



2022 Quality Assessment Results

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1.0 Management Summary

The Institute of Internal Auditors (IIA) is the global internal audit profession's leader in standards, certification, education, research and technical guidance. The *International Standards for the Professional Practice of Internal Auditing* ("the *Standards*") issued by the IIA require that an external quality assessment (QA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or an assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the QA process. The QA can be accomplished through a full external assessment or a self-assessment with independent validation.

The chief audit executive (CAE) discussed the form and frequency of the QA, as well as the independence and qualifications of the external validator, including any potential conflicts of interest in the announcement email to senior management and members of the Audit Committee on August 18, 2022. York Region Audit Services Branch conducted a self-assessment of its internal audit activity and selected IIA Quality Services, LLC as the qualified, independent external validator to conduct a validation of the self-assessment of Audit Services of York Region.

2.0 Introduction

The Audit Services Branch at York Region provides independent, objective assurance and consulting services designed to add value and improve York Region's operations. To help ensure the independence of the audit function, the Director, Audit Services is the Chief Audit Executive (CAE) and reports functionally to York Region Audit Committee and administratively to the Chief Administrative Officer.

3.0 Opinion

It is our overall opinion that Audit Services (internal audit activity) at York Region generally conforms with the *Standards* and the Code of Ethics. A detailed list of conformance with the individual standards and Code of Ethics is shown in Appendix I – Attachment A. Independent validation by the external validator concurred fully with the results of the self-assessment. Audit Services received the top rating achievable which is Generally Conforms.

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 - means 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 the 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

A detailed description of conformance criteria can be found in Appendix I - Attachment A Evaluation Summary and Rating Definitions.

4.0 Objectives, Scope and Methodology

OBJECTIVES

The objectives of the Quality Assessment included:

- An assessment of Audit Services' conformance with the *Standards* and the Code of Ethics
- An evaluation of Audit Services' effectiveness in carrying out its mission as set forth in the Audit Services Branch Charter and expressed in the expectations of York Region's management; identification of successful internal audit practices demonstrated by Audit Services; and identification of opportunities for continuous improvement to enhance the efficiency and effectiveness of the infrastructure, processes, and the value to our stakeholders.
- A validation of the results of Audit Services' self-assessment by an external independent validator. The main focus was to validate the conclusion of Audit Services related to conformance with the *Standards* and the Code of Ethics. They also reviewed Audit Services' observations related to successful internal audit practices and opportunities for continuous improvement. They offered additional observations as they deemed appropriate.

SCOPE

The scope of the Quality Assessment included:

- The internal audit activity at York Region. The scope of the work of the internal audit activity at York Region is described in the Audit Services Branch Charter.
- The Quality Assessment was concluded November 16, 2022 and provides senior management, Audit Committee, and Regional Council with information about the internal audit activity as of that date.
- The Standards and the Code of Ethics in place and effective as of November 16, 2022 were the basis for the Quality Assessment.

METHODOLOGY

- Audit Services compiled and prepared information consistent with the methodology established in the *Quality Assessment Manual for the Internal Audit Activity*. This information included detailed planning guides with all supporting documentation; an evaluation summary documenting all conclusions and observations; and the self-assessment report by Audit Services.
- Audit Services identified key stakeholders (Audit Services staff, senior management, Regional Chair, Audit Committee Chair, and the external auditors) and sent surveys

to each individual identified. The results were tabulated by IIA Quality Services, LLC to maintain confidentiality in responses. Anonymized survey results were shared with Audit Services during their self-assessment process.

- Prior to commencement of the on-site validation portion of the Audit Services self-assessment, IIA Quality Services, LLC held a preliminary meeting with Audit Services to discuss the status of preparation of the self-assessment, identification of key stakeholders to be interviewed during the on-site validation, and finalization of logistics related to the QA.
- IIA Quality Services, LLC through the Validator reviewed information prepared by Audit Services and the conclusions reached in the Quality Assessment report. The Validator also conducted interviews with selected key stakeholders, including the Audit Committee Chair, the Chief Administrative Officer, the Commissioner, Community and Health Services, the Commissioner, Public Works, the Commissioner of Finance & Regional Treasurer, external auditors, and Audit Services management and staff; reviewed a sample of audit projects and associated workpapers and reports; reviewed survey data received from York Region stakeholders and Audit Services management and staff; and prepared diagnostic tools consistent with the methodology established for an QA in the *Quality Assessment Manual for the Internal Audit Activity*.
- The Validator prepared an “Independent Validation Statement” (Appendix II – Attachment B) to document conclusions related to the validation of Audit Services’ self-assessment. This statement is included as Appendix II - Attachment B to this report.

