A REPORT PRESENTED TO

**CITY OF BRAMPTON
INTERNAL AUDIT**

GAP ASSESSMENT REPORT

(Global Internal Audit Standards)

Prepared August 10, 2024

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Executive Summary

City of Brampton Internal Audit

The City of Brampton's internal audit function ("IAF"), in consultation with the Audit Committee, selected The Institute of Internal Auditors ("IIA") Quality Services to perform a Gap Assessment against the 2024 Global Internal Audit Standards ("Standards"). This gap assessment was conducted as part of the IAF's periodic internal assessment process, aimed at proactively aligning with the new 2024 Standards, which will take effect on January 9, 2025. This effort demonstrates the IAF's commitment to maintaining conformance and its proactive approach to continuous improvement.

The assessment process considered four domains of the *Standards* – Domain II (Ethics & Professionalism); Domain III (Governing the Internal Audit Function); Domain IV (Managing the Internal Audit Function); and Domain V (Performing Internal Audit Services). The independent assessor reviewed the policies and procedures implemented as of the July 30, 2024. The implemented policies and procedures are based on the 2017 Standards; the 2024 *Standards* have additional requirements, as well as essential conditions, that need to be addressed to demonstrate conformance.

The City of Brampton's IAF is set firmly on the path to improving the effectiveness of its operation and is actively striving for a high level of quality and professionalism within its organization, as evidenced by this gap assessment. The results of our gap assessment, identifying the risks to conformance to the new Standards, should provide additional information and insight, that when acted upon will contribute to this goal, and ensure the IAF's conformance to the new Standards.

Ethics & Professionalism	
Principle	**Risk**
Demonstrate Integrity	Low
Maintain Objectivity	Low
Demonstrate Competency	Low
Exercise Due Professional Care	Low
Maintain Confidentiality	Low

Governing the Internal Audit Function	
Principle	**Risk**
Authorized by Board	Low
Positioned Independently	Low
Overseen by Board	Medium

Managing the Internal Audit Function	
Principle	**Risk**
Plan Strategically	Low
Manage Resources	Low
Communicate Effectively	Low
Enhance Quality	Low

Performing Internal Audit Services	
Principle	**Risk**
Plan Engagements Effectively	Low
Conduct Engagement Work	Low
Communicate Engagement Results and Monitor Action Plans	Medium

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IIA Quality Services

IIA Quality Services

Executive Summary

This Gap Assessment was conducted during the period of July 30 to August 8, 2024. Final conclusions made by the qualified, independent assessor were as of August 8, 2024. The assessor who performed this Gap Assessment demonstrated competence in both the professional practice of internal auditing and the External Quality Assessment (EQA) process as required by the *Standards*.

The scope, as agreed upon with IA management, was not designed to express an overall opinion on conformance with the *Standards*. However, a detailed list of risks to non-conformance to the 15 individual Principles and their 52 associated *Standards* is included within this report.

Future changes in external factors and actions taken by IA personnel, including actions taken to address our recommendations, may have an impact upon the operation of the IA in a manner that this report did not and cannot anticipate. Considerable professional judgment is involved in evaluating the risk of non-conformance, observations and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently and draw different conclusions. IA is responsible for determining actions required to be taken and implemented to conform to the *Standards*.

All information included in this report is proprietary and confidential and is intended for internal use only. This report may not be distributed to any other third-party (other than your Audit Committee or external auditor) without the prior written consent of IIA Quality Services.

We would like to extend our appreciation to the personnel with whom we worked during this Gap Assessment for supporting this engagement and the independent assessor. If you have any questions or need additional information, please let us know.

I. Purpose of Internal Auditing

II. Ethics & Professionalism

1. Demonstrate Integrity
1.1 Honesty and Professional Courage
1.2 Organization's Ethical Expectations
1.3 Legal and Ethical Behavior

2. Maintain Objectivity
2.1 Individual Objectivity
2.2 Safeguarding Objectivity
2.3 Disclosing Impairments to Objectivity

3. Demonstrate Competency
3.1 Competency
3.2 Continuing Professional Development

4. Exercise Due Professional Care
4.1 Conformance with the Global Internal Audit Standards
4.2 Due Professional Care
4.3 Professional Skepticism

5. Maintain Confidentiality
5.1 Use of Information
5.2 Protection of Information

III. Governing the Internal Audit Function

6. Authorized by the Board
6.1 Internal Audit Mandate
6.2 Internal Audit Charter
6.3 Board and Senior Management Support

7. Positioned Independently
7.1 Organizational Independence
7.2 Chief Audit Executive Qualifications

8. Overseen by the Board
8.1 Board Interaction
8.2 Resources
8.3 Quality
8.4 External Quality Assessment

IV. Managing the Internal Audit Function

9. Plan Strategically
9.1 Understanding Governance, Risk Management, and Control Processes
9.2 Internal Audit Strategy
9.3 Methodologies
9.4 Internal Audit Plan
9.5 Coordination and Reliance

10. Manage Resources
10.1 Financial Resource Management
10.2 Human Resources Management
10.3 Technological Resources

11. Communicate Effectively
11.1 Building Relationships & Communicating with Stakeholders
11.2 Effective Communication
11.3 Communicating Results
11.4 Errors and Omissions
11.5 Communicating the Acceptance of Risks

12. Enhance Quality
12.1 Internal Quality Assessment
12.2 Performance Measurement
12.3 Oversee and Improve Engagement Performance

