



**SUBJECT: Audit Committee terms of reference - update**

**TO: Audit Committee**

**FROM: Office of the City Clerk**

Report Number: CL-13-24

Wards Affected: Not applicable

Date to Committee: June 12, 2024

Date to Council: June 18, 2024

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### **Recommendation:**

Rescind the Audit Committee terms of reference approved in December 2021 found in office of the city clerk's report CL-35-21; and

Approve the revised Audit Committee terms of reference attached to office of the city clerk's report CL-13-24, as Appendix B.

### **PURPOSE:**

#### **Vision to Focus Alignment:**

- ☐ Designing and delivering complete communities
- ☐ Providing the best services and experiences
- ☐ Protecting and improving the natural environment and taking action on climate change
- ☒ Driving organizational performance

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### **Executive Summary:**

A sub-committee including Councillor Paul Sharman, Michael Di Iulio and Kartik Gupta supported by City staff performed a review of the existing Audit Committee's Terms of Reference (TOR). Their overall conclusion was that the existing (TOR) was robust and only needed modest updates. Appendix-A contains a marked-up version of the TOR with recommended updates for Audit Committee's consideration and approval.

## 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, the Audit Committee has performed a bi-annual review of its TOR which is a normal practice exercised by audit committees in a majority of organizations. This review was last performed with report# [CL-35-21](#) and was approved by Audit Committee on December 8, 2021.

On March 6, 2024 Audit Committee passed a resolution to review its TOR and struck a sub-committee with three members to facilitate the review. Audit Committee appointed the following members to review the TOR: Councillor Paul Sharman, Michael Di Iulio and Kartik Gupta.

### Strategy/process/risk

On April 30, 2024, the sub-committee met to perform its review and concluded that the existing TOR was robust and did not require significant alterations. Staff from Finance, Corporate Strategy, Clerks and the City Auditor supported the sub-committee. 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).

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

TOR section	Summary of the change	Rational for the change
Corporate Control Framework	Updated the wording to be more specific and actionable	<ul style="list-style-type: none"><li>- The prior wording was oriented to discussion with Management and was not actionable to an annual (or otherwise periodic) specific report</li><li>- This wording (informed by the University of Toronto's TOR) articulates the Audit Committee's</li></ul>

		ultimate responsibility for corporate controls.
Risk Management	Updating the wording to be more action oriented	<ul style="list-style-type: none"> <li>- Adding “provide oversight for the risk management program on behalf of Council” to articulate Audit Committee’s role.</li> <li>- Adding “approve/endorse” to risk management policies to be more action oriented</li> <li>- Removing reference to Enterprise Risk Management program</li> </ul>
General and Admin	Changing the frequency of reviewing the TOR from bi-annual to once per Term of Council.	<ul style="list-style-type: none"> <li>- The TOR has been historically reviewed bi-annually by Audit Committee. At this point, the TOR is a robust document reflecting leading practices.</li> <li>- A review cadence of once per term of Council is consistent with other municipalities (who generally review theirs “periodically”).</li> <li>- The revised wording allows Audit Committee to review it “as needed” to allow additional flexibility.</li> </ul>
Committee composition	The number of Councillors was reduced from three to two.	Per Mayor’s Office report MO-03-22 from December 2022; the number of Councillors was reduced from three to two.
General	Updated title of City Manager	Replaced with Chief Administrative Officer to reflect title change

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

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## **Financial Matters:**

### **Total Financial Impact**

There is no financial impact from this update the Audit Committee's TOR.

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## **Climate Implications:**

Not applicable.

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## **Engagement Matters:**

Not applicable.

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## **Conclusion:**

The Audit Committee's Terms of Reference was reviewed by a sub-committee of its members supported by City staff. Minor changes are being recommended for approval in Appendix-B.

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Respectfully submitted,

Maciej Jurczyk  
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## **Appendices:**

- A. CL-13-24 Appendix-A Audit Committee Terms of Reference (with markup)
- B. CL-13-24 Appendix-B Audit Committee Terms of Reference (FINAL)
- C. CL-13-24 Appendix-C Audit Committee TOR comparative analysis

## **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.