5.0 Observations

Audit Services believes that the environment within our branch is well structured and progressive, where the *Standards* are understood, the Code of Ethics is followed, and management endeavors to provide useful audit tools and implement appropriate practices. Consequently, our comments and recommendations are intended to build on this foundation.

Observations are divided into three categories:

- **Successful Internal Audit Practices** – Areas where the internal audit activity is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit activities. The identification of these items is intended to provide stakeholders with a view on things Audit Services is doing in a leading practice manner when compared to other internal audit activities. Successful internal audit practices identified are summarized and detailed in Table 1 of this report. Highlights of a few success practices are highlighted below:
 - Standard 1000 – Purpose, Authority, and Responsibility – The Audit Services Branch Charter is comprehensive and contains the mandatory elements of the International Professional Practices Framework.

- Standard 1200 – Proficiency and Due Professional Care – Staff within the audit Services Branch are competent and committed to continuing their education, which is also required to uphold the various designations required for their role within the Region.
- Standard 2000 – Managing the Internal Audit Activity – Audit Services has a well established Corporate Wide Risk Assessment process to inform the Annual Risk-based Work Plan that is aligned to the Region’s Strategic Plan.
- **Gaps to Conformance** – Areas identified where Audit Services is operating in a manner that falls short of achieving one or more major objectives and attains an opinion of “Partially Conforms” or “Does Not Conform” with the *Standards* or the Code of Ethics. These items will include recommendations for actions needed to be “Generally in Conformance,” and will include an Audit services response and an action plan to address the gap. Gaps to conformance with the *Standards* or Code of Ethics identified are summarized and detailed In Table 2. Highlights to the gaps to conformance are noted below:
 - Standard 1311 – Internal Assessments – The periodic internal assessment process should be formally documented and executed on an annual basis. Processes exist for the on-going monitoring at the engagement level; however, gaps exist for the overall periodic internal assessment process.
 - Standard 1320 – Reporting on the Quality Assurance and Improvement Program – The results of the periodic internal assessment process and the external assessment process must be communicated to Senior Management and Audit Committee. There are opportunities to present the internal assessment process through dashboard reporting.
- **Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of Audit Services’ infrastructure of processes. These items do not indicate a lack of conformance with the *Standards* or the Code of Ethics, but rather offer suggestions on how to better align with criteria defined in the *Standards* or Code of Ethics. They may also be operational ideas based on the experiences obtained while working with other internal audit activities. A management response and an action plan to address each opportunity noted are normally included. Opportunities for continuous improvement identified are summarized and detailed in Table 3. Highlights on opportunities for continuous improvement are noted below:
 - Standard 1000 – Purpose, Authority, and Responsibility – That the CAE review the Audit Services Branch and the Audit Committee Charters annually and log to a template to provide sufficient evidence on file of review and sign off.
 - Standard 1210 – Proficiency – To continue to improve the risk analysis and control assessment techniques as we move toward the implementation of audit software.
 - Standard 2000 – Managing the Internal Audit Activity – The inclusion of a forecast of Year 2 and 3 audit projects to demonstrate audit coverage in the Risk-based Work Plan for management use.

Details of Success Internal Audit Practices are in Table 1 below:

