



**BRAMPTON**  
**Flower City**

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**Report**  
**Audit Committee**  
Committee of the Council of  
The Corporation of the City of Brampton

**Date:** February 11, 2011

**Audit Committee**

**File:** A05

**Date:** March 9, 2011

**Subject:** Internal Audit Charter and Audit Committee Terms of Reference

**Contact:** Catherine Spence, Director, Internal Audit, Internal Audit Division

**Overview:**

- **Internal Audit division is committed to review the Internal Audit Charter and the Audit Committee terms of reference at the beginning of each term of Council and update where necessary;**
- **Only a few minor revisions have been made to the Charter to provide more clarity;**
- **The Audit Committee terms of reference has been modified slightly including the change of membership from three members to up to four members in accordance with the resolution passed by Council in December 2010.**

**Recommendations:**

That the report from Catherine Spence, Director, Internal Audit Division, dated February 11, 2011 to the Audit Committee Meeting of March 9, 2011, re: **Internal Audit Charter and Audit Committee Terms of Reference – 2011 (File A05)** be received and approved.

**Background:**

The Audit Committee was established in 2002 at which time the Internal Audit Charter and the Committees' Terms of Reference were presented to the Committee. Internal Audit is committed to review the Charter and Terms of Reference at the beginning of each term of Council and update where necessary. Also the Director, Internal Audit reviews the Internal Audit Charter annually to determine if significant changes are required based on changes to the International Standards for the Professional Practice of Internal Auditing.

**Current Situation:***Internal Audit Charter:*

The objective of the Internal Audit Charter is to outline the purpose, authority and responsibility of the Internal Audit activity that is consistent with the definition of internal auditing, the code of ethics and the Standards.

The Charter establishes the internal audit activity's position within the City of Brampton, special interests groups and related Boards, including the nature of the Director, Internal Audit's functional reporting relationship with the Audit Committee; authorizes access to records, personnel, and physical properties relevant to the performance of projects.

The Charter also outlines that the internal audit activity is performed in an independent and objective manner.

Minor revisions have been made to the Audit Charter for clarification purposes only.

*Audit Committee Terms of Reference:*

The Audit Committee terms of reference outlines the objective and responsibilities of the Audit Committee. The Committee's responsibilities cover both internal audit activity and external audit activity.

Minor changes have been made to the attached terms of reference including a change based on a resolution passed by Council in December 2010 revising the composition of membership from three members to up to four members.

**Conclusion:**

Internal Audit division will continue to perform their work independently and objectively and to provide the highest quality of value-added service to the Corporation.

Original Signed By

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Name: Catherine Spence

Title: Director, Internal Audit

Appendices:

Appendix A: Internal Audit Charter

Appendix B: Audit Committee Terms of Reference

Report authored by: C. Spence

Corporation of the City of Brampton  
Internal Audit Division

## INTERNAL AUDIT CHARTER

### Purpose and Definition

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the City of Brampton's operations. It helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes. This may encompass the following activities but is not limited to:

- Reviewing adequacy of controls and the reliability and integrity of financial, managerial and operational information.
- Identifying and assessing key risks.
- Assessing compliance to corporate and departmental policies and procedures and relevant legislation.
- Evaluating the safeguarding of assets and verifying the existence of such assets.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

The division will provide the City Manager and Senior Management Team with the necessary recommendations to maintain the highest standards of stewardship and due diligence over corporate processes and public funds.

### Authority

The Director-Internal Audit has the authority to conduct financial, operational, compliance, information systems audits, and other special audits/reviews/investigations of all City departments and special interest groups, 3<sup>rd</sup> parties (via right to audit clauses where applicable) and related Boards.

The Director-Internal Audit with strict accountability for confidentiality and safeguarding records and information has full and unrestricted access to all records, physical properties and personnel necessary to carrying out any engagement.

It is the duty of any employee of the City having control of such records to permit the Director-Internal Audit or his/her designate access and examination when requested. It is also the duty of any employee of the City to fully co-operate with and make full disclosure of all pertinent information to the Director-Internal Audit or his or her authorized designate.

## **Reporting Relationship**

The Director-Internal Audit reports to the City Manager on all audit activity. At least three times a year or more frequently at the call of the Chair, the Director-Internal Audit reports to the Audit Committee of Council to review major findings with regard to completed audits or investigations. The Audit Committee mandate has been outlined in the terms of reference.

