

Date: 2025-01-31

Subject: **Internal Audit Communication Framework**

Contact: Claire Mu, Director, Internal Audit

Report Number: CAO's Office-2025-121

RECOMMENDATIONS:

1. That the report titled: **Internal Audit Communication Framework** to the Audit Committee Meeting of February 11, 2025, be received and that the communication framework outlined in **Appendix 1 – Internal Audit Communication Framework** be approved.

OVERVIEW:

- **Background and Updates:** The updated 2024 IIA Global Internal Audit Standards emphasize the importance of communication and interactions between Internal Audit, the Audit Committee, and Senior Management. The Standards require the Director of Internal Audit to establish a formal plan to guide their communications with the Audit Committee and the Senior Management. The plan must define the frequency, nature, and content of these communications, to ensure transparency, align on key issues, inform decision-making, and enhance accountability.
- **Communication Framework:** The proposed communication framework provides a structured approach to communication, including key communication content, formats, and frequency. The development of the Internal Audit Communication Framework began in October 2024 and is based on IIA implementation guidance research on best practices.
- **Action Required:** In accordance with the updated 2024 IIA Global Audit Standards, the Audit Committee is required to review and adopt **Appendix 1 - Internal Audit Communication Framework**.

BACKGROUND:

In January 2024, the Institute of Internal Auditors released the new Global Internal Audit Standards, which take effect in January 2025. The 2024 IIA Standards consists of five domains. **Domain III: Governing the Internal Audit Function** groups the Standards that focus on the relationship between the Board/Audit Committee, senior management, and the chief audit executive (CAE) in governing the internal audit function. **Domain III** requires the CAE to meet with the Board and senior management to discuss the responsibilities and essential conditions of the Standards and how the parties can collaborate to establish and maintain an effective internal audit function.

At the City of Brampton, the role of CAE is fulfilled by the Director of Internal Audit, the role of the Board is fulfilled by the Audit Committee and senior management is fulfilled by the Senior Leadership Team, including the Chief Administrative Officer (CAO).

The updated 2024 Standards emphasize that the CAE should discuss and reach an agreement with the board and senior management regarding the nature, format, and frequency of communications. The following lists the standards requirements:

- **Standard 6.3 Board and Senior Management Support:** *“The chief audit executive must provide the board and senior management with the information needed to support and promote recognition of the internal audit function throughout the organization.”*
- **Standard 8.1 Board Interactions:** *“Periodically, the chief audit executive should confirm with the board that the frequency, nature, and content of communications meet the board’s expectations.”*
- **Standard 11.1 Building Relationships and Communicating with Stakeholders:** *“The chief audit executive should discuss a methodology for communication with the board and senior management to determine the criteria defining significant issues requiring formal communication, the format and content of formal communication, and the frequency with which such communication should occur.”*

CURRENT SITUATION:

Internal Audit Communication Framework

To align with the updated 2024 IIA Standards while addressing the City’s unique needs, operational realities, and priorities, Internal Audit has developed a comprehensive Communication Framework. The framework consists of the following two parts:

Part 1. Communication with Audit Committee

The communication with the Audit Committee focuses on providing essential oversight-related information, such as audit plans, results, risk management updates, and governance matters. This is achieved through a variety of formats, including formal quarterly Audit Committee meetings, scheduled Audit Committee educational workshops, regular operational updates, and ad hoc emails and verbal communications. These efforts ensure that the Audit Committee has the insights needed to fulfill its governance responsibilities effectively. Additionally, the framework establishes clear expectations for reporting significant risks, ethical concerns, and internal control deficiencies, enabling timely escalation and resolution of critical issues.

Part 2. Communication with Senior Management

The communication with senior management focuses on fostering collaboration to support the Audit Committee's governance role while addressing operational risks, resource needs, and strategic priorities. This is facilitated through multiple channels, including:

- Quarterly Audit Committee meetings: the Senior Leadership Team are standing invitees, ensuring ongoing engagement.
- Bi-weekly discussions with the CAO: Regular touchpoints to address audit priorities, resource considerations and risk management efforts.
- Annual structured risk assessments: A systematic approach to identifying and evaluating key risks across the organization.

These interactions enable Internal Audit to share insights, gather feedback on audit findings, and discuss risk mitigation strategies and emerging issues. The communication framework ensures that senior management remains well informed, actively engaged in risk management, and aligned with Internal Audit's objectives.

Additionally, the framework provides a structured mechanism for escalating unresolved risks to the Audit Committee, reinforcing accountability and enhancing governance effectiveness.

Stakeholder Engagement

Internal Audit reviewed the framework with the Chair and Vice Chair of the Audit Committee on January 24, 2025, and with the CAO representing the Senior Leadership Team on January 27, 2025, prior to its presentation to the Audit Committee. This comprehensive review process ensures adherence to IIA Standards and alignment with organizational priorities.

Action Required from Audit Committee

Standard 8.1 Board Interactions Essential Condition requires the board “*set expectations with the chief audit executive for the frequency with which the board wants to receive communications from the chief audit executive.*”

It is recommended that Audit Committee review and approve the communication framework detailed in **Appendix 1**, titled “*Internal Audit Communication Framework*,” to ensure compliance with the new Standards and their requirements.

CORPORATE IMPLICATIONS:

Financial Implications:

N/A

Other Implications:

N/A

STRATEGIC FOCUS AREA:

Government & Leadership: Internal Audit is an essential service and provides a systematic, disciplined approach to evaluate and improve the effectiveness of the City’s governance, risk management, and internal controls and processes.

CONCLUSION:

The 2024 Global Internal Audit Standards emphasizes the need for a structured and transparent communication plan between Internal Audit, the Audit Committee, and senior management. This framework, developed in collaboration with key stakeholders, documents the agreed-upon communication process and serves as evidence of conformance with the updated IIA Standards. Upon approval by the Audit Committee, Internal Audit will implement this framework to promote consistent, transparent, and accountable communication. This will strengthen governance, enhance oversight, and foster stakeholder trust and alignment.

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Attachments:

- Appendix 1 – Internal Audit Communication Framework