

Date: 2025-01-31

Subject: **2025 Internal Audit Work Plan and 2024 Status Update**
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Contact:

Report Number: CAO's Office-2025-129

Recommendations:

1. That the report titled: 2025 Internal Audit Work Plan and 2024 Status Update to the Audit Committee Meeting of February 11, 2025, be received.
2. That the Audit Committee approve the proposed 2025 Audit Work Plan.
3. That the Audit Committee approve the reduction of audits from 8 to 6 so audit resources can be diverted to the Management Action Plans Follow-up project and Quality Assurance and Improvement Program in order to achieve and maintain IIA 2024 Global Audit Standards.

Overview:

- This report provides the Audit Committee with the Internal Audit Work Plan for 2025, as well as a status update on the Internal Audit Work Plan for 2024.
- **2025 Audit Work Plan:** The proposed 2025 audit work plan includes 3 new audits, 2 comprehensive Management Action Plan follow-up projects, and 1 outsourced Cybersecurity Audit Project. It also includes 2 smaller-scale compliance audits that may be completed by Internal Audit or may be outsourced. To align with the updated 2024 IIA Global Audit Standards, some audit resources have been reallocated to a quality assurance and improvement program and the monitoring of audit recommendations and associated management action plans, both of which are integral to the City of Brampton Internal Audit's effectiveness.
- By approving this audit work plan, the Audit Committee endorse Internal Audit's effort to meet and maintain the IIA Standards by foregoing some audit projects. Based on current resources, it would take approximately 13 years to cycle through the City's approximately 80 auditable entities and there are risks associated with this approach. While reducing audit coverage is a measure of last resort, we also recognize the importance of meeting the standards and increasing our effectiveness.
- **"Audits on the Horizon":** "Audits on the Horizon" lists potential replacement projects in 2025 or projects to be taken on should additional resources become

available. “Audits on the Horizon” provides Internal Audit with the flexibility to adjust its engagements to help address auditee operational issues that potentially impact their ability to support audits and Internal Audit staffing level fluctuations.

- **Completion of the 2024 Audit Work Plan:** Internal Audit successfully completed the 2024 Audit Work Plan, which included the seven audits proposed at the start of the year.
- **Alignment with New Audit Standards:** In 2024, Internal Audit began the transition toward compliance with the new Audit Standards, designating one audit manager to lead the associated compliance initiatives.
- **Approach to determine the 2025 Audit Work Plan:** The 2025 Internal Audit Work Plan was developed using a risk-based approach that considered a corporate-wide risk assessment, senior management input, evaluation of past audits, a survey of audits and issues from other Canadian municipalities, emerging risks, and allegations received by the Ethics Hotline.
- **Annual Affirmation of Organizational Independence:** This report also includes our annual affirmation of organizational independence for 2024, in alignment with Standard 7.1 Organizational Independence of the Institute of Internal Auditors Global Audit Standards.
- Internal Audit regularly reviews and updates the Work Plan based on current information, discussions with the senior leadership team, issues identified in audits, and risk reviews.

Background:

The Director of Internal Audit has the responsibility to submit, at least annually, to the Audit Committee a risk-based Internal Audit Work Plan (‘Plan’) for review and approval.

The 2025 Plan was developed using a risk-based approach that complies with IIA standards. Several factors were taken into consideration in developing the Plan, such as:

- The 2021 KPMG Risk Assessment and the resulting Audit Universe and the associated risk ratings
- The 2022 Ernst & Young IT Risk Assessment
- Past audit reports
- A survey of audit reports from other Canadian municipalities
- Input from Senior Management, CAO and Audit Committee Chairs
- Allegations from the Ethics Hotline
- Current and emerging risks

A corporate wide risk assessment was completed in 2021 by KPMG. The assessment mapped out all auditable areas within the City and grouped them into four sections; core operations, business change, emerging areas and core external risk. Each auditable area was given a priority rating of “High”, “Medium” or “Low”. Each of the ten areas identified as “High” have since been audited, except for Transit Revenue which will be audited in 2025.

An IT risk assessment was completed in 2022 by E&Y. The assessment was completed to support audit work planning for 2023 to 2025, and the results of the assessment were driven by the following considerations: industry knowledge and experience, risk management activities, strategic and operational plans, and input from Senior Management. Each IT area was given a ranking of “Critical”, “High” or “Medium.