V. Performing Internal Audit Services

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14.3 Evaluation of Findings
14.4 Recommendations and Action Plans
14.5 Engagement Conclusions
14.6 Engagement Documentation

15. Communicate Engagement Results and Monitor Action Plans
15.1 Final Engagement Communication
15.2 Confirming the Implementation of Recommendations or Action Plans

Global Internal Audit Standards, effective Jan. 9, 2025

Executive Summary – Key Risks to Conformance

The Internal Audit Function (IAF) helps strengthen the organization's ability to create, protect, and sustain value by providing the Audit Committee (AC) and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The IAF enhances the governance, risk management, and control processes in the organization, thus enhancing decision-making and oversight; reputation and credibility with stakeholders; and ability to serve the public interest. Internal audits are effectively performed by qualified internal auditors with a clear intent to conform with the new Global Internal Audit Standards (*Standards*), which are set in the public interest. The IAF is independently positioned with direct accountability to the AC. Undertaking this gap assessment before the *Standards* become effective, demonstrates their continued commitment to enhancing quality and effectiveness of the function.

Primary areas of risk to conformance to the new Standards require (details included starting on page 8):

- Establishing a new Internal Audit Mandate and Charter consistent with the new Standards.
- Revising the annual attestation of the IIA Code of Ethics to align with Domain II – Ethics and Professionalism of the new Standards
- Updating, documenting, executing and reporting on a Quality Assurance and Improvement Program (QAIP), including both internal and external assessments.
- Confirming the implementation of recommendations or management action plans by having the IAF perform follow-up assessments using a risk-based approach.
- Updating the Internal Audit Manual generally to align with new Standards and specifically to incorporate required areas of infrastructure and methodology such as: communicating errors or omissions, if ever any, in internal audit reports; communicating the acceptance of risk to senior management and the Audit Committee, if necessary.

The assessor also noted the following successful practices in place at the time of this assessment.

- Internal auditors demonstrate integrity in their work and behaviours and maintain an impartial and unbiased attitude when performing internal audit services and making decisions. The IAF staff apply the knowledge, skills, and abilities to fulfill their roles and responsibilities and apply due professional care in planning and performing internal audit services.
- The AC establishes, approves, and supports the mandate of the Internal Audit Function and its independence.
- The CAE is highly regarded for her strategic focus, leadership, and management skills.
- Internal auditors are well qualified with appropriate certifications and are focused on continuous professional development.
- The IAF reports are of high-quality, written at the right level, and with sufficient detail for the readers. The IAF recommendations are useful and provide value add to the City's governance, risk management, and control processes.

Objectives, Scope, and Methodology

OBJECTIVES

The principal objectives of the Gap Assessment were to:
- Assess the level of risk to not achieving conformance with the *Standards*
- Review implementation plans for the *Standards* including the existence of a quality assurance process
- Offer insight into opportunities to enhance overall quality of the internal audit activity

SCOPE

The scope of this gap assessment included the operation of Internal Audit Function's as set forth in its Internal Audit Function's Charter, which defines the purpose, authority, responsibilities, and accountabilities of Internal Audit Function's. This gap assessment used the Standards effective January 9, 2025, as the criteria for the assessment.

METHODOLOGY

To accomplish the objectives above, the independent assessor:
- Reviewed information prepared by Internal Audit Function at the independent assessor's request
- Reviewed a sample of completed audit engagements and the associated audit reports
- Reviewed the Internal Audit Function's Manual and specific Internal Audit Function's policies and procedures
- Conducted interviews with the Internal Audit Function's team
- Conducted interviews with key stakeholders of Internal Audit Function's identified in collaboration with the CAE
- Used evaluation tools derived from the IIA Quality Assessment Manual aligned with the *Standards*

Detailed Observations

Risks to Conformance with the Standards – Domain II

	Low	Medium	High
Domain-II. Ethics and Professionalism	Low		
1 DEMONSTRATE INTEGRITY	Low		
1.1 Honesty and Professional Courage	Low		
1.2 Organization's Ethical Expectations	Low		
1.3 Legal and Ethical Behavior	Low		
2 MAINTAIN OBJECTIVITY	Low		
2.1 Individual Objectivity	Low		
2.2 Safeguarding Objectivity	Low		
2.3 Disclosing Impairments to Objectivity	Low		
3 DEMONSTRATE COMPETENCY	Low		
3.1 Competency	Low		
3.2 Continuing Professional Development	Low		
4 EXERCISE DUE PROFESSIONAL CARE	Low		
4.1 Conformance with Global Internal Audit Standards		Medium	
4.2 Due Professional Care	Low		
4.3 Professional Skepticism	Low		
5 MAINTAIN CONFIDENTIALITY	Low		
5.1 Use of Information	Low		
5.2 Protection of Information	Low		

