

Amendments to Council Policy No. C02-032 - Internal Audit Charter

ISSUE

Council Policy No. C02-032, Internal Audit Charter, requires amendments to capture changes resulting from the establishment of the Office of the City Internal Auditor (Internal Auditor's Office), current trends in internal auditing and materials published by the Institute of Internal Auditors (IIA).

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council:

1. That the proposed amendments to Council Policy No. C02-032, Internal Audit Charter, as outlined in the report of the City Internal Auditor dated August 16, 2021, be approved; and
2. That the City Clerk be requested to update Council Policy No. C02-032.

BACKGROUND

The Internal Audit Charter first came into effect on January 19, 2004 and was last updated to October 26, 2015. The Internal Audit Charter defines the purpose, authority, and responsibility of the Internal Auditor's Office. It authorizes access to records, personnel and physical properties relevant to the performance of engagements and defines the scope and nature of internal audit activities.

DISCUSSION/ANALYSIS

As part of the Internal Audit Charter update process, the following considerations were made:

- The Internal Audit Charter was last updated when the City's internal audit services were fully outsourced to a service provider. With the creation of the Internal Auditor's Office, it was important to reflect the change and context when updating the Internal Audit Charter.
- The proposed policy amendments were determined by comparing the current Internal Audit Charter with the materials published by the Institute of Internal Auditors (IIA) which includes the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*, model Internal Audit Charter, Core Principles, Code of Ethics and related guidance.
- The Internal Audit Charter was also compared with other Cities' Internal Audit Offices (Edmonton, Calgary, Hamilton, and Toronto) and other industries.

The following are key changes and highlights of the proposed amendments to the Internal Audit Charter:

- The Policy Objective (Section 2) has been revised to establish the purpose, authority and responsibility of the Internal Auditor's Office.
- In Section 3, several new definitions have been added and some definitions have been revised.
- Section 5.2, Independence and Objectivity, is new, which clearly defines the independence and objectivity of the Internal Auditor's Office. Key points indicate that the Internal Auditor's Office will be free from interference in carrying out responsibilities, and that Internal Auditor's Office will have no direct operational responsibility or authority over any of the activities audited.
- Under Section 5.8, Role of Internal Audit in Fraud Investigations, a new subsection has been added to indicate that the City Internal Auditor will manage the City's Whistleblower Program and will ensure that all complaints received related to the wrongdoing are investigated in a fair, confidential and timely manner.
- Under Section 5.10, Internal Audit Plan, the Internal Audit Plan will change from a long-range multi-year plan to an annual flexible Internal Audit Plan and will be continuously assessed for adjustment to respond to changes in the City's business, risks, operations, programs, systems and controls. The Internal Audit Plan will be prepared with input from the Administration and the Standing Policy Committee on Finance. The Internal Audit Plan will be subject to Standing Policy Committee on Finance approval.
- Section 5.13, Status Update Reports and Follow-up, has been expanded to clearly define the role of the Internal Auditor's Office in obtaining regular status updates on the implementation status of past internal and external audit recommendations, and conduct follow-up audits to assess whether the audit recommendations have been effectively implemented.
- Section 5.16, Annual Report, has been added to include the submission of an annual report to the Standing Policy Committee on Finance, providing a summary of internal audit activities, trend analysis and achievements.
- Section 5.18, Quality Assurance and Improvement Program, has been added that highlights the requirement to maintain a Quality Assurance and Improvement Program for the internal audit activity.

Appendix 1 provides a comprehensive overview of the recommended amendments to the Internal Audit Charter.

OTHER IMPLICATIONS

There are no financial, privacy, legal, social, or environmental implications.

NEXT STEPS

Upon City Council approval, the Internal Audit Charter Policy will be amended and posted on the City's website.

APPENDICES

1. Proposed Amendments – Council Policy No. C02-032, Internal Audit Charter

REPORT APPROVAL

Written and

Approved by: Sohail Saleem, City Internal Auditor

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