Table 1

Successful Practices:	
Item	Standard(s)
1. The Audit Services Branch Charter was established September 2020 and developed through an environmental scan of 12 other municipal Internal Audit Charters and the supplemental Guidance of the IPPF on the Model Internal Audit Activity Charter. It was reviewed by Senior Management, endorsed by Audit Committee on January 21, 2021 and approved by Regional Council on January 28, 2021.	1000 – Purpose, Authority, and Responsibility 1010 – Recognizing Mandatory Guidance in the Internal Audit Charter 1110 – Organizational Independence
2. The recognition of Internal Audit Month in May of each year to raise awareness of the internal audit activity at York Region with staff. The campaigns have run virtual as a result of Covid-19 for years 2021 and 2022.	1000 – Purpose, Authority, and Responsibility
3. Audit Services staff annually review the Code of Ethics and sign off. A template is maintained within the Audit Services Branch shared drive to provide sufficient evidence of staff attestation. The practice has been in place for three years.	1100 – Independence and Objectivity
4. The introduction of the Internal Quality Partner (IQP) role. The IQP provides insights to the senior internal auditor and each milestone of the audit and help ensure compliance with the Standards. Evidence of the IQP's review is noted in a template in each audit file folder.	1300 – Quality Assurance and Improvement Program 1311 – Internal Assessments – Ongoing Monitoring
5. Competent staff who are committed to continuing their education, which is also required to uphold the various designations required for their role at the Region.	1200 – Proficiency and Due Professional Care 1230 – Continuing Professional Development
6. Staff use of data analytics to support controls monitoring at the Region.	1200 – Proficiency and Due Professional Care
7. A well-established Audit Services Corporate Wide Risk Assessment process to inform the Annual Risk-Based Work Plan that is aligned to York Region's Strategic Plan.	2000 – Managing the Internal Audit Activity 2010 – Planning 2120 – Risk Management

Successful Practices:	
Item	Standard(s)
8. The launch of the Fraud Prevention Program which include the draft Fraud Prevention Policy, the Fraud Risk Assessment and an established investigation process.	2100 – Nature of Work 2110 – Governance 2120 – Risk Management
9. The audit process is well structured and makes use of templates to guide each stage of the engagement to ensure compliance with the Standards. Templates include engagement letter, engagement-level risk assessment process, IQP review and report.	2200 – Engagement Planning 2300 – Performing the Engagement 2400 – Communicating Results
10. Audit reports are clear and concise and readily accepted by management. As confirmed in the survey, clients appreciate the value add of both assurance and consulting engagements.	2400 – Communicating Results 2410 – Criteria for Communicating
11. The Status of Management Action Plans process is well-established entrenched within the organization. Management is aware of the obligation for follow up responses, and it is reported semi-annually to Audit Committee.	2500 – Monitoring Progress

Details of gaps to Conformance with the Standards of the Code of Conduct and management’s response are in Table 2 below:

Table 2

Gaps (Partial Conformance):		
Item	Standard(s)	Audit Services Response
1. The periodic internal assessment process should be formally documented and executed on an annual basis. Processes exist for the on-going monitoring at the engagement level; however, gaps exist for the overall periodic internal assessment process.	1311 – Internal Assessments	The Director, Audit Services will develop the internal audit activity internal assessment process to include: <ul style="list-style-type: none"> • Ongoing monitoring of the performance of the internal audit activity • Periodic self-assessments by staff with sufficient knowledge of the Standards • Feedback from Internal Quality Partners on the

Gaps (Partial Conformance):		
Item	Standard(s)	Audit Services Response
		<p>overall quality of internal audit work in conformance with Standards</p> <p>Target date: March 31, 2023</p>
<p>2. The results of the periodic internal assessment process and the external assessment process must be communicated to Senior Management and Audit Committee. There are opportunities to present the internal assessment process through dashboard reporting. The external assessment for 2022 will be going forward to Senior Management and the Audit Committee.</p>	<p>1320 - Reporting on the Quality assurance and Improvement program</p>	<p>The Director, Audit Services will report the results of the internal assessment process commencing in 2024 in alignment with the Audit Services Branch Charter.</p> <p>The results of the Self-assessment with independent validation will be reported to Audit Committee in January 2023. The next Quality Assurance with independent validation will be due in 2027.</p> <p>Target date: January 31, 2024</p>

Details of Opportunities for Continuous Improvement and Management’s response are in Table 3 below:

Table 3

Improvement Opportunities:		
Item	Standard(s)	Audit Services Response
<p>1. The CAE review of the Audit Services Branch Charter and Audit Committee Charter should be reviewed annually and logged to a template to provide sufficient evidence on file of review and sign off.</p>	<p>1000 – Purpose, authority, and Responsibility</p>	<p>The Director, Audit Services will conduct annual reviews of the Audit Services Branch Charter and the Audit Committee Charter. Reviews of the Charters will be documented in a template indicating date reviewed and signoff.</p> <p>Any changes required as part of the review process will be brought forward to Audit Committee and Regional Council for approval.</p> <p>Target date: September 30, 2023</p>
<p>2. To continue to improve the risk analysis and control assessment techniques as</p>	<p>1200 – proficiency and Due</p>	<p>The Audit Services Branch is in the process of implementing an audit software solution that will automate</p>