Conformance Risks – Domain II: Ethics and Professionalism

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-01	*Standard 4.1 Conformance with the Global Internal Audit Standards*	Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards. The Internal Audit Function's methodologies must be established, documented, and maintained in alignment with the Standards. Internal auditors must follow the Standards and the Internal Audit Function's methodologies when planning and performing internal audit services and communicating results. - Ensure that the Internal Audit Function's methodologies are established, documented, and maintained in alignment with the Standards to support IAF's conformance with the standards. See also *Standard 9.3 Methodologies*. - All elements of the Internal Audit Function's infrastructure and methodology should align with this requirement. - All elements of infrastructure and methodology should be reviewed on an annual basis as a component of the QAIP and should be modified and approved as appropriate. - In addition, ensure the annual attestation of the IIA Code of Ethics is revised to align with Domain II – Ethics and Professionalism of the Global Standards and ensure the Internal Audit Function's Charter reflects requirement to conform with the new Standards.	**Action:** Internal Audit has engaged an external consultant to improve audit practices and ensure alignment with the new IIA Standards. This includes enhancing our internal processes and integrating essential controls into our audit software. The final deliverables will be an updated audit manual that covers all 52 standards, including *Standard 4.1 Conformance with the Global Internal Audit Standards*, and an improved and better utilized audit software. The updated audit manual will formally document the infrastructure and methodology that guide Internal Audit in implementing its audit strategy, developing the audit plan, and ensuring compliance with IIA Standards in a systematic and disciplined manner. It will outline key processes for implementing the adopted infrastructure and methodology, as specified in *Standard 9.3 on methodologies*, offering clear guidance for consistent audit planning, execution, and reporting. Additionally, Internal Audit will address the gaps identified in this assessment by incorporating the following: 1. A revised annual attestation of the IIA Code of Ethics that aligns with Domain II – Ethics and Professionalism of the Global Standards. 2. A communication protocol for situations where Internal Audit's independence and objectivity are compromised or perceived to be. 3. A competency framework designed to enhance talent and resource management within Internal Audit. 4. Goals for staff training and professional development, complemented by planning and record-keeping processes to track these objectives. 5. Performance objectives for staff, including adherence to IIA standards, laws, and regulations, fulfilling the Internal Audit Mandate, and completing the internal audit plan. 6. A Quality Assurance and Improvement Program (QAIP) that encompasses all aspects of the internal audit function, including both internal and external assessments and the communication of results and action plans for continuous improvement to the Audit Committee.

Conformance Risks – Domain II: Ethics and Professionalism

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-01 (cont.)	**Standard 4.1 Conformance with the Global Internal Audit Standards**	Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards. The Internal Audit Function's methodologies must be established, documented, and maintained in alignment with the Standards. Internal auditors must follow the Standards and the Internal Audit Function's methodologies when planning and performing internal audit services and communicating results. - Ensure that the Internal Audit Function's methodologies are established, documented, and maintained in alignment with the Standards to support IAF's conformance with the standards. See also **Standard 9.3 Methodologies**. - All elements of the Internal Audit Function's infrastructure and methodology should align with this requirement. - All elements of infrastructure and methodology should be reviewed on an annual basis as a component of the QAIP and should be modified and approved as appropriate. - In addition, ensure the annual attestation of the IIA Code of Ethics is revised to align with Domain II – Ethics and Professionalism of the Global Standards and ensure the Internal Audit Function's Charter reflects requirement to conform with the new Standards.	7. A process for the Audit Director to identify and communicate any limitations of audit engagements to the Audit Committee and all relevant stakeholders. 8. A process for the Audit Director to assess and escalate to the Audit Committee cases where management accepts a level of risk exceeding the organization's risk appetite and tolerance. 9. A method to discuss, document, and report limitations in audit engagements. 10. A method for discussing, resolving, and/or documenting disagreements with the Board, senior management, and other stakeholders regarding the essential conditions of the new IIA standards and audit engagements. Internal Audit will review the Audit Manual annually as part of its QAIP to ensure continued alignment with IIA Standards. Each review will be documented, with any necessary modifications noted. The revised manual will then be approved by the Audit Director and tracked for version control. Currently, Internal Audit is revising its IA Charter to align with the 2024 public sector model charter issued by the IIA. The revised charter will incorporate the requirements to conform to IIA new standards. The updated charter will be presented to the Audit Committee for review and approval at their September 24, 2024 meeting.

Enhancement Opportunities – Domain II: Ethics and Professionalism

The independent assessor identified the following enhancement opportunities in this Domain:

#	STANDARD	CONFORMANCE GUIDANCE
EO-01	**Standard 2.3 – Disclosing Impairments to Objectivity**	Ensure the Internal Audit Function's Manual and IA Charter describe internal auditor requirements to communicate to all appropriate parties the instances where their objectivity has been impaired or might be perceived to have been impaired. Communication of impairment and how the impairment is to be addressed is a requirement of the Standards that ensures all internal audit engagements are performed in an objective manner.
EO-02	**Standard 3.1 – Competency**	Develop and use an internal auditing competency framework to support talent and resource management activities within the Internal Audit Function. The use of competency frameworks is a successful internal audit practice that establishes a baseline of knowledge, skills, and experience for each level within the Internal Audit Function. Competency frameworks supplement job descriptions for the Internal Audit Function and can be used to support and demonstrate: • Training and professional development activities. • Onboarding of new staff into Internal Audit Function. • Scheduling of resources for Internal Audit engagements. • Decisions regarding the use of third-party subject matter experts if necessary to augment the Internal Audit Function's skills and competencies. • Identification of professional certification requirements to support professional proficiency. • Decisions regarding hiring of new Internal audit Function staff. • Succession planning for the CAE and key professionals within the Internal Audit Function.
EO-03	**Standard 3.2 - Continuing Professional Development**	• Ensure the section in the Internal Audit Manual re Staff Training and Professional Development describes expectations of staff and the process for planning for training and development and the records required to be maintained. • Consider documenting discussion topics and key learnings from the IAF Team meetings (e.g., discussions on how to improve effectiveness of methodologies; education on new standards).

