

Audit Committee Report

DATE: Monday, January 24, 2022

WARD(S): ALL

TITLE: 2021 EXTERNAL QUALITY ASSESSMENT RESULTS

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To present the results of the 2021 External Quality Assessment of the City's Internal Audit Department.

Report Highlights

- The International Standards for the Professional Practice of Internal Auditing (*Standards*) requires that an external quality assessment of the internal audit activity be conducted at least once every five years.
- The external quality assessment evaluated whether Internal Audit is in conformance with the Institute of Internal Auditor's (IIA) Standards and Code of Ethics.
- On January 25th, 2021, the Audit Committee approved that the external assessment be conducted by the IIA using the self-assessment with independent external validation approach.
- The self-assessment results indicate the City of Vaughan's Internal Audit activity is in conformance with the IIA's *Standards* and Code of Ethics and the IIA's independent validation concurred with the self-assessment results.
- Internal Audit received the top rating achievable which is Generally Conforms. Generally Conforms demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.
- The self-assessment highlights successful internal audit practices and identifies opportunities for improvements.
- Based on the results, the next external assessment will be conducted in 2026.

Recommendations

1. That the report of the results of the 2021 External Quality Assessment of the City's Internal Audit Department be received.

Background

As part of conformance to the IIA *Standards* and the City's Internal Audit Policy, the Director of Internal Audit is responsible for developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity. It is designed to enable an evaluation of the internal audit activity's conformance with the IIA *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The quality assurance and improvement program must include both internal and external assessments.

Internal assessments are conducted by the Director of Internal Audit and are an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the *Standards*.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. On January 25th, 2021, the Audit Committee approved that the external assessment be conducted by the IIA using the self-assessment with independent external validation approach.

Internal Audit's self-assessment team used the IIA's Quality Assessment Manual for Internal Audit Activity to gather information to support the assessment of Internal Audit Governance, Internal Audit Staff, Internal Audit Management, and the Internal Audit Process. Internal Audit also evaluated the effectiveness in carrying out its mission, identified successful internal audit practices, and identified opportunities for improvement. The external assessor used the information provided as a reference point for further analysis. This information was viewed in conjunction with other data, such as stakeholder survey results, interviews, and benchmarking to gain a holistic view of the City's Internal Audit department.

Previous Reports/Authority

[External Quality Assessment Procurement Award](#)

Analysis and Options

The self-assessment results indicate the City of Vaughan's Internal Audit department is in conformance with the IIA's Standards and Code of Ethics. Internal Audit received the top rating achievable which is Generally Conforms. Generally Conforms demonstrates a

clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing.

The IIA's external assessor concurred with the self-assessment results. The external assessor is independent of the organization and has the necessary knowledge and skills to undertake this engagement. The validation conducted virtually between October 25-27, 2021, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, the external assessor conducted interviews with the Audit Committee Chair, the City Manager, and four other senior executives of the City. The signed Independent Validation Statement from the IIA is included as Attachment 1.

The objectives, scope, methodology, and summary of observations are included in Attachment 2 – Self-Assessment with Independent Validation. The summary of observations highlights successful internal audit practices that are operating in an effective or efficient manner when compared to the practice of other internal activities. It also contains a couple of opportunities for improvement and the complete list of conformance with individual standards and the Code of Ethics.

As part of the external validation, the IIA conducted a stakeholder survey, which asked 23 questions about Internal Audit's Governance, Staff, Management and Purpose. Surveys were distributed to all Members of Council and the two citizen members on the Audit Committee. All eleven members completed the survey. Surveys were also distributed to fifteen members of management who had recently been part of an Internal Audit engagement. Thirteen responses were received. The stakeholder survey response rates and overall positive responses were above the historical average of similar organizations. 21 out of the 23 questions received higher scores than the industry average. The results are a testament to the positive relationship between Internal Audit, the Audit Committee, Council, and Senior Leadership. The stakeholder survey results are included as Attachment 3.

Financial Impact

Not applicable

Broader Regional Impacts/Considerations

Not applicable

Conclusion

Through the self-assessment and independent external validation process, the City of Vaughan's Internal Audit department has received the top ranking of "Generally Conforms". The internal audit activity is in conformance with the Standards and Code of Ethics. The next external assessment of the internal audit activity will be conducted in 2026.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

1. Attachment 1 – Independent Validation Statement
2. Attachment 2 – Self-Assessment with Independent Validation
3. Attachment 3 – Stakeholder Survey Results
4. Attachment 4 – Presentation Material

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Approved by

A handwritten signature in black ink, appearing to be 'K. Shapiro', with a long horizontal line extending to the right.

Kevin Shapiro, Director of Internal Audit