Audit Work Plan Selection Methodology:

Internal Audit’s process to gather risk information consisted of the following activities:

Activity 1: Review documented risk assessments from KPMG and E&Y

Activity 2: Discussions with Directors, CAO and Audit Committee Chairs

Activity 3: Research past audits and their results

Activity 4: Review of audit reports from other municipalities and audit shops

Activity 5: Consider any fraud allegations and their potential impact

Activity 6: Review of industry analysis and reports (IT)

To comply with Institute of Internal Auditors (IIA) Standards, the audit plan must be based on a documented risk assessment undertaken at least annually and with consideration of the input of senior management and the board.

Internal Audit did not distribute a risk assessment questionnaire to business units this year. Instead, we relied on audits identified in the previous year’s “audits on the horizon” and existing risk data from last year’s questionnaire. These business units were next in line based on the audit universe and risk assessment originally developed by KPMG, which categorized them as high or medium risk. The prior year’s questionnaire, which covered strategic, financial, reputational, compliance, and operational risks, was used to refresh risk information within the audit universe.

Stakeholder Engagement:

IIA standard 9.4 Internal Audit Plan requires Internal Audit to discuss the plan with the Audit Committee and Senior Management and the plan must be approved by the Audit Committee.

The 2025 audit work plan, including results of the risk assessment, was presented to the Audit Committee Chairs on February 3, 2025. The plan will be communicated to the Senior Management through the Audit Committee where the Senior Leadership Team are the standing invitees.

Ongoing Review and Adjustment:

Internal Audit reviews and adjusts the annual audit work plan as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls, as well as our internal staff fluctuations. Updates and changes to the Plan are communicated to the Audit Committee quarterly.

Current Situation:

2024 Status Update

Appendix 1: 2024 Internal Audit Work Plan Status Update sets out the status of the 2024 Audit Work Plan. Internal Audit completed the 2024 Audit Work Plan, consisting of seven audits, the same number of audits we had proposed at the beginning of the year. All seven audits came from the original Internal Audit Work Plan.

Other Initiatives Accomplished by Internal Audit

In addition to the 2024 Audit Work Plan, Internal Audit carried out other initiatives. The following list the significant ones:

- **Completion of MAPS Automation Project – Part III**

We concluded this three-year initiative by stabilizing *User Acceptance Testing* (UAT) and *Production* (PROD) environments, migrating MAPS to Pentana, automating reporting, and clarifying MAPS roles and to modernize citywide tracking and reporting.

- **Conducted Gap Assessment and embarked on the journey to align our audit practices with the updated IIA standards**

We addressed the IIA's new standards through a gap assessment, process realignment, and training, earning praise for compliance progress.

- **Compiled an Internal Audit Strategy and revamped Key Performance Measures**

Starting in June 2024, we developed an Internal Audit Strategy, approved in October, to enhance audit effectiveness and align with the City's strategic goals.

- **Updated audit report and working paper templates, improving usability and quality**

We revamped audit report templates and improved clarity and impact of audit reports.

2025 Audit Work Plan

Appendix 2 sets out the 2025 Internal Audit Work Plan.

The annual Audit Work Plan includes two comprehensive Management Action Plan (MAP) validation projects, three operational audits and an IT cybersecurity audit. It also includes 2 smaller-scale compliance audits that may be completed by Internal Audit or may be outsourced. When developing the 2025 Audit Work Plan, we considered auditee operational challenges, the demand for time and attention required from the City operations to support audit staff, available Internal Audit staff resources and staffing level fluctuations.

Appendix 2 also lists “Audits on the Horizon.” These are potential replacement projects in 2025 or additional projects if resources become available. “Audits on the Horizon” provides Internal Audit with the flexibility to address unforeseen operational issues that impact our work, both from the auditee side and from within Internal Audit Division.

Any changes to the Audit Work Plan may require the removal or deferral of a project identified within this report or the hiring of an outside auditor to perform the audit. Changes to the annual audit work plan will be communicated to the Audit Committee quarterly.

Non-Audit Work Planned for 2025

In addition to conducting audits, Internal Audit has planned the following non-audit initiatives for 2025 to enhance corporate-wide processes and strengthen internal audit practices:

- **Focus on Staff Retention and Development:** Continue efforts to attract, retain, and develop skilled audit professionals.
- **External Quality Assessment Preparation:** Prepare for the once-every-five-years External Quality Assessment, including the development of a robust Quality Assurance and Improvement Program and reconfiguring the audit software Pentana for more effective use and to better align with the new audit standards.
- **5-Year Audit Work Plan and Risk Assessment:** Conduct a city-wide risk assessment to inform the 2026–2030 Audit Work Plan, incorporating input from the Board and Senior Management.