Risks to Conformance with the Standards - Domain III

	Low	Medium	High
Domain-III. Governing the Internal Audit Function	Low		
6 AUTHORIZED BY BOARD	Low		
6.1 Internal Audit Mandate	Low		
6.2 Internal Audit Charter	Low		
6.3 Board and Senior Management Support	Low		
7 POSITIONED INDEPENDENTLY	Low		
7.1 Organizational Independence	Low		
7.2 Chief Audit Executive Qualifications	Low		
8 OVERSEEN BY THE BOARD		Medium	
8.1 Board Interaction	Low		
8.2 Resources	Low		
8.3 Quality		Medium	
8.4 External Quality Assessment		Medium	

Conformance Risks – Domain III: Governing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-02	*Standard 8.3 Quality*	The chief audit executive (CAE) must develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function. The program includes two types of assessments: • External assessments. (See also Standard 8.4 External Quality Assessment.) • Internal assessments. (See also Standard 12.1 Internal Quality Assessment.) • At least annually, the CAE must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. Ensure that results of both internal and external assessments conducted as part of the Internal Audit Function's Quality Assurance and Improvement Program are communicated to the Audit Committee and senior management in line with the new Standards. All communications must include the Internal Audit Function's level of conformance with the Standards and the achievement of performance objectives. Communications must also include plans by the Internal Audit Function to address deficiencies and opportunities for improvement identified during the assessments. See also CG-03 for *Standard 8.4 External Quality Assessment*.	**Action**: Internal Audit will develop, implement, and maintain a QAIP that covers all aspects of the internal audit function, and ensure compliance with IIA Standards, particularly regarding Internal Quality Assessments. The following actions will be implemented by Internal Audit by July 2025: 1. **Internal Quality Assessment Design and Documentation** • A comprehensive QAIP that clearly outlines the methodologies, processes, responsibilities, and documentation requirements for the internal quality assessment program adopted by Internal Audit. This includes detailed guidelines for ongoing monitoring of each audit engagement's performance and periodic self-evaluations of Internal Audit's overall conformance with IIA Standards. • Templates or automated tools, such as assessment checklists, post-audit surveys, and audit timing budget-to-actual comparisons, to promote standardization and consistency in internal quality assessments. All aspects of the QAIP, including the program's scope and frequency, roles and responsibilities, processes, communication with the Audit Committee and relevant stakeholders, as well as the tools and templates used, will be formally documented in the Internal Audit Manual. These components will be subject to an annual review as part of the QAIP's periodic assessment. Internal Audit has engaged an external consultant to support these efforts. 2. **Internal Quality Assessment Execution** Ongoing Monitoring – Audit Engagement Level Quality Assessment • Ongoing monitoring of each audit engagement conducted by the audit manager and peers, with a post-audit survey sent to the engagement client for quality assessment. • A summary of weaknesses and/or areas in need of improvement identified through the ongoing monitoring and the post-audit survey, along with Internal Audit's remediation action plans as necessary.

Conformance Risks – Domain III: Governing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-02 (cont.)	*Standard 8.3 Quality*	The chief audit executive (CAE) must develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function. The program includes two types of assessments: • External assessments. (See also Standard 8.4 External Quality Assessment.) • Internal assessments. (See also Standard 12.1 Internal Quality Assessment.) • At least annually, the CAE must communicate the results of the internal quality assessment to the board and senior management. The results of the external quality assessments must be reported when completed. Ensure that results of both internal and external assessments conducted as part of the Internal Audit Function's Quality Assurance and Improvement Program are communicated to the Audit Committee and senior management in line with the new Standards. All communications must include the Internal Audit Function's level of conformance with the Standards and the achievement of performance objectives. Communications must also include plans by the Internal Audit Function to address deficiencies and opportunities for improvement identified during the assessments. See also CG-03 for *Standard 8.4 External Quality Assessment*.	Periodic Assessment – Internal Audit Function IIA Standards Confirmation Review • A quarterly review of the summary from ongoing monitoring and post-audit surveys for each engagement to assess audit quality and performance improvements. • An annual self-assessment of the Internal Audit Function's conformance with all IIA standards, conducted by CIA-qualified or experienced Internal Audit staff appointed by the Audit Director. 3. **Internal Quality Assessment Results Communication** The results of the QAIP internal quality assessment and performance improvements will be reported annually at the first Audit Committee meeting of each year. The City's senior leadership team, including commissioners and the CAO, are invited to these meetings, ensuring that the results are shared with senior management at the same time. This annual reporting process supports the Audit Committee in its annual evaluation of the Internal Audit Function's conformance with IIA Standards.

