

City of Mississauga Corporate Report



<p>Date: October 24, 2024</p> <p>To: Chair and Members of Audit Committee</p>	<p>Originator's files:</p>
<p>From: Amy Truong, CPA, CMA, CIA Director, Internal Audit</p>	<p>Meeting date: December 2, 2024</p>

Subject

Gap Analysis - Global Internal Audit Standards 2024

Recommendation

That the Corporate Report dated October 24, 2024 from the Director, Internal Audit with respect to results of the gap analysis performed against the new Global Internal Audit Standards™ be received for information.

Executive Summary

- The new Global Internal Audit Standards™ was published on January 9, 2024, and will be effective January 9, 2025.
- The publication of the new Standards is an opportunity to strengthen the internal audit function, add value to the entire organization and enhance the communication between Audit Committee, senior management, and Internal Audit.
- Internal Audit performed a gap analysis to assess its conformance with the new Standards and found 11 areas for improvement, with 17 action items to address the gaps.
- Internal Audit acted promptly to address the gaps identified, and has completed 11 of the 17 action items. The remaining six are pending approval of the updates to the Audit Charter and Audit Committee Terms of Reference By-laws. These will all be completed before January 9, 2025.

Background

The new Global Internal Audit Standards™ (GIAS) was published on January 9, 2024, and will be effective January 9, 2025. It incorporates content from the 2017's Standards for the Professional Practice of Internal Auditing and the mandatory guidance of the International Professional Practice Framework® (IPPF®).

The new GIAS is structured into five domains (that also provide considerations for implementation and examples of evidence of conformance) comprised of 15 principles and 52 Standards. It also includes mandatory Topical Requirements, non-mandatory Global Guidance and a section on applying the Standards in the Public Sector. The structure of the new GIAS is shown in Figure 1 below.



Figure 1: Structure of New GIAS

Demonstrating conformance with the IIA's Global Internal Audit Standards 2024 has many benefits, including:

- Better stakeholder alignment through clearer communication between the Audit Committee, senior management and the Director, Internal Audit,
- Increased efficiency and risk coverage through coordination with risk management and compliance functions, and clear understanding of assurance activities,
- More effective auditing of key risk areas with guidance from IIA Topical Requirements, and
- Additional insights and value to the business as a result of Internal Audit training and upskilling, including knowledge of strategic/business risks, audit methodology, and technology and data.

To ensure conformance with these new Standards, Internal Audit performed a gap analysis on its existing practices and has enacted several changes that will elevate the Internal Audit function.

Comments

The new GIAS added and expanded on some existing principles, many of which Internal Audit had in place. Our gap analysis identified 11 areas for improvement and 17 action items. The results of the assessment are detailed in Appendix 1. The action items include updates to the

Audit Charter and Audit Committee Terms of Reference By-laws, development of an Internal Audit Strategy and Key Performance Measures, and updates to some internal processes.

Audit Charter and Audit Committee Terms of Reference By-laws

The main updates to the Audit Charter relate to the change in the purpose of internal auditing, with focus on the value that Internal Audit brings, which includes not only historical evaluation, but also insight and foresight of emerging risks and trends. It clarifies the reporting relationship between the Director, Internal Audit, Audit Committee and senior management, and ensures independence is maintained.

The changes to the Audit Committee Terms of Reference focus on the “essential conditions” defined in Domain III. The “essential conditions” brings new focus on the importance of the relationship between the Director, Internal Audit, the Audit Committee, and senior management, and sets forth new expectations for direct communication and collaboration between the parties. The Director, Internal Audit is required to discuss with the Audit Committee and senior management the roles and responsibilities of each party, which is currently being done as part of the Audit Committee onboarding process. A summary of the “essential conditions” requirements are provided in Appendix 2.

Internal Audit Strategy and Key Performance Measures

Through a shared visioning exercise with the Internal Audit team, the Internal Audit (IA) Strategy was developed, along with Key Performance Measures that will be reported annually at Audit Committee. The IA Strategy focuses on our people, process, technology and being a trusted advisor to the City. This strategy will evolve over time, but it is intended to be our plan of action designed to achieve an overall objective and help guide the Internal Audit function towards fulfilment of the Internal Audit mandate. The plan conforms to the GIAS 9.2, which requires the development and implementation of an Internal Audit Strategy, that aligns with and supports the strategic objectives of the organization. Additionally, Key Performance Measures were developed that align with the organization’s value proposition of Trust, Quality and Excellence. An overview of the IA Strategy and Key Performance Measures are provided in Appendix 3.

Internal Processes

Changes to internal processes are primarily related to more thorough documentation of existing practices, such as the auditors’ acknowledgment and understanding of the new Standards, our values and operating principles, and ensuring existing processes such as the qualification, evaluation, hiring and removal of the Director, Internal Audit is clarified.

The Internal Audit Division has acted promptly to comply with the new Global Internal Audit Standards and has successfully completed 11 of the 17 action items. The remaining six relate to the pending approval of the changes to the Audit Charter and Audit Committee Terms of Reference By-laws.

Financial Impact

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

Conclusion

The new Global Internal Audit Standards™ introduces new Standards and heightens the expectations in areas of governance, risk management, ethics and audit executions. In total there were 17 action items that resulted from the gap analysis. Six require updates to the Audit Charter and Audit Committee Terms of Reference By-laws, two relate to the development of the IA Strategy and Key Performance Measures, and the remaining nine are improvements to internal processes. Internal Audit has completed 11 of the 17 action items, with the remaining six pending approval of changes to the Audit Charter and Audit Committee Terms of Reference By-laws.

Attachments

Appendix 1: Gap Analysis – IIA Global Internal Audit Standards 2024

Appendix 2: Summary of the Essential Conditions in Domain III

Appendix 3: Overview of Internal Audit Strategic Plan



Amy Truong, CPA, CMA, CIA
Director, Internal Audit

Prepared by: Khadija S. Ali, CPA, CGA, CIA, FCCA
Internal Auditor