

Audit Committee

Date: April 24, 2015

Date: June 3, 2015

File: GE.a

Subject: Internal Audit Charter Update

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

Overview:

- **Internal Audit activity is governed by the Internal Audit Charter. The Charter is reviewed annually by Internal Audit and presented to the Audit Committee for review if changes are made;**
- **The Charter outlines the purpose, authority and responsibilities of the internal audit activity and defines the nature of assurance and consulting services provided;**
- **As directed by Council, the Charter has been updated to expand Internal Audit's authority to include Mayor's Office and Council Office.**

Recommendations:

- 1) That the report from Catherine Spence, Director, Internal Audit Division, dated April 24, 2015 to the Audit Committee Meeting of June 3, 2015 re: **Internal Audit Charter Report Update (File GE.a)** be received.
- 2) That the updated Internal Audit Charter be approved.

Background:

The Audit Committee was established in 2002 to provide enhanced oversight capabilities and stewardship responsibilities of Council. At that time the Internal Audit Charter and the Committee's Terms of Reference were presented to the Committee. The Director, Internal Audit reviews the Charter annually and at the beginning of each new term to determine if changes are required in order to continue to assist Council and Management in meeting their business goals. The Internal Audit Charter was last updated and presented to Audit Committee at the February 25, 2015 meeting.

Current Situation:

The Internal Audit Charter governs the internal audit activity at the City of Brampton. It outlines 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 as set out by the Institute of Internal Auditors.

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

It also outlines that the internal audit activity is performed in an independent and objective manner. Independence is an essential component to building public trust and preserving objectivity and integrity associated with the audit function.

The Charter was last updated and presented to the Audit Committee February 2015. However, at the April 22, 2015 Council meeting Council requested Internal Audit to update the Internal Audit Charter to include the Mayor's Office and Council Office within the scope for all audit reviews, where appropriate, and report to the next Audit Committee meeting to advise the Committee of such changes to the Charter. As a result the Internal Audit Charter's authority has been updated accordingly.

Conclusion:

This report provides the Audit Committee with the updated Internal Audit Charter. The Charter is the foundation that allows Internal Audit to perform their work independently and objectively thus providing the highest quality of value-added service to the Corporation.



Catherine Spence
Director, Internal Audit

Appendix:

Appendix A: Internal Audit Charter

Report authored by: Catherine Spence
Director, Internal Audit

Approval for Submission:		
	Initials	Date
Chief Administrative Officer	25/5/13	HS

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Corporation of the City of Brampton
Internal Audit Division

INTERNAL AUDIT CHARTER

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the City of Brampton. It assists the City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the efficiency and effectiveness of the organization's governance, risk management and internal control.

Purpose of Charter:

To outline roles and responsibilities of the Director, Internal Audit and the internal audit activity at the City of Brampton.

Definitions:

- Annual Audit Work Plan:** The annual plan approved by Council listing audits, investigations, follow up audits and other projects to be performed by Internal Audit.
- Audit Committee:** It is a Committee of Council. The Committee was established to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. Roles and Responsibilities are further defined in the Audit Committee terms of reference.
- City Related Boards:** Includes Brampton Library
- Council:** Municipal Council of the City of Brampton and includes the Mayor's Office and Council Office.
- Employee:** Includes an individual employed by the City, including those employed on contract, and volunteers but does not include those retained by the City on a professional services agreement.
- Statutory Auditor:** External Auditor appointed pursuant to section 296 of the Municipal Act, 2001.
- Special Project:** Any project not listed on the Annual Audit Work Plan presented to Council.

Roles and Responsibilities

1. Director, Internal Audit is responsible for all internal auditing activities within City Departments and City Related Boards including:
 - a) independent, objective assurance and consulting activity designed to add value and improve the City of Brampton's operations;
 - b) help 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;
 - c) lead the implementation and operation of the City's Fraud Prevention hotline;
 - d) management and coordination of fraud investigation activities within City Departments and Related Boards.
2. Director, Internal Audit and External Auditor meet throughout the year as needed. External Auditor is provided the opportunity to review all audit reports issued.
3. The Director, Internal Audit will determine the appropriate methodologies and project scope necessary to discharge responsibilities.
4. Director, Internal Audit prepare and provide to Council an annual risk-based audit work plan that sets out the priorities of the Internal Audit function that are reflective of the City of Brampton's objectives, concerns and priorities; integrated and coordinated with the corporate risk assessment and strategic planning process. Input from Senior Management will be considered when developing the audit work plan.
5. Director, Internal Audit will implement the annual work plan as presented to Council. In the event a special project is added to the work plan the Director, Internal Audit will update the Audit Committee as to the impact on the Annual Work Plan schedule.
6. Director, Internal Audit will ensure all internal audit activity is performed in conformance with the International Standards for the Professional Practice of Internal Auditing and guidelines and procedures of ISACA for information systems.
7. Director, Internal Audit will report to Council as outlined in the Audit Committee terms of reference.
8. Director, Internal Audit will communicate to Council, through the Audit Committee, results of each audit performed and status of the operating department's progress in implementing recommendations.
9. Provide the Chief Administrative Officer and the Executive Leadership Team with the necessary recommendations to maintain the highest standards of stewardship and due diligence over corporate assets, processes and public funds.
10. A quality assurance program for the Internal Audit Division will be maintained 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.
11. The organizational independence of the Internal Audit activity will be confirmed to Audit Committee at least annually.

Scope of Work

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the City's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the City's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the City;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed.

Special Projects

A special project is considered any project not listed in the Annual Audit Work Plan that has been submitted to Council. Council may provide direction to the Director, Internal Audit to perform a special project of the City operations or City Related Boards. Management may request in writing to the Director, Internal Audit a special project and the Director will respond in writing addressing concerns including advising the CAO of any resource limitations and/or independence issues that would prevent the Director, Internal Audit to take on the project.

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, Mayor and Council Offices and special interest groups, 3rd parties (via right to audit clauses where applicable) and City Related Boards.

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

It is the duty of any employee of the City or City Related Board having control of such records to permit the Director, Internal Audit or his/her designate access and examination when requested subject to applicable legislation. It is also the duty of any employee of the City or related Board 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

1. The Director, Internal Audit reports administratively to the Chief Administrative Officer and functionally to the Audit Committee of Council.
2. The Director, Internal Audit meets with the Audit Committee four times a year or more frequently at the call of the Chair, to review major findings with regard to completed audits or investigations. The Audit Committee mandate is outlined in the Audit Committee Terms of Reference.
3. The Director, Internal Audit is required to provide the Chief Administrative Officer through Department Chiefs a copy of all audit reports. Department Chiefs then have three calendar weeks to provide back to Director, Internal Audit an action plan to address each recommendation in the report. The management action plan will include:
 - Position accountable for implementing the recommendation;
 - Method management will take to successfully implement the recommendation;
 - Expected completion date of implementation;
 - If management disagrees with the findings/recommendations the reason for disagreeing or suggested revision(s) must be provided.

Independence and Objectivity

Internal Audit must be independent of the area they audit and objective in performing their work.

The Director, Internal Audit will have no direct operational responsibility or authority over any operational activity for the City or City Related Boards. Accordingly, Internal Audit will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

The Director, Internal Audit is not authorized to perform any operational duties for the organization or related boards.

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; guidelines and procedures of ISACA for information systems; as well as the City's relevant policies and procedures and the Internal Audit Procedures Manual.