

Internal Audit Charter for [City of Brampton](#)

Purpose

The purpose of the internal audit function is to strengthen [City of Brampton](#)'s ability to create, protect, and sustain value by providing the [Audit Committee](#) and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances [City of Brampton](#)'s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

[City of Brampton](#)'s internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The internal audit function is independently positioned with direct accountability to the [Audit Committee](#).
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The [City of Brampton](#)'s internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The [Director, Internal Audit](#) will report [annually](#) to the [Audit Committee](#) and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

~~[USER'S NOTE: In those jurisdictions and industries where the internal audit function's mandate is prescribed wholly or partially in laws or regulations, the internal audit charter must include the legal requirements of the mandate. If laws and/or regulations (including local ordinances or organizational policy) comprehensively cover the requirements for a charter, they may be substituted for a formal charter. See user's guide for more information.]~~

Authority

~~The [City of Brampton](#)'s internal audit function mandate is found in [City of Brampton By-law 108-2023](#), which states [quote law or regulation].~~

The internal audit function's authority is created by its direct reporting relationship to the [Audit Committee](#). Such authority allows for unrestricted access to the [Audit Committee](#).

The [Audit Committee](#) authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of [City of Brampton](#) and other specialized services from within or outside [City of Brampton](#) to complete internal audit services.
- **Conduct any engagement of all City departments and special interest groups, 3rd parties (via right to audit clauses where applicable) and City Related Boards.**
- **Manage the City's Ethics Hotline and coordinate all fraud investigations activities within City Departments and related Boards, and update the Audit Committee quarterly on the activities related to the Ethics Hotline.**

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

Independence, Organizational Position, and Reporting Relationships

The [Director, Internal Audit](#) will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) The [Director, Internal Audit](#) will report functionally to the [Audit Committee](#) and administratively (for example, day-to-day operations) to the [Chief Administrative Officer](#). This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the [Audit Committee](#), when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The administrative reporting responsibilities to the Chief Administrative Officer include:

- **Approving the internal audit function's human resources administration, together with input from the Audit Committee.**
- **Facilitating the approval of internal audit's budgets by Audit Committee.**
- **Approving the Director, Internal Audit's expenses, with input from the Chair of the Audit Committee.**
- **Approving the Director, Internal Audit's vacation plans.**

Commented [KM1]: Added from the "Authority" section of existing charter

Commented [MF(2)]: Moved this point from the CAE roles and responsibilities section to be under Authority as managing the Ethics Hotline is a very distinctive area of responsibility.

Commented [KM3]: Added from the "Authority" section of the existing charter

- Providing input to the Chair of the Audit Committee on the performance of the Director, Internal Audit.

The Director, Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the Director, Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Director, Internal Audit will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Commented [MF(4): Added this section to clarify the administrative responsibilities, in response to the IIA Gap Assessment recommendations. These bullets came from the IIA Standards.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the chief audit executive, Audit Committee, and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Commented [FM5]: Green fronts are public sector specific.

Audit Committee Oversight

~~[USER'S NOTE: Due to the Global Internal Audit Standards' "essential conditions," the governing body's responsibilities should be included in the internal audit charter. However, if an audit committee charter that outlines its responsibilities is already in place, it is not necessary to repeat the information in this charter.]~~

To establish, maintain, and ensure that City of Brampton's internal audit function has sufficient authority to fulfill its duties, the Audit Committee will:

- ~~Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.~~
- ~~Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present. [USER'S NOTE: Public sector internal auditors should ensure any~~

Commented [MF(6): Removed the Audit Committee Oversight section as they are mostly covered by the Audit Committee Terms of Reference. We have compared these points with the Audit Committee Terms of Reference and added some of these bullets to the Terms of Reference.

~~such meetings are held in accordance with laws and/or regulations applicable to public records.]~~

- ~~• Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.~~
- ~~• Participate in discussions with the chief audit executive and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.~~
- ~~• Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.~~
- ~~• Review the internal audit charter [periodically] with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter [periodically (typically annually)].~~
- ~~• Approve the risk-based internal audit plan.~~

[USER’S NOTE: Ideally the next four bullets would be approved by the governing body. However, in some public sector organizations, the governing body with direct oversight to the organization or internal audit function may not have budgetary, expenditure, or hiring authority. Therefore, the charter must document alternative steps taken to achieve the intent of the Global Internal Audit Standards. For example, the organization’s budget, including that of the internal audit function, may be approved by the legislature. Therefore, the governing body should advocate to senior management, which submits budgetary requests to the legislature, for sufficient budget and resources allowing the internal audit function to fulfill its mandate and accomplish its audit plan.]

