

Date: 2021-11-19

Subject: **Internal Audit Risk Assessment and Development of an Audit Universe**

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Report Number: CAO's Office-2021-1243

Recommendations:

1. That the report titled: **Internal Audit Risk Assessment and Development of an Audit Universe**, to the Audit Committee Meeting of December 7, 2021, be received.

Overview:

- A key requirement of the Internal Audit function is the establishment of a risk-based audit plan, which determines the priorities of Internal Audit. A risk based audit plan is the product of an audit risk assessment.
- Internal Audit engaged KPMG in July 2021 to conduct a risk assessment;
- Included with the risk assessment is the City's audit universe and priority ratings for each area; and
- The attached risk assessment document will support Internal Audit in developing its audit work plan for 2022 and future years.

Background:

A Quality Assurance Review ('QAR') of the Internal Audit ('IA') Function, conducted in 2020, indicated that a comprehensive internal audit risk assessment had not been

conducted in recent years and the current audit universe was not reflective of the City's current environment.

Internal Audit engaged KPMG to perform an internal audit risk assessment, along with creating the audit universe. See **Appendix 1** for the **Internal Audit Risk Assessment and Development of Audit Universe**.

Current Situation:

A key requirement of Internal Audit is the establishment of a risk-based audit plan to determine the priorities of IA activities.

There was no corporate wide audit universe or fully developed internal audit risk assessment in place. In the past, annual audit work plans were created in consultation with management and ad hoc risk assessments. An IT audit risk assessment was conducted in 2017 and has formed the basis for IT audits since, and must be refreshed in 2022.

Approach

Meetings were held with key senior stakeholders across the organization, including some members of Council and Audit Committee's Chair and Vice Chair. The agenda included discussion on the importance and purpose of an audit risk assessment and identifying key risk areas. The results of that work can be found in **Appendix 1**. In addition, KPMG will provide Internal Audit with an audit work plan which will then be owned by the City and which IA will update yearly and revise based on changing priorities.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

Efficiencies resulting from improved planning capabilities and a corporate approach in setting priorities.

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an enterprise level Internal Audit risk assessment and creation of an audit universe which promotes corporate accountability, values, and governance best practices.

Conclusion:

With the internal audit risk assessment and audit universe in place, Internal Audit will proceed to establish a multi-year audit plan, starting with the 2022 audit year. This work plan will be presented to Audit Committee at the February 2022 meeting.

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Attachments:

Appendix 1: Internal Audit Risk Assessment and Development of Audit Universe