

Date: 2025-01-31

Subject: Internal Audit Quality Assurance and Improvement Program

Contact: Claire Mu, Director, Internal Audit

Report Number: CAO's Office-2025-123

RECOMMENDATIONS:

1. That the report titled: Internal Audit Quality Assurance and Improvement Program to the Audit Committee Meeting of February 11, 2025, be received and that the proposed Quality Assessment and Improvement Program documents included in **Appendix 1 – Quality Assurance and Improvement Program Summary** and **Appendix 2 – External Quality Assessment Plan** be approved.

OVERVIEW:

- **Background and Updates:** The 2024 Global Internal Audit Standards, effective January 2025, require the Chief Audit Executive (CAE) to develop, implement, and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of internal audit activities.
- **Quality Assurance and Improvement Program:** Internal Audit has developed its QAIP program to align with the new standards' requirements. The key elements of the program are summarized in **Appendix 1**.
- **External Quality Assessment Plan:** To meet the requirements for external assessments, Internal Audit has developed a plan for the 2025 External Quality Assessment. This plan, included in **Appendix 2**, outlines the scope, methodology, and engagement of a qualified, independent, external assessor to conform with the new standards.
- **Appendices and Additional Details:**
 - **Appendix 1:** Quality Assurance and Improvement Program Summary
 - **Appendix 2:** External Quality Assessment Plan
- **Action Required:**
 - The Audit Committee is required to review and approve the QAIP summary in **Appendix 1** to fulfill the essential conditions for the Board's oversight of Internal Audit, as mandated by **Standard 8.3 Quality** from the new standards.

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| <ul style="list-style-type: none">○ The Audit Committee is required to review and approve the External Quality Assessment Plan in Appendix 2 to ensure conformance with Standard 8.4 External Quality Assessment. |
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BACKGROUND:

Under the Institute of Internal Auditors (IIA) 2024 Global Internal Audit Standards, effective January 2025, the CAE is required to develop, implement, and maintain a QAIP that includes both internal and external quality assessments. These assessments evaluate not only Internal Audit's conformance to the standards but also its achievement of performance objectives, compliance with applicable laws, and efforts toward addressing deficiencies and driving continuous improvement.

Specific standards related to the QAIP:

- **Standard 8.3 Quality:** *"The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function".*
- **Standard 8.4 External Quality Assessment:** *"The chief audit executive must develop a plan for an external quality assessment and discuss the plan with the board."*
- **Standard 12.1 Internal Quality Assessment:** *"The chief audit executive must develop and conduct internal assessments of the internal audit function's conformance with the Global Internal Audit Standards and progress toward performance objectives."*
- **Standard 12.2 Performance Measurement:** *"The chief audit executive must develop objectives to evaluate the internal audit function's performance." "The chief audit executive must develop an action plan to address issues and opportunities for improvement."*
- **Standard 12.3 Oversee and Improve Engagement Performance:** *"The chief audit executive must establish and implement methodologies for engagement supervision, quality assurance, and the development of competencies."*

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).

Current Situation:

Quality Assessment and Improvement Program

Internal Audit has developed a QAIP program to align with the updated IIA standards.

To comply with the standards, the City of Brampton's QAIP program outlines the key components of the QAIP requirements, including Internal Quality Assessment, External Quality Assessment, and Continuous Improvement, summarized as follows:

a) Internal Quality Assessment

- Ongoing Monitoring: Continuous evaluations conducted to assess internal audit function's conformance with audit engagement-related standards and progress toward achieving performance objectives.
- Periodic Self-Assessments: Comprehensive reviews conducted annually to assess the function's overall conformance with each standard and achievement of performance objectives.

b) External Quality Assessments

- Full Scope External Quality Assessments: Independent, comprehensive evaluations conducted by external assessors.
- Self-Assessment with Independent Validation (SAIV): Internal reviews validated by an independent assessor.

c) Continuous Improvement

Internal Audit fosters continuous improvement by addressing gaps and improvement opportunities identified through internal and external quality assessments. Internal Audit also leverages technological advancements and data analytics to enhance effectiveness and efficiency.

The key elements of the QAIP program are outlined in **Appendix 1** and presented to the Audit Committee to support its oversight responsibilities.

External Quality Assessment Plan

Under **Standard 8.4 External Quality Assessment**, Internal Audit must complete the assessment at least once every five years. The CAE is required to develop a plan for

carrying out the assessment, discuss it with the Audit Committee and senior management¹ for input, and obtain the Audit Committee's approval.

The plan, detailed in **Appendix 2**, outlines the assessment scope, frequency, external assessor or assessment team engagement, and the rationale for Internal Audit's selection of the SAIV approach over a full external quality assessment. It is subject to review by the Audit Committee for necessary input, with final approval by the Audit Committee.

Action Required from Audit Committee:

It is recommended that the Audit Committee review and approve the QAIP summary outlined in **Appendix 1** and the external quality assessment plan detailed in **Appendix 2**.

Per the Essential Conditions in **Standard 8.3: Quality**, the Board is required to discuss with the Chief Audit Executive (CAE) the quality assurance and improvement program. Furthermore, the Essential Conditions of **Standard 8.4: External Quality Assessment** mandate the Audit Committee to review and approve Internal Audit's plan for conducting the external quality assessment. These recommendations ensure that the Audit Committee fulfills its oversight responsibilities effectively.

STRATEGIC FOCUS AREA:

Government & Leadership: Focusing on service excellence by prioritizing conformance with standards, achieving performance objectives to enhance efficiency and effectiveness, and promoting accountability and transparency.

¹ Based on the Essential Conditions outlined in **Standard 8.3 Quality** and **Standard 8.4 External Quality Assessment**, senior management shall collaborate with the Audit Committee to provide input on the internal audit function's performance objectives and determine the scope and frequency of the external quality assessment.

Internal Audit previously discussed these matters with senior management, with the resulting decisions captured in the Internal Audit Strategy and Internal Audit Charter. Both were approved by the Audit Committee during the following meetings. No further discussions involving senior management are required to comply with the standard requirements.

- October 7, 2024 - Internal Audit Charter (Agenda Item 6.7): <https://pub-brampton.escribemeetings.com/Meeting.aspx?Id=cd2dff0b-198a-42f1-a7a3-86d4924e8acb&Agenda=PostMinutes&lang=English>
- December 3, 2024 - Internal Audit Strategy (Agenda Item 6.5): <https://pub-brampton.escribemeetings.com/Meeting.aspx?Id=11bb5bdb-7af7-426f-83b0-085352d575da&Agenda=Merged&lang=English>

CONCLUSION:

The new Global Internal Audit Standards mandate that the QAIP be developed in alignment with IIA expectations. With the Audit Committee and senior management’s review and input, as necessary, and the Audit Committee’s approval of the external quality assessment plan, Internal Audit will implement and maintain the QAIP and conduct the external quality assessment scheduled for 2025.

Authored by:

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Attachments:

- Appendix 1 – Quality Assurance and Improvement Program Summary
- Appendix 2 – External Quality Assessment Plan