

**Date:** 2023-06-01

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

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**Recommendations:**

- 1) That the report titled: **Audit Committee Terms of Reference and Internal Audit Charter**, to the Audit Committee Meeting of June 12, 2023, be received.
- 2) That the combined and updated Audit Committee Terms of Reference and Internal Audit Charter, as set out in **Appendix 1: By-law to Establish Audit Committee Terms of Reference and Internal Audit Charter** to this report, be approved and enacted in a By-law.
- 3) That Administrative Authority By-law 216-2017, as amended, be further amended to delegate authority to the Director of Internal Audit to make amendments to the Schedule contained in the proposed Audit Committee Terms of Reference and Audit Charter By-law to make required Schedule updates as set out in the Institute of Internal Auditors ("IIA") Standards, with regular reporting to the Audit Committee on any changes made to the by-law Schedule.

**Overview:**

- This Report includes the combined Audit Committee Terms of Reference and Internal Audit Charter attached in **Appendix 1: By-law to Establish Audit Committee Terms of Reference and Internal Audit Charter** to be approved and enacted in a By-law.
- Also recommended is an amendment to the Administrative Authority By-law 216-2017 to delegate to the Director of Internal Audit the authority to make changes to the proposed **Audit Committee Terms of Reference and Internal Audit Charter** as contained in the Schedule to the proposed By-law, with limitations.
- The **Audit Committee Terms of Reference** are approved at the beginning of each term of Council.

- The **Audit Committee Terms of Reference and Internal Audit Charter** joins the terms of reference and audit charter as received at the Audit Committee meeting of February 21, 2023, Audit Committee Motion AU9-2023.
- Two changes are made to the **Internal Audit Charter** approved in February to formalize practices already in place.
  - Internal Audit will not be providing consulting services, except at the request of the City Council on governance and risk matters.
  - Internal Audit staff are not permitted to accept temporary assignments to other City divisions (including secondments).
- The documents were combined to avoid duplication and to provide a single reference document.
- This Report includes copies of the terms of reference and audit charter received at the February 21, 2023, Audit Committee meeting. See **Appendix 2: Internal Audit Charter Version 2023** and **Appendix 3: Audit Committee Terms of Reference 2023**. **Appendix 4** outlines a chronology of changes to the Audit Charter.

### **Background:**

The Audit Committee was established in 2002 to enable Council members to fulfil their oversight capabilities and stewardship responsibilities. The City's Audit Charter and Audit Committee Terms of Reference were presented to that committee.

- The Terms of Reference for the Audit Committee are established at the beginning of every term of Brampton City Council. Roles and Responsibilities are defined in the Audit Committee Terms of Reference.
- The Audit Charter is a formal document approved by City Council. The Audit Charter defines the Internal Audit function's Purpose and Mission, Authority, Responsibility, Independence and Objectivity, Scope of Internal Audit Activities, and position within the City of Brampton.

The Internal Audit Division reviews the Charter and the Terms of Reference at the beginning of each term of Council, updating either document wherever necessary. In addition, the Director of Internal Audit reviews the Internal Audit Charter annually to determine if changes are required. These updates may include changes from the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing ("Standards") on which the Charter is based.

Changes have been made to the Audit Charter in 2019, 2020 and 2021. See **Appendix 4** for a chronological list of changes.

The Audit Charter and Audit Committee Terms of Reference documents have, until

now, been maintained as two separate documents.

At the September 8, 2020, meeting of the Audit Committee, the committee voted to adopt updated versions of the Audit Committee Terms of Reference and Internal Audit Charter into By-law. While the report was received, no motion was presented to City Council to adopt the Charter and terms of reference into By-law. Click [here](#) for the meeting minutes.

Members of the Audit Committee attending the Council Workshop on January 30, 2023, asked Internal Audit staff to combine the Audit Charter and Audit Committee Terms of Reference into one document and to present it at the Audit Committee to be approved and enacted into By-law. Click [here](#) for the meeting agenda.

Per the January Workshop, Internal Audit presented the report titled: "Update of Internal Audit Charter and Audit Committee Terms of Reference" at February 21, 2023, meeting of the Audit Committee. The committee formally directed staff to review the Audit Committee Terms of Reference and the Audit Charter and provide a draft version of a combined document for the next Audit Committee meeting to adopt the combined document into By-law. Click [here](#) for the meeting minutes.

### **Current Situation:**

This report implements the Audit Committee direction, from motion AU9-2023, that staff review the Audit Committee Terms of Reference and the Audit Charter and provide a draft version of a combined document to the next scheduled Audit Committee meeting. The contents of the documents are closely linked and were connected to avoid duplication and to provide a single reference document. One guiding document will provide efficiency and clarity on the mandate of the Audit Committee.

### Audit Committee Terms of Reference and Internal Audit Charter By-law

Internal Audit seeks approval for the Council to enact the Audit Committee Terms of Reference and Internal Audit Charter into By-law, as set out in **Appendix 1** to this report.

The contents of the terms of reference and Charter were received at the Audit Committee meeting of February 21, 2023, Audit Committee Motion AU9-2023.

### Changes to the Audit Charter

Two changes have been made to the Internal Audit Charter approved in February to formalize practices already in place:

- To maintain independence, due to the small size of the team, Internal Audit will not be providing consulting services, except at the request of the City Council on governance and risk matters;
- Internal Audit staff can no longer accept temporary assignments to other City divisions (including secondments). The City Solicitor has been consulted on adding this condition to the Audit Charter.

Allowing IA staff to perform consulting services or accept temporary assignments to other City divisions poses an operational challenge. It impinges on Internal Audit

Independence and Objectivity, as auditors cannot audit their own work. This can limit Internal Audit's ability to perform audits with an independent and objective mindset.

Except for the above changes, the Audit Committee Terms of Reference and Internal Audit Charter documents currently in effect remain the same.

#### Delegated Authority

Internal Audit seeks to amend the Administrative Authority By-law 216-2017 to grant the Director of Internal Audit authority to amend the **Audit Committee Terms of Reference and Internal Audit Charter By-law**, with the following limitations.

The Director of Internal Audit's authority to make changes are limited to updating the contents, such as to reflect changes to the IIA Standards. The Director is not authorized to make changes to the document that could affect funding or the roles and responsibilities of the Audit Committee or the Director of Internal Audit and division, including the reporting structure. The Director, Internal Audit will regularly report any changes to the proposed by-law Schedule to the Audit Committee for reference.

#### **Corporate Implications:**

Financial Implications: nil

Other Implications:

That Legal Services take the steps necessary to enact the Audit Committee Terms of Reference and Internal Audit Charter into By-law.

#### **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 roles and responsibilities.

#### **Conclusion:**

No significant changes resulted from combining the Audit Committee Terms of Reference and Internal Audit Charter documents. The contents of the documents are closely linked and were joined to avoid duplication and provide a single reference document.

A key feature of this report is to enact the combined Audit Committee Terms of Reference and Internal Audit Charter into By-law. This will provide greater stability to the Internal Audit function of the City of Brampton.

Claire Mu

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Director, Internal Audit

**Attachments:**

Appendix 1: By-law to Establish Audit Committee Terms of Reference and Internal Audit Charter

Appendix 2: Internal Audit Charter Version 2023

Appendix 3: Audit Committee Terms of Reference 2023

Appendix 4: A Chronology of Changes