



**SUBJECT: Audit Committee Terms of Reference update**

**TO: Audit Committee**

**FROM: Office of the City Clerk**

Report Number: CL-35-21

Wards Affected: Not applicable

File Numbers: 430-01

Date to Committee: December 8, 2021

Date to Council: December 14, 2021

---

**Recommendation:**

Rescind the Audit Committee Terms of Reference attached as appendix A to office of the city clerk report CL-35-21; and

Approve the revised Audit Committee Terms of Reference attached to office of the city clerk report CL-35-21 as appendix B; and

Direct the City Clerk to amend the Procedure By-law (31-2021) to include the revised Audit Committee Terms of Reference as a schedule.

**PURPOSE:**

**Vision to Focus Alignment:**

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

---

**Background and Discussion:**

The Audit Committee's Terms of Reference (TOR) defines the purpose, structure and organization of the Audit Committee itself. This is a common tool employed by audit committees in a majority of public, private and non-for-profit organizations. The TOR defines the Audit Committee's responsibility to approve, monitor, evaluate and provide advice on the following matters:

- The City's consolidated annual audited Financial Statements

- External Audit
- Internal Audit function (City Auditor)
- Corporate Control Framework
- Risk Management
- Other select general and administrative matters

Historically, Audit Committee has performed a bi-annual review of its' TOR which is a normal practice exercised by audit committee's in a majority of organizations. This review was last performed with report# [CL-14-17](#) and was approved by Audit Committee in May 2017 (see Appendix A).

On June 9, 2021 Audit Committee passed a resolution to review its TOR and struck a sub-committee with three members to facilitate the review. A key focus of this review included the following staff direction from an earlier Council meeting on Dec 14, 2020:

*“Provide clarity on items that are provided to Audit Committee versus Corporate Services, Strategy, Risk and Accountability Committee (CSSRA)”*

Given that risk management matters are explicitly identified in Audit Committee's TOR and inferred to be within CSSRA's mandate; Council perceived this as a duplication of oversight over risk management matters between the two standing committees.

### **Strategy/process**

On October 20, 2021, the sub-committee including Councillor Paul Sharman, Mathew Moore & Etienne Durafour met to perform its review. Their overall conclusion was that the existing TOR was robust and did not require significant alterations. Minor modifications recommended by the City Auditor were evaluated and are included in appendix B with the revised sections highlighted for Audit Committee's attention. A comparative analysis of audit committee TORs from the municipal, broader-public sector and corporate sectors was utilized to support the review (see appendix C). Other supporting research included a model Audit Committee Charter recommended by the Institute of Internal Auditors (a global professional standards body for internal auditors; see appendix D).

Below is a summary of the minor modifications to the TOR; identified in Appendix B:

<b>TOR section</b>	<b>Summary of the change</b>	<b>Rationale for the change</b>
iii – Internal Audit	City Auditor's annual audit plan is risk-based and aligns to corporate strategic objectives	<ul style="list-style-type: none"> <li>- A risk-based audit plan is a professional requirement for internal auditors</li> <li>- Audit plan should be balanced between risk/compliance and supporting the corporation to achieve its key strategic objectives</li> </ul>
iii – Internal Audit	City Auditor resources	The Audit Committee should review the resources available to the City Auditor to ensure sufficient capacity for a robust audit function
v - Risk Management	Adding Risk Governance & Enterprise Risk Management (ERM)	At the time of the last TOR review in May 2017, the City did not have an ERM program. Now that it does, there should be regular formal reporting to Audit Committee
v - Risk Management	Adding risk implication on City's strategic plan	Audit Committee is qualified to and should provide advice to Council by evaluating risk matters related to Council's strategic plan and service business plans
Committee Composition	Adding strategic objectives to member requirements	In order to fulfill Audit Committee's expanded role related to evaluating risk matters connected to Council's strategic plan; members should have an awareness of the strategic plan itself
Meetings	Additional meetings	Clarifying the Chair and Vice-Chair's authority to call additional committee meetings. This is consistent with other organization's audit committee TOR's
Meetings	Adding electronic meeting capability	Formalizing the capability of Audit Committee members to meet and fully participating electronically (i.e. virtually)
Communications	Removing reference to historical City dept.	Removing this redundant sentence as the City Auditor, Finance & Clerks will effectively facilitate any

		communications requirements of Audit Committee.
--	--	-------------------------------------------------

Regarding risk management matters; most organizations included in the comparative analysis had their respective Audit Committee's assigned the responsibility to oversee risk management. Not all municipalities surveyed had oversight for risk management explicitly defined in their respective TORs including the cities of Ottawa, Mississauga, Brampton, and the Region of Halton. However, in practice, the Audit Committees at these municipalities regularly receive reports from their respective internal and external auditors identifying risk issues.

Going forward, the sub-committee recommends that Audit Committee retains oversight for risk management matters. This recommendation is consistent with:

- Recommended leading practices from Institute of Internal Auditors (see appendix D) and CPA Canada
- A majority of organizations surveyed for this review in the municipal, broader-public sector and corporate sector (see appendix C)
- City Auditor's advice

Risk-related matters that were previously reported to other committees should be reported to Audit Committee for consistency. Given that the Audit Committee only meets quarterly, there may be occurrences where the Chair of Audit Committee may call an additional meeting to allow staff to bring forward reports containing risk management matters outside of the normal quarterly frequency. The City Auditor will work with Clerks to ensure that the three Councillors not sitting on Audit Committee will be invited to future meetings to participate in the discussion of select risk management matters (though they will not be voting members). All members of Council will have the opportunity to evaluate and approve all risk management reports once Audit Committee minutes are presented to Council for approval.

Should Audit Committee approve the recommendations on page one of this report; staff will work to update the Procedural Bylaw as required and report back to Council for final approval. This is expected by Q1 2022.

### **Options Considered**

The Audit Committee's Terms of Reference requires a bi-annual review; therefore, not performing this review was not an option. An analysis (see appendix C) of Audit Committee TORs from other organizations in the municipal, broader-public and corporate sectors was performed to compare and contrast the City's Audit Committee TOR. In addition, research from professional standards bodies including the Institute of Internal Auditors and CPA Canada informed the sub-committee's recommendations.

Lastly, the sub-committee received professional advice from staff to inform their recommendations.

---

### **Financial Matters:**

Not applicable.

### **Total Financial Impact**

Not applicable.

### **Source of Funding**

Not applicable.

### **Other Resource Impacts**

Not applicable.

---

### **Climate Implications**

Not applicable.

---

### **Engagement Matters:**

Not applicable.

---

### **Conclusion:**

The sub-committee struck by Audit Committee on June 9, 2021 concluded that the existing Terms of Reference is robust and does not require significant changes. The sub-Committee is recommending a number of minor modifications to the Terms of Reference identified in Appendix B.

---

Respectfully submitted by,

Suzanne Gillies

Committee Clerk

[Suzanne.gillies@burlington.ca](mailto:Suzanne.gillies@burlington.ca)

Maciej Jurczyk

City Auditor

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

**Appendices:**

- A. Audit Committee Terms of Reference (May 2017)
- B. Audit Committee Terms of Reference (revised Dec 2021)
- C. Comparative Analysis
- D. IIA Model Audit Committee Charter

**Notifications:**

All members of CSSRA Committee

**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.