

## Office of the City Auditor Charter



### Mission

The mission of the Office of the City Auditor is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

### Definition of Internal Audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### Values and Principles

The Office of the City Auditor will operate within established City employee values and in accordance with the following core principles:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organization.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organizational improvement.

### Scope of Work

The scope of work of the Office of the City Auditor encompasses the examination and evaluation of the adequacy and effectiveness of the City's governance, risk management process, system of internal control structure and the quality of performance in carrying out assigned responsibilities to achieve the organization's goals and objectives to ensure:

- Risks are appropriately identified and managed.
- Actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and are adequately protected.
- Programs, plans and objectives are defined, communicated and achieved.
- Significant legislative and regulatory issues impacting the City are recognized and addressed appropriately.
- Quality and continuous improvement are fostered in the organization's control processes.
- Financial, managerial and operating information is accurate, reliable and timely.

## **Independence**

The City Auditor is accountable functionally to the Audit Committee and administratively to the City Manager in a manner outlined in the following section on Accountability. In addition, the Audit Committee is responsible for conducting the performance evaluation of the City Auditor.

The scope, direction and coverage of the Office of the City Auditor are under the authority of the City Auditor having regard to circumstances and the resources available.

## **Accountability**

The City Auditor, in the discharge of his/her duties, shall be accountable to the Audit Committee and the City Manager to:

- Report significant issues related to the adequacy and effectiveness of the City's processes for controlling its activities and managing its risks, including recommendations for improvements to those processes and management's response for implementing corrective action,
- Periodically provide information on the status of the annual audit plan and the sufficiency of resources of the Office of the City Auditor, and
- Coordinate with other control and monitoring functions, including but not limited to, risk management, compliance, legal, and external audit.

## **Responsibility**

The Office of the City Auditor has a responsibility to:

- Establish appropriate policies and procedures to guide the Internal Audit function including a quality assurance and improvement program.
- Develop a flexible audit plan for assurance services using appropriate risk-based methodology, including any risks or control concerns identified by management, submit that plan, and suggested resource requirements for the internal audit function, to the Audit Committee for review and approval as well as periodic updates.
- Implement the audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include: facilitation, advisory services, and evaluation and assessment of significant merging/consolidating functions and new or changing services, processes, operations, and control processes
- Act as an ongoing resource to management by providing impartial and objective advice related to control and risk management issues.
- Issue periodic reports to the Audit Committee and applicable committees (e.g. Senior Management Team) summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Assist in the investigation of suspected fraudulent activities within the City and notify management and the Audit Committee of the results.

- Liaise with the City's external auditors as appropriate for the purpose of providing adequate audit coverage to the City.

### **Authority**

The Office of the City Auditor is **authorized** to:

- Have unrestricted access to all operations, functions, records, property, and personnel<sup>1</sup>.
- Have full and unrestricted access to the Audit Committee<sup>1</sup>.
- Allocate audit resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Office of the City Auditor is **not authorized** to:

- Perform any operational duties for the City or its affiliates.
- Initiate or approve accounting transactions external to the Office of the City Auditor.
- Direct the activities of any City employee not employed by the Office of the City Auditor, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the City Auditor.
- Devise, develop or install systems or procedures, prepare records, make management decisions or undertake any activity which would relieve other staff of any responsibility assigned to them and which could be reasonably construed to compromise the independence of the Office of the City Auditor.

### **Reporting and Monitoring**

A written report will be prepared and issued by the Office of the City Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. The internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. Internal audit results will also be communicated to the Audit Committee.

The internal audit activity will be responsible for appropriate follow-up on audit findings and recommendations. All significant findings will remain in an open issues file until cleared.

At least quarterly, the City Auditor will report to the Audit Committee including a report on the performance of Internal Audit relative to the approved work plan, significant issues identified with resolutions, and assurance as to areas that are well-controlled.

Situations may arise where a report is requested to be presented in "Closed Session". In order to qualify as "closed" the report may be evaluated by the City Clerk to verify it meets the criteria

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<sup>1</sup> Within legislative requirements

outlined in the Municipal Act. Closed Session reports are distributed on a separate agenda to Audit Committee and senior management in accordance with existing procedures.

In reports where only a section of the audit findings are classified as confidential, these findings and recommendations should be reported separately placed in a CONFIDENTIAL appendix to the Audit Committee report.

### **Quality Assurance and Improvement Program**

The Office of the City Auditor will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The City Auditor will communicate to senior management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

### **Standards of Audit Practice**

The Office of the City Auditor will govern itself by adherence to The Institute of Internal Auditors' Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance. In addition, the Office of the City Auditor will adhere to City of Burlington's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

Effective Date: This Charter takes effect on February 13, 2017 and will be reviewed bi-annually.

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Sheila M. Jones  
City Auditor

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John Taylor  
Audit Committee Chair  
As considered by Audit Committee on  
February 13, 2017

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James Ridge  
City Manager