Improvement Opportunities:		
Item	Standard(s)	Audit Services Response
we move toward the implementation of audit software.	Professional Care	the audit process including risk analysis and controls assessment techniques. Target date: February 28, 2023
3. The inclusion of Standard 2600 Communicating the Acceptance of Risks in the updated Audit Services procedures Manual.	2600 – Communicating the Acceptance of Risks	The Director, Audit Services is in the process of refreshing the Audit Services Manual. The refreshed manual includes a subsection 3.7 Communicating the acceptance of Risks. Target date: January 31, 2023
4. The Risk-Based Work Plan includes audit projects for the current year, there is an opportunity to include a forecast of audit projects for Year 2 and 3 to inform management of potential audits scheduled to take place within their departments.	2000 – Managing the Internal Audit Activity 2010 - Planning	The Director, Audit Services will add for management use the inclusion of forecasted audit projects for Year 2 and Year 3 so management will be informed of projects schedule in their departments. Target date: December 31, 2022
5. To ensure compliance with the Standards, evaluate the design, implementation, and effectiveness of the Region's ethic-related objectives through the consideration of a Code of Conduct and/ or cultural audit.	2110.A1 – Governance (Ethics)	The Director, Audit Services will consider the inclusion of a Code of Conduct and/ or cultural audit in the 2024 Risk-based Work Plan. This review would consider the design, implementation and the effectiveness of the Region's ethics-related objectives and programs. Target date: December 31, 2023

APPENDIX 1 – ATTACHMENT A

Evaluation Summary and Rating Definitions

	GC	PC	DNC
Overall Evaluation	✓		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	✓		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		
1200	Proficiency and Due Professional Care	✓		
1210	Proficiency	✓		
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		

		GC	PC	DNC
1300	Quality Assurance and Improvement Program	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments		✓	
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program		✓	
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
1322	Disclosure of Nonconformance	✓		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures	✓		
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	✓		

2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		
2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		
2420	Quality of Communications	✓		

2421	Errors and Omissions	✓		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
2431	Engagement Disclosure of Nonconformance	✓		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		

Code of Ethics		GC	PC	DNC
	Code of Ethics	✓		

RATING DEFINITIONS

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in

recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

APPENDIX II – ATTACHMENT B

Overall Conclusion and Independent Validation Statement

Overall Conclusion

York Region

We concur with the Internal Audit Department’s self-assessment that it **generally conforms** to the *International Standards for the Professional Practices of Internal Auditing* and the IIA Code of Ethics.

This level of conformance demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing

GOVERNANCE		STAFF		MANAGEMENT		PROCESS	
Standard	Rating	Standard	Rating	Standard	Rating	Standard	Rating
1000	GC	1200	GC	2000	GC	2200	GC
1100	GC			2100	GC	2300	GC
1300	GC			2450	GC	2400	GC
Code of Ethics	GC			2600	GC	2500	GC



Keltie Donohue

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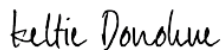
GC = Generally Conforms PC = Partially Conforms DNC = Does Not Conform

Independent Validation Statement

I was engaged as an Independent Assessor to conduct an independent validation of the self-assessment of York Region's internal audit activity. The primary objective of my validation was to verify the assertions made in the attached self-assessment report concerning adequate fulfillment of the organization's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (The IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)* and the IIA Code of Ethics. Other matters that may have been covered in a full independent assessment (such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology) were excluded from the scope of this independent validation by agreement with the Chief Audit Executive.

In acting as an Independent Assessor, I attest to being fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. My validation primarily consisted of a review and testing of the procedures and results of the self-assessment during the period October 11-17, 2022. In addition, interviews were conducted with the Chair of the Audit Committee, Chief Administrative Officer, Chief Financial Officer, and other senior executives and the external auditor.

I fully concur with the internal audit activity's conclusions in its self-assessment report. Implementation of the recommendations contained in the self-assessment report will enhance the value of the internal audit activity and ensure its continued conformity to the *Standards*.



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