

City of Mississauga
Corporate Report



<p>Date: February 16, 2023</p> <p>To: Chair and Members of Audit Committee</p>	<p>Originator's files:</p>
<p>From: Luis H. Souza, CPA, CMA, CIA Director, Internal Audit</p>	<p>Meeting date: March 6, 2023</p>

Subject

Internal Audit Quality Assurance Review

Recommendation

That the Corporate Report dated February 16, 2023 from the Director, Internal Audit with respect to the Internal Audit Quality Assurance Review be received for information.

Executive Summary

- The *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA) require the internal audit activity to “develop and maintain a quality assurance and improvement program” which “includes periodic internal and external quality assessments and ongoing internal monitoring.”
- In December 2022, Internal Audit completed a self-assessment and found that the internal audit activities of the City “generally conform” to the *Standards*, Code of Ethics and the City’s Internal Audit Charter (By-law 0065-2013). “Generally conforms” is the highest rating for this assessment, and in short means that the Division is in full compliance with the *Standards*.
- MNP LLP, a qualified independent reviewer, was subsequently engaged to conduct an external quality assessment to validate the results of Internal Audit’s assessment.
- The independent validation reviewed Internal Audit’s self-assessment results and confirmed that the City’s Internal Audit function “generally conforms to the IIA International Professional Practices Framework (IPPF) *Standards*, including the Definition of Internal Auditing, Code of Ethics, and *Standards*.”
- Some opportunities for further improvement were identified and the Internal Audit Division created an action plan to achieve those improvements with actions spanning the next two years.

Background

The Internal Audit Division of the City of Mississauga is a member of the Institute of Internal Auditors, which is a global institution that sets standards, a Code of Ethics, and guidance for the internal audit profession. The *Standards* are established in the International Professional Practices Framework (IPPF) guide.

The City of Mississauga's Internal Audit Charter (By-law 0065-2013) states that one of Internal Audit's values and operating principles is to "perform independent assessments of risk and control **guided** by the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA)." Although the Charter does not stipulate that Internal Audit **must** comply with the IIA *Standards*, every effort is made to be compliant and to maintain Internal Audit's credibility with the Audit Committee and senior management, and to promote a high level of efficiency and effectiveness in internal audit activities.

Furthermore, the Division has several staff members who hold professional certifications from the IIA, who are required to operate within those *Standards*.

One of the Professional Standards of the IIA (Standard 1300) requires the Chief Audit Executive to "develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity" and continuously monitors its effectiveness. This program includes periodic internal and external quality assessments and ongoing internal monitoring. Each part of the program should be designed to help the internal auditing activities add value and improve the organization's operations, and to provide assurance that the internal audit activity conforms to the *Standards* and the Code of Ethics.

In particular, IIA Standard 1312 requires external assessments to be "conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization." The previous Quality Assessment Review was performed in October 2017 when the independent validation concluded that, "The City's Internal Audit function is positioned to assist management in evaluating the risks and challenges of the City's operations."

In line with the standard, a full Quality Self-Assessment Review was recently completed by one of the Senior Internal Auditors in December 2022. Subsequent to the completion of the review, MNP LLP was engaged to conduct an independent validation of the results of the internal assessment.

Comments

Results of the 2022 Self-Assessment show that the Internal Audit Division of the City of Mississauga "generally conforms" to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors (IIA), and is in full compliance with the Institute's Code of Ethics and the City's Internal Audit Charter. As defined by the IIA, "generally conforms" is the highest rating for this type of assessment and means "the evaluator has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by

which they are applied, comply with the requirements of the individual IPPF Standard or element of the Code of Ethics, in all material respects.”

The EQA Self Assessment with Independent Validation report prepared by MNP validates the results of Internal Audit’s self-assessment in relation to IIA standards, i.e. that the City’s Internal Audit function “generally conforms to the IIA *IPPF Standards* including the Definition of Internal Auditing, Code of Ethics, and Standards.” The report is presented in Appendix 1.

The self-assessment and independent validation identified several successful practices that enable the overall quality of the Division, as well as areas for improvement which will further enhance the internal audit activities. Internal Audit has developed an action plan to respond to and address the recommendations, which is attached to MNP’s report.

Engagement and Consultation

The self assessment was completed by Internal Audit in similar fashion as previous assessments completed in 2017 and 2012, and followed the IIA’s Quality Assessment Manual issued in 2017. Once this was completed, MNP LLP was engaged to independently validate the assessment, including all background materials and evidentiary supporting files. Throughout this process, various stakeholders were involved through surveys and individual interviews. That included staff and management from recently audited areas, members of the Leadership Team and current and former Chairs of the Audit Committee.

Financial Impact

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

Conclusion

Results of Internal Audit’s Self-Assessment and External Validation reveal that the Internal Audit Division of the City of Mississauga “generally conforms” to the *Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors and fully complies with the Institute’s Code of Ethics and the City of Mississauga’s Internal Audit Charter (By-law 0065-2013). Opportunities for further improvement have been identified and included in an action plan, with actions set to be implemented from 2023 to early 2025.

Attachments

Appendix 1: City of Mississauga IA Self Assessment – Final Report



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