
For Information

REPORT TITLE: Quality Assessment Results

FROM: Michelle Morris, Director, Enterprise Risk & Audit Services

OBJECTIVE

To inform the Audit and Risk Committee of the results of the 2019 Quality Assessment of the internal audit activity.

REPORT HIGHLIGHTS

- The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an external quality assessment of the internal audit activity must be conducted at least once every five years.
 - The self-assessment results indicate the Region of Peel internal audit activity is in conformance with the Institute of Internal Auditor's *Standards* and Code of Ethics.
 - Independent validation by an external assessor concurred fully with the results of the self-assessment. The internal audit activity received the top rating achievable which is generally conforms.
 - The self-assessment process also highlights successful internal audit practices and identifies opportunities for improvements.
 - The next external assessment of the internal audit activity will be conducted in 2024.
-

DISCUSSION

1. Background

The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an external quality assessment of an internal audit activity must be conducted at least once every five years by a qualified independent assessor outside of the organization. Further, as outlined in the Audit and Risk Committee Charter, a key objective of the Audit and Risk Committee is to review and advise on the performance of the internal audit activity. The Quality Assessment provides an independent assessment of the internal audit activity that allows the Audit and Risk Committee to conclude on its performance.

The Quality Assessment can be accomplished through a full external assessment or by a self-assessment with independent validation. As in past years, the Enterprise Risk and Audit Services division conducted a self-assessment with external validation. Staff within the Enterprise Risk and Audit Services division have the necessary skills to complete the self-assessment which represents the major component of the Quality Assessment process. The Region of Peel's self-assessment team conducted the Quality Assessment of the

Quality Assessment Results

internal audit activity in the fall of 2019 to prepare for the validation by an independent assessor.

Enterprise Risk and Audit Services engaged the services of the Institute of Internal Auditors Quality Services, LLC (IIA Quality Services) to conduct the independent validation. The IIA Quality Services has specialized knowledge, skills, and experience to conduct the work. The assigned assessor has over 30 years of internal and external audit experience and has conducted quality assessments to a broad range of industries.

2. Opinion

Independent validation by the external assessor concurred fully with the results of the self-assessment. The internal audit activity received the top rating achievable which is generally conforms. It is our overall opinion that the internal audit activity of the Region of Peel generally conforms with the *Standards* and the Code of Ethics. A detailed list of conformance with individual standards and the Code of Ethics is attached in Appendix I – Attachment A Evaluation Summary.

The IIA's Quality Assessment Manual for the Internal Audit Activity suggests a scale of three rankings when opining on the internal audit activity which are as follows:

- Generally Conforms - means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics
- Partially Conforms - indicates that deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner
- Does Not Conform - means that deficiencies in practice are judged to deviate from the *Standards* and Code of Ethics and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities

The objectives, scope and methodology of the quality assessment is attached as Appendix II - Objectives, Scope and Methodology. Observations noting successful internal audit practices, items arising from partial conformance, and opportunities for continuous improvements are attached as Appendix III - Observations.

The Independent Validation Statement, which includes the external assessor's conclusion on the quality assessment, is attached as Appendix IV – Attachment B Independent Validation Statement.

CONCLUSION

Through the self-assessment and independent external validation process, the Region of Peel's internal audit activity has received the top ranking of "Generally Conforms". The internal audit activity is in compliance with the *Standards* and Code of Ethics. The opportunities for improvement will further strengthen the Enterprise Risk and Audit Services division's

Quality Assessment Results

effectiveness. The next external assessment of the internal audit activity will be conducted in 2024.

APPENDICES

Appendix I – Attachment A Evaluation Summary
Appendix II – Objectives, Scope and Methodology
Appendix III – Observations
Appendix IV - Attachment B Independent Validation Statement

For further information regarding this report, please contact Michelle Morris, Director, Enterprise Risk and Audit Services, Ext. 4247, michelle.morris@peelregion.ca.

Authored By: Michelle Morris, CPA, CGA, FCCA, CIA, CRMA, Director, Enterprise Risk and Audit Services

Reviewed and/or approved in workflow by:

Division Director.

Final approval is by the Chief Administrative Officer.



N. Polsinelli, Interim Chief Administrative Officer