

# City of Mississauga Corporate Report



Date: February 22, 2023  To: Chair and Members of Audit Committee  From: Luis H. Souza, CPA, CMA, CIA Director, Internal Audit	Originator's files:
	Meeting date: March 6, 2023

## Subject

**Internal Audit Activity Report and Work Plan 2023-2025**

## Recommendation

That the Corporate Report dated February 22, 2023 from the Director, Internal Audit entitled "Internal Audit Activity Report and Work Plan 2023-2025" be approved.

## Executive Summary

- Since the approval of the 2022-2024 Internal Audit Work Plan, Internal Audit completed 7 audits, with 2 others in progress. The Division continued to provide valuable advice through consulting and inquiries, addressing requests received during the year.
- Internal Audit continued to further its value proposition and enhance communication with clients and broader City staff. The Division organized its first "Internal Audit Awareness Month," with the participation of over 600 staff in at least one activity.
- Furthering Internal Audit's goal of strengthening risk management practices in the organization, the Division, along with Legal Services, supported Leadership in the development of the Corporate Risk Matrix. The Matrix provides a common language for risk and communicates LT's view of risk tolerance in a uniform manner.
- The 2022 Corporate Risk Assessment (CRA) was adapted to the new matrix. The CRA has achieved the goal of full coverage for the period 2020-2022.
- The Work Plan for the period 2023-2025 was developed based on various sources of information on risks, processes and the control environment, including the Corporate Risk Assessment, knowledge from previous audits, and input from management. Per the Internal Audit Charter, the Work Plan is submitted for approval at the March 6, 2023 Audit Committee meeting.
- 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.”

In order to fulfill 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.

Since 2021, Internal Audit has adopted a “rolling 3-year” work plan, with annual updates. On March 7, 2022, the Audit Committee approved the 2022-2024 Internal Audit Work Plan.

Internal Audit activities go beyond the execution of audits. Among other activities, the Division provides consulting and advice to several areas, conducts the Corporate Risk Assessment, 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 2022, including the progress of audits included in the previously approved Work Plan, and updates the audit assignments being recommended for the period 2023 to 2025, in order to better align with the updated risk profile.

## Comments

### Progress of the 2022 Work Plan

The progress of the audits planned for 2022 is shown in the chart below.

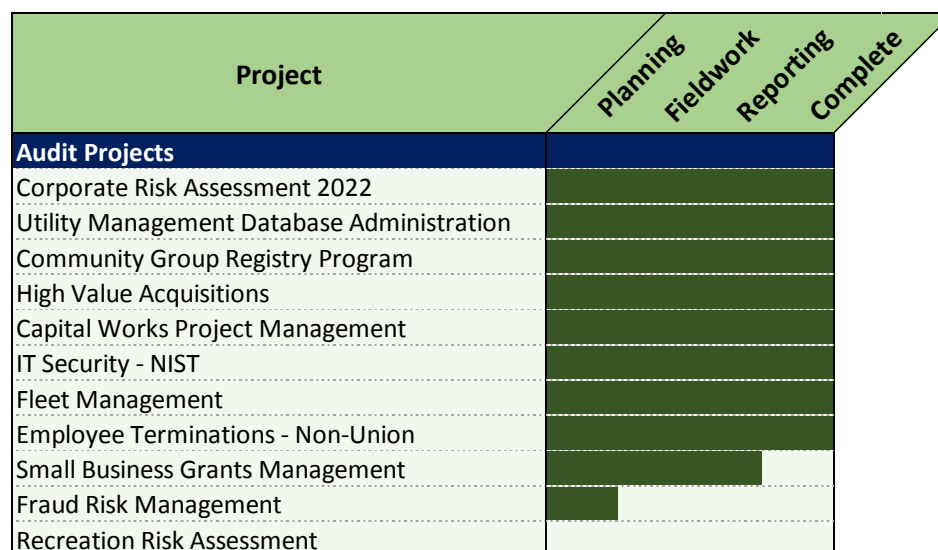


Figure 1: Progress of the 2022 Internal Audit Work Plan

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As the chart shows, since the approval of the 2022-2024 Internal Audit Work Plan, the Division has completed 7 of the 10 audits planned for the year, plus the Corporate Risk Assessment. Two audits remain in progress. The Recreation Risk Assessment has been cancelled and will be revisited in future cycles, when the Corporate Risk Matrix rollout is finalized.

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

In early 2021, Internal Audit developed an updated Value Proposition, which was presented to the Leadership Team and communicated to the different divisions and business units. The value proposition main line is, "More than just audits. Advice you can trust" and highlights the Division's focus on partnering with the businesses to foster risk management, governance and control capabilities, going beyond compliance and financial aspects.