Conformance Risks – Domain III: Governing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-03	*Standard 8.4 External Quality Assessment*	The chief audit executive (CAE) must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation. When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation. Essential Conditions related to the Board (Audit Committee) include among others: • Require receipt of the complete results of the external quality assessment or self assessment with independent validation directly from the assessor. • Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement, if applicable. • Approve a timeline for completion of the action plans and monitor the chief audit executive's progress. Essential Conditions related to Senior Management, include among others: • Senior management reviews the results of the external assessment, collaborates with the CAE and AC to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans Ensure the process for developing a plan for an external quality assessment is documented in the IA Manual in alignment with the new standards. Ensure the results of the external assessments are shared with the Audit Committee when completed and that actions plans with timelines are reviewed and approved by the Audit Committee. See further details under *Standard 8.4* in the Global Internal Audit Standards.	**Action**: Internal Audit will review and enhance its existing QAIP to ensure alignment with IIA Standards in relation to External Quality Assessments. The following actions will be implemented by Internal Audit by July 2025: **1. External Quality Assessment Design and Documentation** • A comprehensive QAIP that clearly outlines the methodologies, processes, responsibilities, and documentation requirements for the external quality assessment program within Internal Audit. • An external quality assessment plan that specifies the scope, frequency, assessment approach (full-scope External Quality Assessment – EQA vs. Self-Assessment with Independent Validation – SAIV), the rationale for the chosen approach, and the selection of a qualified independent assessors. The QAIP will be formally documented in the IA Manual, with the assistance of the external consultant engaged by Internal Audit. **2. External Quality Assessment Execution** • Selection and engagement of independent and qualified external quality assessors to conduct the quality assessment. • Development of management action plans to address identified deficiencies and opportunities for improvement, including target timelines for completing each action plan. • Execution of management action plans in accordance with the established target timelines. **3. External Quality Assessment Results Communication** • Presentation of the external quality assessment plan to Audit Committee for review and approval: o The scope and frequency of assessments were discussed with Senior Management on June 13, 2024. Senior management agreed to continue with external assessments every five years.

Conformance Risks – Domain III: Governing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-03 (cont.)	*Standard 8.4 External Quality Assessment*	The chief audit executive (CAE) must develop a plan for an external quality assessment and discuss the plan with the board. The external assessment must be performed at least once every five years by a qualified, independent assessor or assessment team. The requirement for an external quality assessment may also be met through a self-assessment with independent validation. When selecting the independent assessor or assessment team, the chief audit executive must ensure at least one person holds an active Certified Internal Auditor® designation. Essential Conditions related to the Board (Audit Committee) include among others: • Require receipt of the complete results of the external quality assessment or self assessment with independent validation directly from the assessor. • Review and approve the CAE's action plans to address identified deficiencies and opportunities for improvement, if applicable. • Approve a timeline for completion of the action plans and monitor the chief audit executive's progress. Essential Conditions related to Senior Management, include among others: • Senior management reviews the results of the external assessment, collaborates with the CAE and AC to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans Ensure the process for developing a plan for an external quality assessment is documented in the IA Manual in alignment with the new standards. Ensure the results of the external assessments are shared with the Audit Committee when completed and that actions plans with timelines are reviewed and approved by the Audit Committee. See further details under *Standard 8.4* in the Global Internal Audit Standards.	○ The independence and qualifications of the external assessor or assessment team, including their expertise in public sector activities and governance structures ○ The rationale for selecting the SAIV assessment approach over EQA ○ Action plans that address identified deficiencies and opportunities for improvement will be developed, along with an agreed-upon timeline for completion. These plans will be developed in consultation with the Chief Administrative Officer and the Audit Committee Chair. • Direct submission of the external quality assessment report to the Audit Committee by the external assessors will include the assessment findings and Internal Audit's remediation action plan, with associated timelines for completion. This process will integrate feedback from both the Chair of the Audit Committee and the Chief Administrative Officer. • The Audit Director will provide periodic updates to the Audit Committee on the progress of management action plans to enhance internal audit quality and performance, in accordance with the approved timelines.

Enhancement Opportunities – Domain III: Governing the Internal Audit Function

The independent assessor identified the following enhancement opportunities in this Domain:

#	STANDARD	CONFORMANCE GUIDANCE
EO-04	**Standard 6.2 – Internal Audit Charter**	The CAE must develop and maintain an internal audit charter. Key requirements of the charter are outlined in **Standards 6.1 Internal Audit Mandate** and **7.1 Organizational Independence**. The Internal Audit Function should complete its review of the Internal Audit Charter to ensure alignment with the new standards, ensuring review and approval by the Audit Committee.
EO-05	**Standard 7.1 – Organizational Independence**	The CAE must confirm to the Audit Committee (AC) the organizational independence of the Internal Audit Function at least annually. This includes communicating incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.
EO-06	**Standard 7.1 – Organizational Independence**	An essential condition of the Board is to provide the CAE with opportunities to discuss significant and sensitive matters with the Board, including meetings without management present. This is reflected in the current IA Charter: "The Director, Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present." Given the municipal context, regular meetings are held between the AC Chair and Co-Chair and CAE without management present. The IAF should revise the IA Charter based on the public sector model charter, and reflecting the current practice. As well, the AC minutes should reflect any AC in-camera meetings related to, e.g., the review/ approval of CAE performance, renumeration, hiring, and dismissal.. The minutes would provide the topics discussed and serve as evidence of the AC completing these responsibilities.
EO-07	**Standard 8.2 Resources**	The CAE must evaluate whether internal audit resources are sufficient to fulfill the internal audit mandate and achieve the internal audit plan. If not, the CAE must develop a strategy to obtain sufficient resources and inform the board about the impact of insufficient resources and how any resource shortfalls will be addressed. Essential Conditions of the Board, among others: • Collaborate with senior management to provide the IAF with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan. • Consider the impact of insufficient resources on the internal audit mandate and plan. • Engage with senior management and the CAE on remedying the situation if the resources are determined to be insufficient. Essential Conditions of Senior Management: • Engage with the board to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan. • Engage with the board and the CAE on any issues of insufficient resources and how to remedy the situation. Ensure the IAF has the appropriate resources to fully meet responsibilities related to the IAF's Quality Assurance and Improvement Plan, the Management Action Plan follow-up process, and the Ethics Hotline.

