



**SUBJECT: Internal Audit Charter update**

**TO: Audit Committee**

**FROM: City Auditor's Office**

Report Number: CA-03-21

Wards Affected: Not applicable

File Numbers: 430-01

Date to Committee: December 8, 2021

Date to Council: December 14, 2021

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**Recommendation:**

Approve the updated Internal Audit Charter attached as appendix B of city auditor's office report CA-03-21.

**PURPOSE:**

**Vision to Focus Alignment:**

- Deliver customer centric services with a focus on efficiency and technology transformation

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**Background and Discussion:**

The Internal Audit Charter is a foundational document describing the mission, values, scope of work, independence and authority of the Office of the City Auditor. It is a professional requirement from the Institute of Internal Auditors (IIA) to define these foundational elements into a policy document such as an Internal Audit Charter and request approval from the Audit Committee. Section #1000 from the International Standards for the Professional Practice of Internal Auditing describes the requirement:

**1000 – Purpose, Authority, and Responsibility:**

*“The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional*

*Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.”*

The Office of the City Auditor has had an Internal Audit Charter since 2011 that conforms with the IIA’s professional standards. This Charter was last reviewed and approved by Audit Committee in February 2017 (see appendix A).

### **Strategy/process**

The current Internal Audit Charter is robust and meets all the requirements of the IIA’s professional standards. The rationale for updating the Charter currently include:

- It is a requirement under the IIA professional standards to periodically review the Charter
- It is a leading practice for Internal Auditors to scan other organizations and academic research for relevant trends that may be applied to City of Burlington
- It is an opportunity to raise awareness and discuss the mandate of the City Auditor amongst members of Audit Committee
- A new City Auditor recently joining the organization brings a new perspective
- To align with minor changes recommended in the Audit Committee’s Terms of Reference

Below is a summary of the minor modifications to the Internal Audit Charter; identified in appendix B:

<b>Charter section</b>	<b>Summary of the change</b>	<b>Rationale for the change</b>
Scope of Work	Added: requirement to also ensure City’s strategic objectives are being achieved	In addition to having a traditional risk management and compliance lens to internal auditing, the City Auditor should also report to Audit Committee whether projects/programs related to Council’s strategic plan are meeting their stated objectives
Independence	Change: reporting relationship	Changing titles to reflect new organizational structure in City Manager’s Office
Accountability	Change: reporting relationship	Same as above

Responsibility	Added: corporate strategic projects and/or programs	In addition to the traditional risk-based approach to developing the Annual Audit Plan; the City Auditor should also evaluate the corporate strategic projects and/programs from the Council approved strategic plan to ensure they are meeting their stated objectives
Responsibility	Added: annually	Timing of Audit Plan to be submitted to Audit Committee is explicitly added as annually.
Responsibility	Added: advice to management re: fraud issues	Adding fraud issues as a potential area for the City Auditor to provide advice/support to Management (as needed)

### Options Considered

Maintaining an Internal Audit Charter is a requirement from the '*International Professional Practices Framework*' published by the Institute of Internal Auditors; therefore, not having a Charter was not considered. Research and benchmarking against other organizations was performed to inform this report.

### Financial Matters:

#### Total Financial Impact

The Office of the City Auditor is supported by an operating budget approved annually by Council through the budget process. There are no financial implications through this report.

#### Source of Funding

Operating budget as approved by Council.

#### Other Resource Impacts

Not applicable.

### Climate Implications

Not applicable.

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### **Engagement Matters:**

Not applicable.

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### **Conclusion:**

The current Internal Audit Charter is robust and is reflective of professional standards recommended by the Institute of Internal Auditors. The minor modifications recommended by the City Auditor include a greater strategic alignment to Council's approved Vision 2040 and Vision-to-Focus strategic plans.

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Respectfully submitted,

Maciej Jurczyk, CPA, CMA, CIA, CRMA

City Auditor

[maciej.jurczyk@burlington.ca](mailto:maciej.jurczyk@burlington.ca)

### **Appendices:**

- A. CA-03-21 Internal Audit Charter – February 2017 FINAL
- B. CA-03-21 Internal Audit Charter – Dec 2021 with tracked changes
- C. CA-03-21 Table - Comparative Analysis of IA Charters

### **Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.