## **Responsibility**

The Director and staff of Internal Audit have a responsibility to:

- Develop a comprehensive risk-based annual internal audit work plan and submit to Senior Management Team to provide additional areas of risk for consideration. Submit to the City Manager for review and approval. Distribute the approved annual work plan to the Audit Committee for their review.
- Implement the approved Annual Internal Audit Work Plan and, as appropriate, any special tasks or projects requested during the year by Management and the Audit Committee.
- Present results of audit activity to Management and the Audit Committee.
- Establish a quality assurance program for the internal audit division that includes both ongoing and periodic internal quality assessments of the division and an external quality assessment of the division performed at least every five years as required by the Institute of Internal Auditors.
- Participate in the investigation of suspected fraudulent activity and notify Management and the Audit Committee of the results.
- Perform consulting services to assist Management in meeting its objectives, such as advisory, facilitation and training and other advisory services. These projects will be included in the annual workplan.
- Confirm, at least annually, the organizational independence of the Internal Audit activity.

## **Independence and Objectivity**

The City of Brampton recognizes the importance of the independence of the Director-Internal Audit from department management and therefore this position reports directly to the City Manager.

Internal Audit must be independent of the area they audit and objective in performing their work. Internal Audit will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

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## **Standards of Audit Practice**

The internal audit activity governs itself by conforming to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing.

**Terms of Reference**  
**Audit Committee**

**Objective**

The objective of the Audit Committee is to further enhance Council's understanding of financial and control reporting both internally (as provided by the City's Internal Audit Division) and statutorily (as provided by our External Auditors). The Committee provides another method to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. The Audit Committee also provides a focal point for improved communication between Council, the Internal and Statutory Auditors, and Management. It further strengthens the impartial, objective and independent review of management practices through the internal and statutory audit functions. In particular the Committee objectives are to:

- Demonstrate a higher level of public accountability;
- Provide additional assurance to the public that City services are administered in an effective, efficient and economical manner;
- Further ensure compliance with legislation for public reporting;
- Further ensure compliance with Corporate policies and procedures;
- Further ensure the safeguarding of City assets;
- Further ensure objective and independent review of processes for City operations.

**Reporting Role**

- Reports and makes recommendations to the Committee of Council;
- The Audit Committee will report by way of minutes to the next scheduled Committee of Council.

**Membership**

- The committee be comprised of up to four members of Council and the Mayor (ex officio);
- The members to be appointed by the elected members of Council.

**Term of Office**

- The term of appointment for the Committee members will be consistent with the Procedure By-Law.

**Election of Chair and Vice Chair**

- The Committee will elect from its members a Chair and Vice Chair and this election will be held at the Committee's first meeting of a new term.

**Meeting Frequency**

- The Committee will meet three times a year. Additional meetings would be scheduled if required. The meetings will occur in the spring and fall to align with the issuance of the statutorily audited financial statements and accompanying management letter (spring) and the distribution of the statutory audit work plan for the upcoming year (fall);
- The agendas for the meeting will be distributed to Committee members, Management and other internal and external stakeholders as appropriate;
- The Audit Committee meetings, related reports and minutes are open to the public except in the case of in-camera reports;

**Committee Resources**

- Committee resources will be provided by the City Manager, Commissioner of Financial and Information Services, City Clerk, and the City's Statutory and Internal Auditors;
- A designate from Clerks will provide legislative services to the Audit Committee and provide administrative support.

**Quorum**

- Any three members will constitute a quorum.

**Responsibilities of Audit Committee**

The Audit Committee is responsible for making recommendations to the Committee of Council regarding the following:

- **Statutory Audit Function**
  - Selecting and dismissing the City's Auditor(s) in accordance with the requirements of Section 296 of the Ontario Municipal Act;
  - Reviewing the terms of engagement, fees and scope of the audit services provided;
  - Reviewing and approving the annual Audited Financial Statements;
  - Reviewing reports.
- **Internal Audit Function**
  - Reviewing the annual internal audit work plan recommended by the Director, Internal Audit and approved by the City Manager;
  - Reviewing internal audit reports issued during the year;
  - Reviewing adequacy of the management responses to audit concerns in relation to the risks and costs involved;
  - Ensuring the internal audit recommendations are implemented by reviewing internal audit's follow up reports.
  - Review and approve internal audit charter.

- **Financial and Other Reporting**
  - Reviewing the annual Management Letter prepared by the City's statutorily appointed auditors and the related management responses;
  - Reviewing significant current or pending litigation and outcome.
  
- **General**
  - Reviewing the Audit Committee mandate periodically;
  - Any other matter that could come within the scope of the auditors.