Enhancement Opportunities – Domain III: Governing the Internal Audit Function

The independent assessor identified the following enhancement opportunities in this Domain:

#	STANDARD	CONFORMANCE GUIDANCE
EO-08	*Standard 8.3 - Quality*	The CAE must develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the IA function. The program includes both internal and external assessments. An essential condition of the Board is to assess the effectiveness and efficiency of the Internal Audit Function. Such an assessment includes considering the results of the Internal Audit Function's QAIP. For the internal assessments, there is an opportunity for the Internal Audit Function to summarize the results of the client surveys and the quality assurance file reviews and develop actions plans to address any noted gaps to the standards or improve the Function's effectiveness.

Risks to Conformance with the Standards – Domain IV

	Low	Medium	High
Domain-IV. Managing the Internal Audit Function			
9 PLAN STRATEGICALLY	Low		
9.1 Understanding Governance, Risk Management, and Control Processes	Low		
9.2 Internal Audit Strategy	Low		
9.3 Methodologies		Medium	
9.4 Internal Audit Plan	Low		
9.5 Coordination and Reliance	Low		
10 MANAGE RESOURCES	Low		
10.1 Financial Resource Management	Low		
10.2 Human Resource Management	Low		
10.3 Technological Resources	Low		
11 COMMUNICATE EFFECTIVELY	Low		
11.1 Building Relationships and Communicating with Stakeholders	Low		
11.2 Effective Communication	Low		
11.3 Communicating Results	Low		
11.4 Errors and Omissions		Medium	
11.5 Communicating the Acceptance of Risks	Low		
12 ENHANCE QUALITY	Low		
12.1 Internal Quality Assessment		Medium	
12.2 Performance Measurement	Low		
12.3 Oversee and Improve Engagement Performance	Low		

Conformance Risks – Domain IV: Managing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-04	*Standard 9.3 Methodologies*	The Internal Audit Function (IAF)'s Manual must document all key elements of the IAF's infrastructure and methodologies to support consistency, quality, and sustainability of their execution. It must describe key processes in a sufficient level of detail to support their consistent execution. At a minimum, the Internal Audit Manual should document infrastructure requirements related to: - Integrity, objectivity, competency, due professional care, and confidentiality. - Essential conditions related to Audit Committee (AC) authorization and oversight of the IAF - Interactions between the CAE, the AC, and senior management. - Reviews and approvals required by the AC. - Required communications between the CAE, the AC, and senior management. - Financial budgeting, human resource management, and the management of technology resources. - Independent positioning of the IAF within the organization. - Engagement planning, fieldwork, reporting and monitoring of management action plans. - The QAIP, including scope and objectives, internal and external assessments, communication of results to the AC and senior management, reporting on IAF's performance, review and approval of the QAIP, the external assessment plan presented by the CAE to the AC, receipt of results of the QAIP, and monitoring of observations identified during internal and external assessments. The Internal Audit Manual should be reviewed on an annual basis as a component of the periodic internal assessment process, with changes presented to the AC for review and approval, if necessary. Periodic training on infrastructure and methodology requirements documented in the Internal Audit Manual should be performed for all internal auditors. Consider redesigning the Internal Audit Manual to align with domains that comprise the new standards and complete the update of the Internal Audit Manual, which the IAF noted was already underway.	**Action:** Internal Audit has engaged an external consultant to improve its Audit Manual. The revised manual will cover all 52 IIA Standards, outlining the requirements for conformance and detailing the corresponding policies and procedures to ensure consistent implementation of the established infrastructure and methodologies. The IA Manual revision is currently underway. As outlined in Internal Audit's action plan to address the gaps related to **Standard 4.1 (Conformance with the Global Internal Audit Standards)** and *Standard 8.3 (Quality)*, the revised IA Manual will be subject to an annual review, at a minimum, as part of the QAIP periodic internal assessment. This review may occur more frequently if needed to ensure continuous alignment with IIA Standards. This process will provide clear guidance for Internal Audit to maintain full conformance status. Any updates to the IA Manual will be communicated to the Audit Committee for review and approval. The requirement for the annual review and the Audit Committee's approval of any changes will be documented in the IA Manual. The Director has appointed a dedicated Internal Audit staff member to propose and monitor training sessions, ensuring that audit staff have sufficient opportunities and time to attend these sessions and fulfill the IIA's annual training hours requirement. The current training plan will focus on the updated 2024 IIA Standards, including sessions sponsored by the IIA and other relevant organizations. Additionally, the plan will address training on Internal Audit infrastructure and methodology, guided by ongoing monitoring of audit engagements and periodic assessments of the department's adherence to IIA Standards.

Conformance Risks – Domain IV: Managing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-05	*Standard 11.4 – Errors and Omissions*	The CAE must define and document a process in the Internal Audit Manual for the CAE to communicate corrected information when a final engagement contains a significant error or omission. Significance is determined according to criteria agreed upon with the Audit Committee. Corrected information must be communicated promptly to all parties that received the original communication. The Internal Audit Function should document the criteria to determine if an error or omission is significant. The criteria should be agreed upon with the Audit Committee. Documentation of this agreement should be retained.	**Action:** Internal Audit has engaged an external consultant to improve its Audit Manual. The revised manual will address all 52 IIA Standards, including *Standard 11.4 – Errors and Omissions*. It will outline the requirement for Internal Audit to conform to this standard and document the established process/procedure, which includes: • Criteria agreed upon with the Audit Committee to determine what constitutes a significant error or omission in the final engagement communication (e.g., audit report). • Timely notifications and corrections of any significant errors or omissions to all parties that received the original communication.

