three years and presented to the Audit Committee for approval. While ad hoc changes were allowed, and occasionally implemented, a systematic review of the plan was not performed on an annual basis, nor was the plan horizon extended before the initial planning period expired.

## **Comments**

### **Corporate Risk Assessment**

Internal Audit conducted a Corporate Risk Assessment in late 2020 that contributed to the identification and prioritization of the main risks to be incorporated into the Work Plan. This exercise was intended to identify, measure and prioritize risks and reinforce risk assessment principles across the Corporation.

Previous iterations of the Internal Audit Corporate Risk Assessment were self assessment exercises that solicited feedback from all business units specifically assessing common risk criteria. The resulting analyses provided general information regarding high level trends and risk profiles.

The 2020 assessment, and future iterations, focus on specific risks, emerging risks and risk profiles that directly impact specific business unit operations and service delivery. This assessment is evolving into an approach that will combine self-assessment surveys and facilitated workshops (starting in 2021) that will provide a deeper risk analysis in selected areas. In addition, the Corporate Risk Assessment will now become an annual exercise.

For the 2020 exercise, Directors in each division were requested to nominate 2 to 4 business units to respond to the survey, resulting in 42 respondents. This is approximately 1/3 of all operating units at the City. The number of units covered by the program will increase by another 1/3 every year and coverage of all business units is expected to reach 100% by 2022.

The resulting analysis, which was reported to each divisional leader and discussed with the Leadership Team, provided a wealth of information to support the audit work plan as well as an

opportunity for the leaders to gauge their risk factors and decide where to apply their mitigation efforts.

### **Other Sources of Information**

The Director, Internal Audit held meetings with all members of the Leadership Team and Extended Leadership Team throughout 2020 in order to, among other objectives, identify trends, risks and new developments that could be relevant to the Audit Work Plan.

In addition, a review of past audits, knowledge acquired by Internal Audit staff during the performance of recent audits and the professional judgment of the Director, Internal Audit were also factors included in the risk analysis.

Furthermore, in the months of February and March, meetings were held with the City Manager, all Commissioners and several Directors regarding potential audits targeted to 2021, to further understand those risks and agree on the general scope and timing for the audits.

### **Internal Audit Work Plan**

Based on the results of the Corporate Risk Assessment, consultations and analyses described above, the 2021-2023 Work Plan was prepared and is presented in Appendix 1. Having a 3-year horizon in the work plan allows Internal Audit to better allocate its resources and to develop any skills that may be necessary in the future. It also allows audit clients to plan for and prepare their teams and allocate resources where necessary in order to support the audit.

Starting in 2021, the Work Plan will become a “rolling 3-year plan,” as opposed to the semi-static 3-year plan used until the last few cycles. Specifically, the difference is that at the end of each year, the plan for the remaining 2 years will be revisited and may be updated to better reflect new risk profiles, and an additional year will be proposed in order to always maintain a 3-year planning horizon.

### **Advisory Work and Special Investigations**

The Internal Audit Work Plan also remains flexible in order to accommodate consulting requests and special assignments from LT, ExLT or as required to fulfill other Internal Audit responsibilities. In 2020, approximately 19% of available audit time was spent in these areas.

## **Engagement and Consultation**

Internal Audit strives to maintain effective and constructive communication with business unit management, members of ExLT and LT. Collaboration between all of these groups was integral to the development of this Internal Audit 3-Year Work Plan.

## **Financial Impact**

There are no financial impacts resulting from the Recommendation in this report.

## Conclusion

The Internal Audit Work Plan reflects the best effort to allocate Internal Audit's resources to the areas and risks where they can provide the most value. The process will be continuously revised and complemented by other programs in the Internal Audit Strategic Directions presentation submitted to the Leadership Team on February 18, 2021, which will provide an even greater ability to ensure maximization of the value derived from the Internal Audit work.

Specific projects for each of the three years are listed in Appendix 1. Progress reports are provided to the Audit Committee periodically and the work plan update will be submitted to the Audit Committee for approval on an annual basis.

## Attachments

Appendix 1: 2021-2023 Internal Audit Work Plan



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