



**SUBJECT: Evaluation of Audit Committee effectiveness**

**TO: Audit Committee**

**FROM: Office of the City Auditor**

Report Number: CA-18-24

Wards Affected: Not applicable

Date to Committee: December 4, 2024

Date to Council: December 10, 2024

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### **Recommendation:**

Receive for information office of the city auditor's report CA-18-24 regarding a summary of the results of the Audit Committee's effectiveness evaluation.

### **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:**

The Audit Committee's [Terms of Reference](#) state that it should "*bi-annually conduct an evaluation of the Audit Committee's effectiveness.*" This is a leading practice amongst Audit Committees in both the public and private sectors. An online survey of Audit Committee members was conducted in November 2024 and this report summarizes those results.

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### **Background and Discussion:**

The Audit Committee's [Terms of Reference](#) (TOR) was previously reviewed and approved at their meeting of June 12, 2024 as report [CL-13-24](#). The Terms of Reference state that it should "*bi-annually conduct an evaluation of the Audit Committee's effectiveness.*" The benchmarking of the City's Audit Committee TOR that accompanied report CL-13-24 (see Appendix C) against 15 other municipalities, broader public sector organizations and large Canadian private sector corporations revealed that performing a periodic self-evaluation of its effectiveness is a leading practice. Furthermore, periodic evaluations of performance or effectiveness are recommended by the global Institute of Internal Auditors and in academic literature published by the 'big four' accounting/assurance firms. Staff from the Office of the City Clerk, Finance and the City Auditor discussed and researched various methods to facilitate this requirement, including reviewing historical documentation from prior terms of Council. An online anonymous survey was designed to facilitate the evaluation and was provided to all Audit Committee members in Nov 2024.

### **Strategy/process/risk**

The online survey used to facilitate a self-evaluation of the Audit Committee's effectiveness was designed specifically around the six major sections of the TOR and asked members to evaluate how effectively they execute their responsibilities over:

1. Financial Statements
2. External Auditor
3. Internal Audit function (City Auditor)
4. Corporate Controls
5. Risk Management
6. General and Administrative

Ten other questions were asked of members related to Committee's working relationship with staff, composition, timeliness of reports, quality of communications and the amount of education/orientation provided to members.

The results of the survey identify the following themes (based on an evaluation of the number of respondents voting "Strongly agreed" or "Agreed"):

- Audit Committee members believe they are effectively carrying out their mandate (as described in the TOR)
- The TOR continues to be appropriate
- Members are sufficiently prepared for meetings having received materials in a timely manner
- The composition of Audit Committee is sound
- Communication during Audit Committee meetings is professional and constructive

- The amount of education and orientation for Audit Committee members is appropriate
- Audit Committee members believe they have an effective professional working relationship with Management, staff, the City Auditor and the external auditor

Survey respondents did not identify areas for improvement, nor were there any survey questions where respondents voted “Disagree” or “Strongly disagree”.

### **Options Considered**

An evaluation of the Audit Committee’s effectiveness is a requirement in the Terms of Reference, therefore not performing an evaluation was not an option. Staff reviewed multiple options internally with respect to how to facilitate an evaluation and opted for an online anonymous survey which seemed to be the most efficient and straightforward option.

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### **Financial Matters:**

#### **Total Financial Impact**

Not applicable

#### **Source of Funding**

Not applicable

#### **Other Resource Impacts**

Staff from the Communications and Engagement team were engaged to help design the online survey. The number of hours to design this survey were not measured.

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### **Climate Implications:**

Not applicable.

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### **Engagement Matters:**

Not applicable.

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**Conclusion:**

The Audit Committee is required to evaluate their effectiveness on a bi-annual basis as identified in their respective Terms of Reference, this report fulfills this requirement. Staff will once again facilitate this self-evaluation in 2026.

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Respectfully submitted,

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**Report Approval:**

All reports are reviewed and/or approved by the Department Director, Chief Financial Officer and the Commissioner Legal and Legislative Services/City Solicitor.