Conformance Risks – Domain IV: Managing the Internal Audit Function

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-06	*Standard 12.1 Internal Quality Assessment*	As part of the QAIP, the CAE must establish and document a methodology for internal assessments that includes: • Ongoing monitoring of the IAF's conformance with the Standards and progress toward performance objectives. • Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices to evaluate conformance with the Standards. • Communication with the Audit Committee and senior management about the results of internal assessments, both ongoing monitoring of performance and periodic internal assessment. • Development of action plans to address instances of nonconformance with the Standards and opportunities for improvement, including a proposed timeline for actions. • The requirement for results of internal assessment to be included in the evaluation conducted by an independent third party as part of the organization's external assessment. • The requirement to disclose to the Audit Committee and senior management nonconformance with the Standards when it impacts the overall scope or operation of the IAF. The IAF should ensure communications to AC on the internal quality assessment results include all requirements outlined in the Standards.	**Action**: Refer to the action plan detailed by Internal Audit for addressing the gaps related to *Standard 8.3 Quality* for remediation details. The Audit Director has included a request for an additional Lead Internal Auditor in Internal Audit's 2025 budget. This new staff member will provide the necessary capacity to: • implement the QAIP program and conduct self-assessments; • confirm the status of recommendation implementations; and • monitor the Ethics Hotline and manage related preliminary assessments and investigations, as required by the IIA Standards. This role is essential to Internal Audit's efforts to achieve and maintain conformance with the updated IIA Standards.

Enhancement Opportunities – Domain IV: Managing the Internal Audit Function

The independent assessor identified the following enhancement opportunities in this Domain:

#	STANDARD	CONFORMANCE GUIDANCE
EO-09	**Standard 9.1 Understanding Governance, RM, and Control Processes** **Standard 9.5 – Co-ordination and Reliance**	• The CAE should attend the Corporate Leadership Team bi-weekly meetings to gain deeper understanding of the City's governance, risk and control processes. • Once the ERM function is firmly established, the IAF should implement regular meetings for sharing of plans, results, and emerging risks and assess potential reliance of the results of the City's ERM framework. • There is an opportunity to strengthen outreach with Department Leadership Team members through key meetings during the year.
EO-10	**Standard 9.2 – Internal Audit Strategy**	Ensure the Internal Audit Function's strategic planning process includes requirements of the Standard: • Perform a Strengths, Weaknesses, Opportunities, and Threats ("SWOT") analysis to identify initiative for the IAF Strategic Plan and to highlight areas where active management of threats to achieving the plan are necessary. Include the SWOT analysis as an appendix to the plan. • Show the IAF Strategic Plan in a multi-year format and present it to the AC for their review and approval on an annual basis. • Document the linkage between the organization's strategies, objectives, and risks and the IA Strategic Plan, as appropriate. • Include achieving IAF Strategic Plan objectives as a performance measure for the IAF that is reported to the Audit Committee on a periodic basis. • Update the Internal Audit Manual to reflect the IAF's strategic planning process. Complete work already underway to formalize the IAF strategic plan.
EO-11	**Standard 11.5 – Communicating the Acceptance of Risks**	The CAE must define and document a process in the IA Manual related to communicating the acceptance of risk. This Standard requires that when the CAE concludes management has accepted a level of risk that may be unacceptable to the organization, the CAE must discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must then communicate the matter to the Audit Committee.

Enhancement Opportunities – Domain IV: Managing the Internal Audit Function

The independent assessor identified the following enhancement opportunities in this Domain:

#	STANDARD	CONFORMANCE GUIDANCE
EO-12	*Standard 12.2 – Performance Measurement*	Ensure the QAIP as included in the internal Audit Manual fully documents the performance management methodology for the IAF. The methodology should be designed to assess progress toward achieving the IAF's objectives and to promote the continuous improvement of the IAF's services. The performance measurement methodology should include: • A listing of performance objectives established by the CAE for the IAF developed in collaboration with the AC and senior management. • A listing of key performance indicators that measure whether performance objectives have been achieved, developed in collaboration with the AC and senior management. • The process whereby the CAE considers the input and expectations of the AC and senior management when developing the performance objectives and indicators. • The process whereby the CAE develops an action plan to address issues and opportunities identified during performance measurement. Ensure performance targets are defined, and a process established to track the progress and any variances to targets.

Risks to Conformance with the Standards – Domain V

	Low	Medium	High
Domain-V. Performing Internal Audit Services			
13 PLAN ENGAGEMENT EFFECTIVELY	Low		
13.1 Engagement Communication	Low		
13.2 Engagement Risk Assessment	Low		
13.3 Engagement Objectives and Scope	Low		
13.4 Evaluation Criteria	Low		
13.5 Engagement Resources	Low		
13.6 Work Program	Low		
14 CONDUCT ENGAGEMENT WORK	Low		
14.1 Gathering Information for Analyses and Evaluation	Low		
14.2 Analyses and Potential Engagement Findings	Low		
14.3 Evaluation of Findings	Low		
14.4 Recommendations and Action Plans	Low		
14.5 Engagement Conclusions	Low		
14.6 Engagement Documentation	Low		
15 COMMUNICATE ENGAGEMENT RESULTS & MONITOR ACTION PLANS		Medium	
15.1 Final Engagement Communication	Low		
15.2 Confirming the Implementation of Recommendations or Action Plans		Medium	

Conformance Risks – Domain V: Performing Internal Audit Services

The Assessment Team identified the following risks to conformance in this Domain:

