

Date: 2023-02-11

Subject: **2023 Internal Audit Work Plan and 2022 Status Update**

Contact: **Claire Mu, Director, Internal Audit**

Report Number: CAO's Office-2023-193

Recommendations:

That the report titled: **2023 Internal Audit Work Plan and 2022 Status Update** to the Audit Committee Meeting of February 21, 2023, be received.

Overview:

- This report provides the Audit Committee with the Internal Audit Work Plan for 2023, as well as a status update on the Internal Audit Work Plan for 2022;
- Eight new audits are planned for 2023.
 - The number of audits has been adjusted to accommodate some performance audits, which take more time and resources.
 - Internal Audit continues to be short-staffed.
- “Audits on the Horizon” lists potential replacement projects in 2023 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 as well as Internal Audit staffing level fluctuations.
- The 2022 Internal Audit Work Plan consisted of 12 audits, of which:
 - 10 audits, including two compliance audits, were completed. Compliance audits generally take fewer resources.
 - Three audits were deferred: two to 2023 and one to be considered for future years.
 - One audit was cancelled when the results of another audit already addressed the audit objectives of the cancelled audit.

- Two audits were added to replace two audits deferred to 2023. The two additions were next in line on the risk register according to our 2021 KPMG Risk Assessment.
- The deferrals and cancellations resulted from a combination of two reasons: changes in the risk landscape and the need to address auditee operational issues that impacted their ability to support audits at the initially planned time frame.
- The 2023 Internal Audit Work Plan was developed using a risk-based approach that considered corporate-wide risk assessment, senior management input, and evaluation of past audits and audit results, audits and audit results from other Canadian municipalities, and complaints received by the Fraud Hotline.
- 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 2022 Plan was developed using a risk-based approach outlined in the Internal Audit Charter. Several factors were taken into consideration in developing the Plan, such as:

- The 2021 KPMG Risk Assessment and the resulting Audit Universe
- The Ernst & Young IT Risk Assessment
- Past audits and audit results
- Audits and audit results from other Canadian municipalities
- Input from Senior Management
- Complaints received by the Fraud Hotline

The Plan is reviewed regularly and may be adjusted based on any information, issues, or concerns that have been identified. Updates and changes to the Plan are communicated to the Audit Committee.

Current Situation:

2022 Status Update

Appendix 1 sets out the status of the 2022 Audit Work Plan. 10 of 12 engagements were completed in 2022. Three audits were deferred, and one audit was cancelled. Two audits were added to the plan to compensate for two different audits. As a result, we ended the year with 14 audits in the plan.

Please note that management had requested the deferrals due to a lack of divisional resources to support audits at the initially planned time frame. Two of the deferred projects are included in the 2023 Audit Work Plan. The remaining deferred project will be considered in the 2025 Audit Work Plan due to the updated IT risk register and other priority audit projects. Further details are provided in Appendix 1.

The two added projects were next in line regarding risks from the KPMG Risk Assessment.

2023 Audit Work Plan

Appendix 2 sets out the 2023 Internal Audit Work Plan. The work plan, in turn, sets out the Internal Audit function's priorities and reflects the City of Brampton's strategic goals, objectives, concerns, and priorities.

The 2023 Internal Audit Work Plan consists of 8 audits. We have reduced the number of audits to allow for more in-depth performance audits, which take more time and resources. The annual Audit Work-Plan integrates regular operational audits and information technology audits. Also, the Audit Work-Plan was developed considering available Internal Audit staff resources and providing Internal Audit with the flexibility to address a combination of practical issues: auditee operational challenges that impact their ability to support audits at the initially planned time frame as well as Internal Audit staffing level fluctuations.

Appendix 2 also lists "Audits on the Horizon." These are potential replacement projects in 2023 or projects to be taken on if additional 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. Any changes throughout the year will be communicated to the Audit Committee.

Other Planned Work

Internal Audit will undertake the following initiatives to improve corporate-wide processes and audit quality.

- Internal Audit is adding capacity to build the Fraud Hotline intake services into Fraud Hotline Operations. We will be conducting information and awareness campaigns to strengthen fraud prevention.
- Internal Audit will work with the CAO's office to update the City's fraud prevention processes and capabilities and support departments on fraud reporting and investigative matters.

- We continue to work towards IIA compliance.
- We will initiate the automation of the Management Action Plan follow-up processes.
- We continue to work with the CAO's Office and HR to address staffing issues to attract qualified candidates and retain staff.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' by establishing a risk-based audit Work Plan which promotes corporate accountability, values, and best governance practices.

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:

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Attachments:

- Appendix 1: 2022 Internal Audit Work Plan Status Update
- Appendix 2: 2023 Internal Audit Work Plan