- ~~• Provide input to the internal audit function’s human resources administration and budgets.~~
- ~~• Review the internal audit function’s expenses.~~
- ~~• Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.~~
- ~~• Review and provide input to senior management on the chief audit executive’s performance.~~
- ~~• Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.~~
- ~~• Ensure a quality assurance and improvement program has been established and review the results annually.~~
- ~~• Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.~~

Commented [KM7]: The administrative reporting responsibilities to the Chief Administrative Officer include:

- Approving the internal audit function’s human resources administration
- Facilitate the approval of internal audit’s budgets by Audit Committee
- Approving the chief audit executive’s expenses, with input from the Chair of the Audit Committee
- Providing input to the Chair of the Audit Committee, on the performance of the Director, Internal Audit.

Director, Internal Audit Roles and Responsibilities

Ethics and Professionalism

The [Director, Internal Audit](#) will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The [Director, Internal Audit](#) will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the [Director, Internal Audit](#) determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year. **To this end, Internal Audit staff temporary assignments to other City divisions (including secondments) will be operationally challenging, and therefore, not be permitted.**
- Performing operational duties for the [City of Brampton](#) or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any [City of Brampton](#) employee that is not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

Commented [KM8]: Added from the "Independence and Objectivity" section of the existing charter

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, [Audit Committee](#), management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The [Director, Internal Audit](#) has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the [Audit Committee](#) and senior management. Discuss the plan with the [Audit Committee](#) and senior management and submit the plan to the [Audit Committee](#) for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the [Audit Committee](#) and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in [City of Brampton](#)'s business, risks, operations, programs, systems, and controls.
- Communicate with the [Audit Committee](#) and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards [and laws and/or regulations](#).
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the [Audit Committee](#) ~~and senior management quarterly and for each engagement as appropriate.~~
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact [the City of Brampton](#) and communicate to the [Audit Committee](#) and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to [the City of Brampton](#)'s relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the [Audit Committee](#) and senior management.

- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the [Director, Internal Audit](#) cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the [Audit Committee](#).

Communication with the [Audit Committee](#) and Senior Management

The [Director, Internal Audit](#) will report [periodically](#) to the [Audit Committee](#) and senior management regarding:

- The internal audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the [Audit Committee](#) that could interfere with the achievement of the [City of Brampton's strategic objectives](#).
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond [the City of Brampton's risk appetite](#).
~~{USER'S NOTE: In the public sector, this risk acceptance could be a result of funding restrictions impacting management's ability to respond to risks toward strategic objectives.}~~

Quality Assurance and Improvement Program

The [Director, Internal Audit](#) will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the [Director, Internal Audit](#) will communicate with the [Audit Committee](#) and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-

assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the City of Brampton; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. ~~[USER'S NOTE: Public sector competencies and knowledge as well as knowledge of the Global Internal Audit Standards should be considered when selecting external assessors.]~~

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of the City of Brampton's activities, assets, and personnel¹. ~~[USER'S NOTE: If the internal audit function has an audit universe, it could be referenced here.]~~ The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance ~~and advisory~~ services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for the City of Brampton. ~~To maintain independence, due to the team's small size, Internal Audit will not provide advisory services unless requested by City Council or the Chief Administrative Officer, subject to Internal Audit's evaluation on a case-by-case basis².~~

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

~~[USER'S NOTE: The list of examples below should be customized to the scope of services agreed upon with the organization's governing body and senior management. See Guide to Customizing the Model Internal Audit Charter for Public Sector Use for more information.]~~

Commented [MF(9): Incorporated CLT input provided on Jun 13, 2024 - slight changes to the old charter

¹ Internal Audit's scope includes all City departments and special interest groups, 3rd parties (via right to audit clauses where applicable), and City Related Boards, as defined under the "Authority" section.

² Per input from the Corporate Leadership Team on June 13, 2024, Internal Audit will not be carrying out advisory services unless requested by City Council and /or the Chief Administrative Officer.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of the City of Brampton's strategic objectives are appropriately identified and managed.
- The actions of the City of Brampton's officers, directors, management, employees, and contractors or other relevant parties comply with the City of Brampton's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the City of Brampton.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Commented [FM10]: All green fonts are public sector specific

Approved by the **City Council** at its meeting on **October 16, 2024**.

Acknowledgments/Signatures

Claire Mu, Director, Internal Audit

Date

Dennis Keenan, Audit Committee Chair,

Date

Patrick Brown, Mayor

Date