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:

- Consulting assignments for Human Resources, Finance, Culture and Recreation divisions
- Support the Leadership Team, in conjunction with the Risk Management section within Legal Services, in the development of the Corporate Risk Matrix (Appendix 1), which provides a common language around risk and establishes guidance from LT regarding risk tolerance
- Participation in the Whistleblower program, including, when applicable, the investigation of confidential reports
- Responses to various inquiries and requests for advice
- Monitoring the progress of corrective actions from previous audits
- Other work related to potential investigations

In 2022, the Division also conducted its External Quality Assurance, obtaining the rating of "Generally Conforms," which is the highest rating for this type of assessment and confirms our compliance with the practices and standards established by the Institute of Internal Auditors. Details on this review are being submitted via a separate Corporate Report to the Audit Committee.

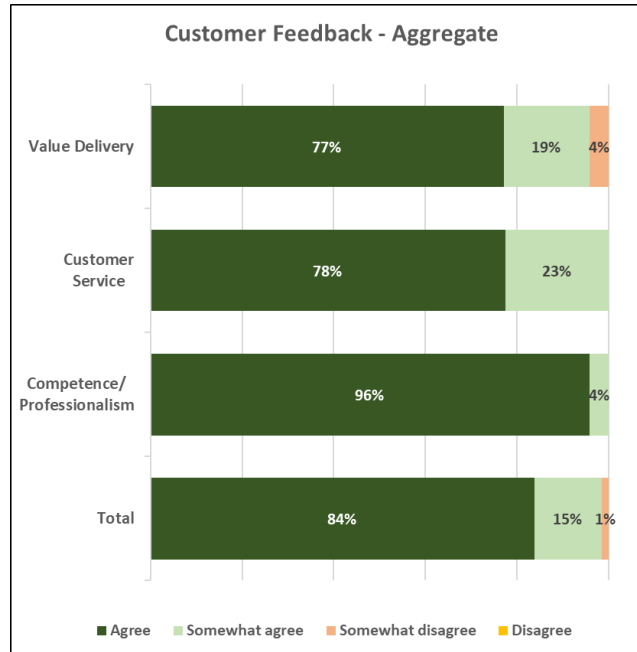
In addition, Internal Audit has started working in a few instances with external firms that can complement expertise necessary to achieve the goals of the audit work plan or consulting engagements. These firms were selected through procurement in 2021 and have supported two projects in 2022.

### **Internal Audit Customer Survey**

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

in one or more audits during the year (Directors, Managers, Process Owners and Action Owners) are invited to participate.

In 2022, we received 8 responses. As in 2021, positive feedback received in all areas of the survey exceeded 95%, per chart below:



Specific statements that received 100% agreement included:

- The review focused on topics and business risks that are important to my area and our business goals
- The auditor(s) was (were) diligent in seeking an understanding of client business and operations
- The audit team demonstrated high level of objectivity and integrity
- The auditor(s) was (were) professional, positive, and courteous throughout the audit process
- The auditor(s) demonstrated effective communication and interpersonal skills

Opportunities for improvement identified related to time for responses at the end of the audit and one case where the client expected more clarity on the auditor's requests for information. Internal Audit will further enhance its processes to address those concerns.

### 2022 Corporate Risk Assessment

Since 2020, the Corporate Risk Assessment (CRA) has been 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.

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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.

For the 2022 exercise, Directors in each division were requested to nominate business units to respond to the survey, resulting in 42 respondents. Adding this to the units that participated in the 2020 and 2021 surveys, the CRA now covers all units in the Audit Universe (127 units).

The resulting analysis, which is 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.

In the future, the Division will gradually move to an approach combining the enhanced self-assessment surveys with new facilitated workshops that will deepen the conversation about risk, foster the creation of risk ambassadors and provide further insight in selected areas.

### **Other Sources of Information**

The Director, Internal Audit held meetings with all members of the Leadership Team and Extended Leadership Team throughout 2022 and early 2023 in order to 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 audit and consulting engagements, and the professional judgment of the Director, Internal Audit were also factors included in the risk analysis.

The draft plan was then submitted to both the Leadership Team and the Extended Leadership Team for further suggestions, which have been incorporated into the final plan being submitted for approval.

### **Internal Audit Work Plan**

Based on the work mentioned above, the 2023-2025 Work Plan was prepared (as an update of the previous plan) and is presented in Appendix 2.

### **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 2022, approximately 23% 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 2022, Internal Audit continued to advance its value proposition, supporting advancements in risk management around the organization, while conducting its Work Plan in a steady manner. The Division also provided valuable insight and advice to management of the different divisions throughout the year. Clients provided over 95% positive feedback in its customer survey – and offered good insights on where the Division can further improve.

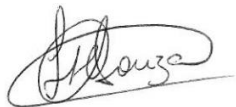
The renewed Corporate Risk Assessment expanded its coverage to 100% of the units in the Audit Universe and reflects an updated view of risk throughout the organization. The new Corporate Risk Matrix was already adopted for this exercise and will provide a common language about risk for the business units.

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 order to provide an even greater ability to ensure maximization of the value derived from Internal Audit's work.

## Attachments

Appendix 1: Corporate Risk Assessment Matrix

Appendix 2: Internal Audit Work Plan 2023-2025



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