#	PRINCPLE / STANDARD	CONFORMANCE GUIDANCE	MANAGEMENT RESPONSE
CG-07	**Standard 15.2 Confirming the Implementation of Recommendations or Action Plans**	Internal auditors must confirm that management has implemented internal auditors' recommendations or management's action plans following an established methodology, which includes: • Inquiring about progress on the implementation. • Performing follow-up assessments using a risk-based approach. • Updating the status of management's actions in a tracking system. The extent of these procedures must consider the significance of the finding. If management has not progressed in implementing the actions according to the established completion dates, internal auditors must obtain and document an explanation from management and discuss the issue with the chief audit executive. The CAE is responsible for determining whether senior management, by delay or inaction, has accepted a risk that exceeds the risk tolerance. (See **also Standard 11.5 Communicating the Acceptance of Risks**.) Ensure the confirmation of management actions incudes the IAF performing follow-up assessments using a risk-based approach and that this risk-based approach is clearly documented in the Internal Audit Manual and communicated to the appropriate parties. Confirming the implementation provides assurances to the Audit Committee that the risks identified have been addressed by management.	**Action:** Internal Audit has engaged an external consultant to improve its Audit Manual. The revised manual will address all 52 IIA Standards, including **Standard 15.2 Confirming the Implementation of Recommendations or Action Plans**. It will outline the requirements for Internal Audit to conform to this standard and document the risk-based approach adopted for following up on management's implementation of recommendations and remediation plans, as well as Internal Audit's independent verification of these actions, based on the significance of risk exposures. The IA Manual will detail the following: 1. Methods and tools used to document and track management's implementation of recommendations and action plans. 2. Timing and frequency of Internal Audit's follow-up on management's implementation of recommendations or action plans. 3. Roles and responsibilities of Internal Audit staff for following up on and/or verifying management's implementation of recommendations or action plans. 4. Definition of high-risk issues requiring Internal Audit's independent verification of management's implementation of recommendations or action plans. 5. Documentation of Internal Audit's follow-up and verification of management's implementation of recommendations or action plans. 6. Communication of Internal Audit's follow-up and verification results to the Audit Committee, including management's acceptance of risk (covered in **Standard 4.1Conformance with the Global Internal Audit Standards**). The Audit Director has included a request for an additional Lead Internal Auditor in Internal Audit's 2025 budget. This new staff member will provide the necessary capacity to: • implement the QAIP program and conduct self-assessments; • confirm the status of recommendation implementations; and • monitor the Ethics Hotline and manage related preliminary assessments and investigations, as required by the IIA Standards. This role is essential to Internal Audit's efforts to achieve and maintain conformance with the updated IIA Standards

Enhancement Opportunities – Domain V: Performing Internal Audit Services

The independent assessor identified the following enhancement opportunities in this Domain:

#	STANDARD	CONFORMANCE GUIDANCE
EO-13	**Principles 13-15** **Plan Engagement Effectively** **Conduct Engagement Work** **Communicate Engagement Results & Monitor Action Plans**	Update the Internal Audit Manual and Pentana, the audit software tool, to reflect the new standards. Some organizations refer a portion of their Internal Audit Manual to the audit software tool where the requirements of the standards are explicitly noted at each step of performing an engagement. This serves as an on-going reminder to the IAF staff of the standards. **See also Standard 9.3 Methodologies.**
EO-14	**Standard 14.6 – Engagement Documentation**	Internal auditors must retain engagement documentation according to relevant laws and/or regulations as well as policies and procedures of the internal audit function and the organization. Update the Internal Audit Manual to reflect records management practices aligned with the new standards and by-law and any changes resulting from the review underway by the IAF. Ensure the process and retention timelines are communicated to the appropriate stakeholders, including IAF staff. **ALSO APPLIES TO STANDARD 5.2 PROTECTION OF INFORMATION.**

Appendix A

Risk to Conformance Rating Definitions

DEFINITIONS USED TO EVALUATE RISKS TO CONFORMANCE WITH THE GLOBAL INTERNAL AUDIT STANDARDS

Low Risk of Non-Conformance	▪ For individual *Standards*, the internal audit activity conforms to the requirements of the *Standard* in all material respects. ▪ For each Principle, the internal audit activity achieves general conformity to a majority of the associated *Standards*, and at least partial conformity to others. ▪ For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Principles, the *Standards*, has not applied them effectively, or has not achieved their stated objectives.
Medium Risk of Non-Conformance	▪ For individual *Standards*, the internal audit activity is making good faith efforts to conform to the requirements of the *Standard* but falls short of achieving some major objectives. ▪ For each Principle, the internal audit activity partially achieves conformance with a majority of the associated *Standards*. ▪ For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the Principles, the *Standards* and/or achieving their objectives.
High Risk of Non-Conformance	▪ For individual *Standards*, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the *Standards*. ▪ For each Principle, the internal audit activity does not achieve conformance with a majority of the associated *Standards*. ▪ For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity's effectiveness and its potential to add value to the organization.

Appendix B

List of Acronyms

ACRONYM	DESCRIPTION
AC	Audit Committee
CAE	Director Internal Audit or Chief Audit Executive
EQA	External Quality Assessment
ERM	Enterprise Risk Management
IIA	The Institute of Internal Auditors
IAF	Internal Audit Function
QAIP	Quality Assurance and Improvement Program
Standards	2024 Global Internal Audit Standards
SWOT	Strengths, Weaknesses, Opportunities, and Threats