- **Expand Audit Analytics:** Broaden the use of data analytics to improve audit efficiency and effectiveness.
- **Enhance Audit Timekeeping:** Enhance timekeeping by implementing a streamlined system to improve tracking, efficiency, and accountability.
- **Enhance Stakeholder Engagement:** Enhance engagement through a redesigned public-facing website and structured, transparent and consistent communication with the Audit Committee, senior management, and auditees.

Audit Work Plan Impacted by Resource Constraints

The City of Brampton Internal Audit has encountered challenges in conforming to IIA Standards, including during the 2017 and 2020 External Quality Assessments. With the release of the updated 2024 IIA Global Audit Standards, CoB Internal Audit has embarked on a conformance journey to achieve and maintain these more rigorous standards. However, meeting these requirements will require dedicated resources for critical areas, including:

1. Validating Management Action Plans
2. Establishing a robust Quality Assurance and Improvement Program (QAIP).

In the 2025 Budget Request, we sought funding for an additional lead auditor to increase capacity and address these mandates. Unfortunately, due to the City's resource constraints, this request was not approved.

Achieving and maintaining IIA Standards is crucial for fostering public confidence in the City of Brampton's governance framework. To manage this challenge, Internal Audit, after consultation with the Chair and Vice Chair of the Audit Committee and securing the Committee's approval, will reduce the number of annual audit projects by two per year until further budget allocation is provided. Typically, we complete eight audit projects per year; this adjustment will reduce the target to six operational audits annually, subject to further changes based on staffing levels. Obtaining Audit Committee approval for this reduction is essential, as the number of audits planned and performed is a significant KPI.

We currently have over 80 auditable entities within the City of Brampton. At the current rate of 8 audits per year, it takes 10 years to complete a full audit cycle. If we reduce the annual number of audits from 8 to 6, the audit cycle would extend to 13 years.

A 13-year cycle introduces significant risks, as a lot can change during that time, potentially leaving the City exposed to issues that may not be identified or addressed in a timely manner. Without conducting regular audits, we may also lack visibility into emerging risks in areas that cannot be audited regularly.

As the fastest-growing community in Canada, the City of Brampton is experiencing evolving processes that often require increased audit efforts to ensure effective risk management and governance.

While reducing audit coverage is a measure of last resort, prioritizing conformance with IIA Standards and ensuring the well-being of audit staff remain our highest priorities. We remain committed to advocating for an additional lead auditor in future budget cycles to restore capacity and ensure sustainable operations.

The Director of Internal Audit has ensured full transparency regarding these adjustments through staff reports and presentations, including:

- The Internal Audit 2025 Budget Request staff report and presentation to the Audit Committee on October 7, 2024.
- The 2024 Annual Work Plan report to the Audit Committee on February 11, 2025.

These public reports and presentations have been supplemented by ongoing discussions with the Chief Administrative Officer and the Chair and Vice Chair of the Audit Committee. This approach reflects a practical balance between achieving conformance with IIA Standards, safeguarding audit staff well-being, and managing the City's budget constraints.

Mapping Audit Work Plan to the City's Strategic Initiatives

The IIA Standards also require that the audit work plan consider the City's strategic priorities. Strategic priorities play a key role in shaping the annual risk assessment and, consequently, the audit work plan. The 2025 audit work plan supports initiatives from five of the City's six strategic priorities, including initiatives like *Enhance Transit Services*, *Enhance Energy & Climate Resilience* and *Elevate Performance and Service Standards*. **Appendix 3: Mapping 2025 Work Plan to Strategic Initiatives** links the Internal Audit work plan to the City's core strategic initiatives.

Annual Affirmation of Organizational Independence

Appendix 4: 2024 Annual Affirmation of Organizational Independence presents the 2024 Affirmation of Organizational Independence, fulfilling the annual requirement set by IIA Standard 7.1. Organizational Independence. This formal declaration assures the Audit Committee that Internal Audit has maintained its independence from management over

the past year. Including this confirmation in the 2025 Work Plan ensures transparency and compliance with professional auditing standards.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Strategic Focus Area:

Government & Leadership: Internal Audit is an essential service. It 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 Internal Audit Work Plan will be reviewed regularly and updated when needed. Internal Audit intends to keep the Work Plan agile and flexible, ensuring that identified and emerging risks are appropriately addressed. The Plan is designed to add value to the organization and provide the highest standard of professional, independent, and timely solutions in partnership with City departments.

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Reviewed and approved by:

Claire Mu, Director, Internal Audit

Attachments:

- Appendix 1: 2024 Internal Audit Work Plan Status Update
- Appendix 2: 2025 Internal Audit Work Plan
- Appendix 3: Mapping 2025 Work Plan to Strategic Initiatives
- Appendix 4: 2024 Annual Affirmation of Organizational Independence