

# City of Mississauga Corporate Report



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Date: February 18, 2022

To: Chair and Members of Audit Committee

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

Originator's files:

Meeting date:  
March 7, 2022

## Subject

**Internal Audit Activity Report and Work Plan 2022-2024**

## Recommendation

That the Corporate Report dated February 18, 2022 from the Director, Internal Audit entitled "Internal Audit Activity Report and Work Plan 2022-2024" be approved.

## Executive Summary

- Since the approval of the 2021-2023 Internal Audit Work Plan, Internal Audit completed 7 audits, while 3 others are nearing completion. The Division continued to provide valuable advice through consulting assignments, responses to inquiries and other activities.
- An Internal Audit Work Plan for the period 2022-2024 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, knowledge obtained in previous audits, and input from management. As required by the Internal Audit Charter, the Work Plan is being presented to the Audit Committee for approval at its March 7, 2022 meeting.
- The 2021 Corporate Risk Assessment currently covers 2/3 of all units in the organization, selected in conjunction with the Directors. Full coverage is expected by the end of 2022, as well as further enhancements, including conducting risk workshops in selected units.
- The Work Plan remains flexible to accommodate other requests for assurance and advisory work by Senior Management or the Audit Committee.
- Internal Audit has also focused on elevating the partnership with the business, through several initiatives, including developing and communicating a new Value Proposition and a Strategic Directions document, revamping its Procedural Manual, and increasing investment in staff and in the communication with audit clients.

## 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.”

In order to fulfil this mandate, Internal Audit has developed an approach based on a Corporate Risk Assessment undertaken in conjunction with management, together with multiple sources of information regarding risks, key processes and the overall control environment at the City.

In 2021, Internal Audit adopted a “rolling 3-year” work plan, with annual updates. In its meeting on May 3, 2021, the Audit Committee approved the 2021-2023 Internal Audit Work Plan, the first developed within this approach.

Internal Audit activities go beyond the execution of audits. Among other activities, the Division provides consulting and advice to several areas, supports the review of Corporate Policies and helps City management keep track of the progress of corrective actions that arose from previous internal and external audits.

This report provides an overview of the audit work performed by Internal Audit in 2021, including the progress of audits included in the previously approved Work Plan, and presents the audit assignments being recommended for the period 2022 to 2024. The update aims to replace the work already completed and to better align the Work Plan with the current risk profile.

## Comments

### Progress of the 2021 Work Plan

The progress of the audits planned for 2021 is shown in the chart below.



Figure 1: Progress of the 2021 Internal Audit Work Plan

As the chart shows, since the approval of the 2021-2023 Internal Audit Work Plan, the Division has completed 7 of the 10 audits planned for the year, with the remaining 3 nearing completion. Two of these started in the later part of the year and are progressing within the expected timeframe; the remaining one is also underway, but had some delays due to staffing.

### **Other activities undertaken by Internal Audit**

In early 2021, Internal Audit developed and communicated an updated Value Proposition, which was presented to the Leadership Team. This Value Proposition further enhances the Division's position as a trusted advisor to management in matters of governance, risk management and compliance, and communicates the different service offerings to IA's internal clients in order to support the continuous evolution of the City's risk practices. This Value Proposition is summarized in the sentence: "More than just audits. Advice you can trust." and is presented in Appendix 1.

In alignment with this concept and to enhance the delivery of value by Internal Audit, the Division conducted additional consulting and advisory work when requested by management or as part of other risk-related responsibilities. These activities included:

- A consulting role in a relevant software acquisition
- Major advisory work in one key corporate process that is being improved by management (ongoing)
- A broad assessment of Entity-Level Controls, using a maturity-level approach (ongoing)
- Participation in the Whistleblower program, including supporting a review of its protocols and the investigation of confidential reports
- 270+ hours of responses to various inquiries and requests for advice
- 2021 Corporate Risk Assessment
- Other work related to potential investigations

In parallel, the Division continued to adapt and modernize its internal processes, including a thorough review of the Internal Audit Manual to further clarify its risk-based approach, consolidating the SharePoint tool to manage outstanding recommendations and as a repository for all electronic records related to the audits, as well as increasing the investment in staff development activities.

Internal Audit has also continued to work towards selecting an automation tool that will streamline its workflow as well as be the final repository for recordkeeping, and completed a selection of audit firms that may support the Division with subject-matter expertise or added capacity when needed.

### **Internal Audit Customer Survey**

In late fall of 2021, Internal Audit undertook a modernization of its Internal Audit Client Survey, resulting in a questionnaire with 17 items divided into 3 categories: Value Delivery, Customer Service and Competence/Professionalism. City staff with a relevant role in one or more audits

during the year (Directors, Managers, Process Owners and Action Owners) were invited to participate, with a response of 82%.

Positive feedback received in all areas of the survey exceeded 95%. Some positive points mentioned by internal clients included the risk-based approach, quality of recommendations, and professionalism and attitude of the auditors.

Opportunities for improvement concentrated on clarity of scope from the start of the audit, and time management during the audits. Internal Audit will further enhance its processes to address those concerns.

A detailed analysis of the survey results is provided in Appendix 2.

### **2021 Corporate Risk Assessment**

Since 2020, the Corporate Risk Assessment (CRA) has become an annual exercise involving roughly 1/3 of the organization's units, with the goal of supporting the identification, measurement and prioritization of risks, reinforcing risk assessment principles across the Corporation and providing input to the update of the Internal Audit Work Plan.

The CRA is based on a detailed survey which focuses on specific risks, emerging risks and risk profiles that directly impact specific business unit operations and service delivery. The Division is working towards evolving this exercise to combine the existing surveys with facilitated workshops that will provide a deeper risk analysis in selected areas.

For the 2021 exercise, Directors in each division were requested to nominate business units to respond to the survey, resulting in 47 respondents. Adding this to the 42 units that participated in the 2020 survey, the CRA now covers approximately 2/3 of all operating units at the City. The number of units is expected to be roughly the same in the next run in 2022, resulting in the coverage of all business units by the end of this year.

The resulting analysis, which was reported to each divisional leader and 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.

### **Internal Audit Work Plan**

Based on the work mentioned above, the 2022-2024 Work Plan was prepared (as an update of the previous plan) and is presented in Appendix 3. Having a 3-year horizon in the work plan allows Internal Audit to better allocate its resources and to develop or co-source 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. At the same time, the annual updates allow for agility in the identification of new risks and trends, and to adapt the plan to properly address the evolution of the City's risk profile.

### **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, such as monitoring outstanding recommendations and others. In 2021, approximately 17% 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 Work Plan and to successfully complete the audits, consulting work and all other relevant activities conducted by the Division.

## **Financial Impact**

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

## **Conclusion**

In 2021, Internal Audit steadily advanced the execution of its Work Plan and continued to provide valuable insight and advice to management of the different divisions throughout the year, resulting in 95% positive feedback in its customer survey. The Division also continued to modernize its internal practices, putting forward an updated Value Proposition, reviewing its Procedural Manual and creating internal and external partnerships that will enhance its value delivery over time.

The renewed Corporate Risk Assessment expanded its coverage to 2/3 of the units and reflects an updated view of risk throughout the organization, and will be up to 100% by the end of 2022.

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 Internal Audit's work.

## Attachments

- Appendix 1: Internal Audit Value Proposition
- Appendix 2: Internal Audit Client Survey Report
- Appendix 3: Internal Audit Work Plan 2022-2024



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