



Report
Staff Report
The Corporation of the City of Brampton
6/10/2024

Date: 2024-06-04

Subject: IIA Standards Work and External Quality Assessment

Contact: Claire Mu, Director, Internal Audit

Report number: CAO's Office-2024-527

RECOMMENDATIONS:

That the report to the Audit Committee Meeting of June 10, 2024, re: **IIA Standards Work and External Quality Assessment**, be received for information.

OVERVIEW:

- The purpose of this report is to update the Audit Committee on Internal Audit's progress in complying with the updated IIA Standards and to outline the next steps in preparing for an External Quality Assessment in 2025.
- The IIA compliance work implements the Audit Committee Terms of Reference and Internal Audit Charter By-law [108-2023](#), "Standards for the Professional Practice of Internal Audit" and "Quality Assurance and Improvement Program."
- Internal Audit seeks to procure specialized professional services to implement standards-related process improvements and customize audit software.
- After consulting with the Purchasing Division and exploring market options, Internal Audit plans to conduct a compliance gap assessment over the summer while continuing to explore options for completing the remaining work.

BACKGROUND:

The City's Internal Audit Division aims to achieve and maintain compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) by the end of 2025.

Specialized Professional Services Requirements

Internal Audit has the necessary resources to execute its Work Plan but requires additional specialized professional services to:

- Implement the changes required for compliance with the updated IIA Standards
- Embed the updated auditing process and controls into the audit software and improve its functionality and utilization.

Currently, the software is mostly used as a file repository, limiting its potential.

Audit Committee Terms of Reference and Internal Audit Charter

The IIA compliance project implements the Audit Committee Terms of Reference and Internal Audit Charter By-law 108-2023. Key mandates from the By-law include:

- Standards for the Professional Practice of Internal Audit (page 4): *“Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ (“the IIA”) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (“Standards”), and the Definition of Internal Auditing.”*
- Quality Assurance and Improvement Program (QAIP) (page 8): *“Internal Audit maintains a Quality Assurance and Improvement Program (“QAIP”) covering all aspects of Internal Audit. The program will include an evaluation of Internal Audit’s conformance with the Standards and an evaluation of whether internal auditors apply the IIA’s Code of Ethics. An external assessment is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City.”*

The IIA Standards

The IIA Standards, issued on January 9, 2024, and effective January 9, 2025, are mandatory requirements ensuring high-quality internal audits that facilitate effective internal control, risk management, and governance processes. The City of Brampton's internal audit function will be assessed based on these updated standards in 2025.

Public Procurement Process

A Request for Proposal (RFP) issued on April 4, 2024, and closed on April 30, 2024, invited proposals from qualified bidders to assist the Internal Audit Division with process improvement and audit software customization. The objectives were to:

- Conduct a compliance gap assessment.
- Specify required audit software customizations.

- Create a compliance roadmap.
- Implement the new auditing process and embed controls in the software.
- Provide knowledge transfer.

In addition to public notice, firms with practices in IIA standards were invited to bid. However, the two responses received either did not meet requirements or exceeded the budget, leading to the RFP being cancelled. Purchasing approved Internal Audit to proceed under a “Schedule D” exclusion of the Purchasing By-law 19-2018, not requiring a Procurement Process for certain licensed professions.

CURRENT SITUATION:

The public procurement results have provided Internal Audit with several options, and we are currently exploring the best path forward. This may include a capital budget request and renegotiation with the qualified bidder to ensure an adequate scope of work for compliance with the updated IIA Standards.

A key aspect of the project is customizing the audit software to integrate the new auditing process and embed necessary controls. The updated IIA standards emphasize the importance of having a modern internal audit function with appropriate technology tools.

According to the public tender results, the project is estimated to cost approximately \$535,000. The primary deliverable is customized audit software incorporating updated auditing processes and controls. Currently, \$201,000 is allocated to this project, and the balance will be sought through the 2025 budgeting process.

Project Phases

Internal Audit’s journey to compliance is divided into two phases:

- Phase 1: Gap assessment and roadmap development.
- Phase 2: Implementation, including software customization, process improvement, and knowledge transfer.

Internal Audit will proceed with the compliance gap assessment over the summer while exploring options for the remainder of the work.

CORPORATE IMPLICATIONS:

Financial Implications:

N/A

Other Implications:

N/A

STRATEGIC FOCUS AREA:

Government & Leadership: Focusing on service excellence with equity, innovation, efficiency, effectiveness, accountability, and transparency.

CONCLUSION:

The Audit Committee Terms of Reference and Internal Audit Charter By-law 108-2023 mandate adherence to the IIA Standards. The standards have been revised and will become effective in January 2025. To achieve compliance with the updated IIA Standards and implement the audit software changes, Internal Audit is seeking specialized professional services. Potential options have been identified after an RFP and consultation with the Purchasing Division. Internal Audit will conduct a compliance gap assessment over the summer and continue to explore options for completing the project.

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