

**Date:** 2022-05-09

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

**Contact:** Richard Gervais, Acting Director, Internal Audit  
Mikkel Marr, Director, Organizational Performance & Strategy

**Report Number:** CAO's Office-2022-513

**Recommendations:**

- 1) That the report titled: **Update of Internal Audit Charter and Audit Committee Terms of Reference**, to the Audit Committee Meeting of May 17, 2022 be received.
- 2) That the updated Internal Audit Charter Version 2022, as set out in Appendix 1 to this report, be approved.
- 3) That the updated Audit Committee Terms of Reference Version 2022, as set out in Appendix 3 to this report, be adopted.

**Overview:**

- This Report includes proposed changes to the Internal Audit Charter Version 2019 to clarify roles and responsibilities and recommends the adoption of an Internal Audit Charter as attached as Appendix 1 to this Report; and
- This Report also recommends revisions to Audit Committee Terms of Reference to align with the recommended Internal Audit Charter, as attached as Appendix 3 to this Report.

**Background:**

On May 5, 2021, Council reinstated the previous version of the Internal Audit Charter and Audit Committee Terms of Reference from March 2019 to ensure independence and objectivity of the internal audit function. In addition, Council provided direction to staff to provide comments with regard to clarification of roles and responsibilities.

**Current Situation:**

***Internal Audit Charter update Version 2022***

Based on the review of the Internal Audit Charter Version 2019, the audit charters of other municipalities and recommendations of The Institute of Internal Auditors (IIA), two areas were identified where additional language would provide greater clarity and alignment with the current organizational structure.

It is recommended the City adopt the Internal Audit Charter, attached as Appendix 1 to this report. The proposed amendments include the following:

<b>Current (Version 2019)</b>	<b>Proposed changes (Version 2022)</b>
To establish, maintain, and assure that the City’s Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will: <ul style="list-style-type: none"><li>• Approve decisions regarding the appointment and removal of the CAE.</li></ul>	To establish, maintain, and assure that the City’s Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will: <ul style="list-style-type: none"><li>• Participate in the selection of the Director, Internal Audit.</li><li>• Actively participate in discussions about and approving decisions regarding removal of the Director, Internal Audit.</li></ul>
Director, Internal Audit is referred to as Chief Audit Executive (CAE)	Chief Audit Executive (CAE) removed and replaced with Director, Internal Audit

***Audit Committee Terms of Reference Version 2022***

The Terms of Reference outlines the objectives and responsibilities of the Audit Committee. The Terms of Reference Version 2022, attached as Appendix 3 to this report, has been amended to align with the proposed changes to the Internal Audit Charter as noted above.

**Corporate Implications:**

Financial Implications: nil

Other Implications: nil

**Term of Council Priorities:**

This report achieves the term of Council priority of a Well-Run City by ensuring accountable and transparent government through clear the roles and responsibilities.

**Conclusion:**

The Office of Internal Audit performs its work independently and objectively. Enhancements to the Internal Audit Charter and Audit Committee Terms of Reference will ensure that Internal Audit continues to provide independent, objective assurance and consulting services designed to add value and improve the operations of the City.

Authored by:

Reviewed by:

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Emily Sung, Sr Advisor, Organizational  
Performance & Strategy

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Mikkel Marr, Director, Organizational  
Performance & Strategy

Approved by:

Submitted by:

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Richard Gervais, Director, Internal Audit  
(Interim)

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Paul Morrison, Chief Administrative Office  
(Interim)

**Attachments:**

Appendix 1: Internal Audit Charter Version 2022 – Clean

Appendix 2: Internal Audit Charter Version 2022 – Marked

Appendix 3: Audit Committee Terms of Reference 2022 – Clean