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COMPLIANCE WITH THE INSTITUTE OF INTERNAL AUDITORS PROFESSIONAL PRACTICE STANDARDS

The Audit Committee recommends the adoption of the recommendation contained in the following report dated September 5, 2012, from the Director of Audit Services.

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

This report provides the results of the Audit Services Branch self-assessment and external validation on its compliance with The Institute of Internal Auditors (IIA) Professional Practice Standards.

3. BACKGROUND

The Institute of Internal Auditors (IIA) is an international professional association of more than 130,000 members with global headquarters in Altamonte Springs, Fla., United States. Throughout the world, The IIA is recognized as the internal audit profession's leader in certification, education, research, and technological guidance.

Compliance with the Standards is required for internal audit organizations to claim and publicize in their reports that they perform audits in compliance with the IIA Standards.

4. ANALYSIS AND OPTIONS

To establish whether an internal audit activity is in compliance with the Standards, the IIA introduced Standard 1300. The formal wording to this Standard is:

> ***1300 — Quality Assurance and Improvement Program***
> *The chief audit executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.*

Standard 1310 – Requirement of the Quality Assessment and Improvement Program must include both internal and external assessments. External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization. Internal assessments include ongoing monitoring of the internal audit activity, and periodic reviews performed through self-assessment or by other persons within the organization with sufficient knowledge of internal audit practices.

The purposes of the Quality Assessment (QA) Program are threefold:

- Assess the effectiveness of an IA activity in providing assurance and consulting services to management, the board, senior executives, and other interested parties.
- Assess conformance to the Standards and provide an opinion as to whether the internal auditing activity generally conforms to all of them.
- Identify opportunities, offer recommendations for improvement and provide counsel to the Chief Audit Executive and staff for improving their performance and services and promoting the image and credibility of the internal audit function.

The York Region Audit Services Branch addressed each Standard independently and concluded we conformed to every Standard. To achieve the requirement for an independent quality assessment, Audit Services enlisted the assistance of Brook Laker & Associates to perform an independent validation of our self-assessment and our plans to achieve conformance when partial or non-conformance was noted. As part of their role, Brook Laker reviewed the supporting documents on how Audit Services achieves conformance to the Standard being addressed, examined samples of Audit Services documents to substantiate claims, and interviewed the necessary individuals. From this independent validation, Brook Laker was able to form an opinion on whether, on the whole, York Region Audit Services complied with IIA Standards.

Brook Laker & Associates has provided their opinion in the Letter of Independent Validation of York Region Internal Audit Activity's Self-Assessment. (*Attachment 1*) This letter is standard wording and format provided by the IIA to be used for self-assessments with independent validation.

5. FINANCIAL IMPLICATIONS

None

6. LOCAL MUNICIPAL IMPACT

None

7. CONCLUSION

We have concluded that overall, the York Region Audit Services Branch is in compliance with the IIA standards for the professional practice of internal auditing.

For more information on this report, please contact Paul Duggan, Director, Audit Services at Ext. 1205.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the agenda for the October 4, 2012 Committee meeting.)

INDEPENDENT VALIDATION OF

YORK REGION AUDIT SERVICES BRANCH ACTIVITY'S SELF-ASSESSMENT

05 SEPTEMBER 2012

Brook Laker & Associates were engaged to conduct an independent validation of the York Region Audit Services Branch activity's self-assessment. The primary objective of the validation was to verify the assertions made in the attached quality self-assessment report concerning adequate fulfillment of the organization's basic expectations of the Audit Services Branch activity and its conformity to The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. Other matters that might 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 (CAE).

In acting as independent validator, we are fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. The validation, conducted during the period August 08 to August 31, 2012, consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, as an alternative to conducting interviews with York Region Senior Executive and the Audit Committee Chair, we reviewed the minutes of all quarterly reporting presented by the CAE to the Audit Committee, including all presentations and reports, for years 2008, 2009, 2010, 2011 and 2012 to-date.

We concur fully with the Audit Services Branch activity's conclusions in the self-assessment report attached.

Brook Laker & Associates

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05 September 2012

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