



Report
Staff Report
 The Corporation of the City of Brampton
 12/3/2024

Date: 2024-11-28

Subject: **Internal Audit Strategy 2024-2026**

Contact: Claire (Fang) Mu, Director, Internal Audit

Report number: CAO's Office-2024-981

RECOMMENDATIONS:

1. That the report titled: **Internal Audit Strategy 2024-2026** to the Audit Committee Meeting of December 3, 2024, be received; and,
2. That the full strategy document included in **Appendix 1 – Internal Audit Strategy 2024-2026** be approved.

Overview:

- **Background and Updates:** The Institute of Internal Auditors (IIA) updated its Global Internal Audit Standards in January 2024. The new standards, replacing the 2017 standards with 15 guiding principles and 52 specific standards, will take effect on January 2025. Under the new standards, principles and standards pertinent to the performance management and development of an internal audit strategy include:
 - Principle 8 assigns the Board the duty to ensure internal audit is well-resourced, independent, and aligned with organizational goals.
 - Principle 12 emphasizes continuous quality improvement through regular assessments, external reviews, and staff development.
 - Standard 9.2 mandates the development of an Internal Audit Strategy.
- **IIA Gap Assessment Guidance on Internal Audit Strategy:** The recent Gap Assessment conducted by IIA recommended that Internal Audit should include a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, annual review by the Audit Committee, documented alignment with organizational goals, and periodic progress reporting in the strategic plan.
- **Internal Audit Strategy:** The development of the *Internal Audit Strategy 2024-2026* started in June 2024 and is based on IIA guidance and best practice research. The Strategy includes Internal Audit's vision, mission, strategic objectives, supporting initiatives, performance metrics, and business continuity plan.
- **Appendix 1** contains the full *Internal Audit Strategy 2024-2026* document.

- **Action Required:** Audit Committee is required to review and approve the Internal Audit Strategy in **Appendix 1** to ensure compliance with the new standards.

Background:

Overview of the 2024 Institute of Internal Auditors Standards:

In January 2024, the Institute of Internal Auditors (IIA) released the Global Internal Audit Standards™, replacing the previous International Standards for the Professional Practice of Internal Auditing, issued under the 2017 International Professional Practices Framework®.

The new standards place significant emphasis on **performance management** of the internal audit function, particularly under principles 8 and 12.

Principle 8 highlights the Board's responsibility to oversee internal audit, ensuring it is adequately resourced, independent and aligned with organizational objectives.

Principle 12 focuses on continuous quality improvement, requiring internal audit to regularly assess its effectiveness, undergo external reviews and invest in ongoing professional development.

By adhering to these principles, internal audit functions can enhance governance and provide greater value to the organization.

It is important to note that at the City of Brampton, the Director of Internal Audit serves as the chief audit executive (CAE), the Audit Committee serves as the Board, and Senior Management is represented by the Corporate Leadership Team (CLT).

New Requirement

The updated 2024 Standards also mandate that the Director, Internal Audit develop and implement a comprehensive strategy for the internal audit function, as specified in IIA Standard 9.2 Internal Audit Strategy:

“The Chief Audit Executive must develop and implement a strategy for the internal audit function that supports the strategic objectives of the organization and aligns with the expectations of the board, senior management and key stakeholders.”

“The chief audit executive must review the internal audit strategy with the board and senior management periodically.”

Internal Audit Strategic Plan Requirements:

A well-defined strategic plan enhances audit effectiveness, ensures relevance and efficiency, and adds value to governance and risk management. The required elements to include in an Internal Audit Strategy as outlined by the IIA include:

- Vision Statement
- Strategic Objectives
- Supporting Initiatives

Further, a recent Gap Assessment for the City conducted by the IIA also highlighted specific guidance for Internal Audit to follow on its strategic planning process including to:

- “Perform a Strengths, Weaknesses, Opportunities, and Threats (“SWOT”) analysis to identify initiative for the Internal Audit Function (IAF) Strategic Plan and to highlight areas where active management of threats to achieving the plan are necessary.
- Show the IAF Strategic Plan in a multi-year format and present it to the Audit Committee 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”.

The guidance above demonstrates the need for Internal Audit to work with the Audit Committee annually to review and approve the strategic plan. To that end, **Appendix 1 – Internal Audit Strategy 2024-2026** contains the full strategy document that will guide internal audit for the next three years. The full strategy document includes all the required elements and followed the conformance guidance from IIA’s Gap Assessment.

Further information on the IIA’s Gap Assessment can be found on the [October 7, 2024 Audit Committee Meeting](#) agenda in the report titled “Overview of IIA’s Gap Assessment and Approval of Action Plan.”

Current Situation:

Development of the *Internal Audit Strategy 2024-2026*:

Since June 2024, work has been underway on a comprehensive internal audit strategy, including the development of essential elements such as a vision, strategic objectives, and supporting initiatives. The City’s internal audit strategic plan also includes these additional sections:

- Internal Audit Strategic Plan aligned with IIA New Global Standards to outline the strategic planning process, methodology and considerations.
- Mission statement to articulate the overarching goals and purpose of the Internal Audit function, guiding day-to-day activities.
- Performance Metrics to provide measurable indicators and targets for each strategic objective to assessing success.
- Business Continuity Plan to outline internal audit's plans during emergency situations and service disruptions.
- An appendix to outline strategic objectives with supporting initiatives and metrics to support decision-making and continuous improvement.

The City of Brampton's Internal Audit Strategy was developed through research on best practices in municipal auditing, including benchmarking against other Canadian municipalities, as well as reviewing additional elements to include in an internal audit strategic plan.

A strengths, weaknesses, opportunities, and threats (SWOT) analysis informed the formulation of a strategy aligned with the City's priorities and governance goals. The strategy, guided by the IIA's *Implementing an Internal Audit Strategic Plan*¹, was reviewed by senior management care of the CAO before coming to the Audit Committee for approval. It is important to note that as the requirement to develop an internal audit strategy is new for 2024, there were limited examples of other internal audit strategies from an Ontario municipal context to research and review.

Action Required from Audit Committee:

Further to the guidance from the IIA listed above, a requirement under *Standard 9.2: Internal Audit Strategy* states that "*The chief audit executive must review the internal audit strategy with the board and senior management periodically*" (pg. 63). The Chief Administrative Officer (CAO) has reviewed the Internal Audit Strategy on behalf of CLT.

It is recommended that Audit Committee review and approve the Strategy detailed in **Appendix 1**, titled "*Internal Audit Strategy 2024-2026*," to ensure compliance with the new Standards and their requirements.

Internal Audit will monitor and provide updates on the progress of the Strategy to Audit Committee and CLT (via the CAO) on an annual basis. As the Strategy is a living document, opportunities to change elements based on the City's evolving priorities will be assessed during each annual review.

¹ [Implementing an Internal Audit Strategic Plan](#): The 2024 Global Internal Audit Standards require the development and implementation of a strategic plan to guide the internal audit function, ensuring alignment with organizational goals, enhancing performance and meeting stakeholder expectations.

Strategic Focus Area:

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

Conclusion:

The new Global Internal Audit Standards mandates the development of an Internal Audit Strategy. The City's Internal Audit Strategy was developed in line with IIA guidance and informed by best practices from other jurisdictions. Upon approval by the Audit Committee, Internal Audit will proceed with implementation and provide progress updates on the strategic objectives as part of the annual audit work plan report.

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Attachments:

- Appendix 1 – *Internal Audit Strategy 2024-2026*