

CITY OF HAMILTON AUDIT SERVICES CHARTER

INTRODUCTION

Audit Services provides independent, objective assurance and consulting services designed to add value and improve the City of Hamilton's operations. Audit Services brings a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

In the capacity of Auditor General, the Director of Audit Services assists City Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value-for-money in City operations.

SCOPE

The scope of Audit Services 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. This includes conducting value-for-money audits. The City's processes should function in a manner to help ensure:

- Risks are appropriately identified and managed.
- Significant financial, managerial and operating information is accurate, reliable and timely.
- 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 achieved.
- Significant legislative and regulatory issues impacting the City are recognized and addressed properly.
- Quality and continuous improvement are fostered in the organization's control processes.

The Director of Audit Services has been appointed by by-law as an Auditor General under Section 223.19 of the *Municipal Act, 2001*, with the responsibilities, including the powers, duties and protections, under Sections 223.19 to 223.23 of the *Municipal Act, 2001*. These responsibilities apply to the extent authorized by Sections 223.19 to 223.23 of the *Municipal Act, 2001*.

CITY OF HAMILTON AUDIT SERVICES CHARTER

CONSULTING

In addition to audit engagements, staff of Audit Services may provide advisory or other consulting services, as appropriate, or at the request of Council or senior management. These types of services may include:

- Conducting special projects, reviews or investigations;
- Performing research;
- Providing training on audit related topics such as risk assessment and internal controls; or
- Providing counsel or advice (e.g. on the adequacy of draft procedures).

AUTHORITY

Audit Services is granted full, free and unrestricted access to any and all records, property and personnel relevant to any function under review. Access to personal information is provided for under the *Municipal Freedom of Information and Protection of Privacy Act* (in particular, Subsections 31(c) and 32(d)).

Audit Services has the authority to conduct audits and reviews of all City departments, Members of Council, agencies, boards and commissions, as well as other entities the City is related to or has an interest in.

All employees shall assist Audit Services in fulfilling its objectives.

Audit Services, through the appointment by by-law of the Director of Audit Services as an Auditor General, has the responsibilities, including the powers, duties and protections, under Sections 223.19 to 223.23 of the *Municipal Act, 2001* for:

- City Departments;
- Members of Council;
- Local boards (not including the Board of Health, the Hamilton Public Library Board, the Police Services Board or other local boards in accordance with the definition of "local board" under Section 223.1 of the *Municipal Act, 2001*):
- Municipally-controlled corporations (a corporation that has 50 per cent or more of its issued and outstanding shares vested in the City or that has the appointment of a majority of its board of directors made or approved by the City, no including a corporation established in accordance with Section 203 of the *Municipal Act, 2001*); and
- Grant recipients.

CITY OF HAMILTON AUDIT SERVICES CHARTER

These responsibilities under Section 223.19 to 223.23 of the *Municipal Act, 2001* include the powers to access information and to examine persons under Section 33 of the *Public Inquiries Act, 2009*; the duty to preserve secrecy with respect to all matters that come to its knowledge in the course of performing its functions; and the protection of not being a competent or compellable witness in a civil proceeding.

INDEPENDENCE

Independence is an essential component to building public trust and preserving objectivity and integrity associated with the audit function.

To provide for the independence of Audit Services, its personnel report to the Director of Audit Services, who reports administratively to the City Manager and functionally to the Audit, Finance and Administration Committee of Council. Audit and review reports are sent directly to the Audit, Finance and Administration Committee for discussion and approval and then to Council. These reporting relationships help ensure independence, promote comprehensive audit objectivity and coverage and assure adequate consideration of audit recommendations.

All Audit Services activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of an independent and objective attitude necessary in rendering reports.

Audit Services shall have no direct operational responsibility or authority over any of the activities it reviews. Accordingly, it shall not develop nor install systems or procedures, prepare records or engage in any other activity which would normally be audited.

RESPONSIBILITIES

The Director of Audit Services and the staff of the Audit Services division have the responsibility to:

- Review operations within the City at appropriate intervals to determine whether planning, organizing, directing and controlling are in accordance with management instructions, policies and procedures and in a manner that is consistent with both City objectives and high standards of administrative practice.
- Determine the adequacy and effectiveness of the systems of internal accounting, financial and operating controls.
- Review the reliability, utility and integrity of financial information and the means used to identify measure, classify and report such information.
- Review the established systems to ensure compliance with those policies, plans, procedures, laws and regulations which would have a significant impact on operations and reports and determine whether the organization is in compliance.

**CITY OF HAMILTON
AUDIT SERVICES CHARTER**

- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- Carry out value-for-money (VFM) / performance audits to determine the efficiency and effectiveness of services and evaluate attainment of corporate objectives and value to citizens.
- Report to those members of management who should be informed or who should take corrective action, the results of audit examinations, the audit opinions formed, and the recommendations made.
- Evaluate any plans or actions taken to correct reported conditions and provide timely follow-up to ensure satisfactory disposition of audit findings in the manner and timeframe committed to by management in the original audit report. If the corrective action is considered unsatisfactory, hold further discussions to achieve acceptable disposition.
- Develop flexible annual work plans, including any risks or control concerns identified by management or other audits as well as appropriate special tasks or projects requested by management.
- Undertake investigations or refer issues to other appropriate parties as a result of disclosures under the Whistleblower By-law.
- Maintain a professional audit staff with sufficient knowledge, skills and experience.

AUDIT PLANNING

Each year, the Director of Audit Services shall prepare work plans, setting out the proposed schedule of audits and other undertakings proposed for the coming year.

For the compliance / control audit plan, the following sources are considered:

- Prioritization of the audit universe using a risk-based methodology;
- Requests from Members of Council, senior management and staff;
- Any audits planned for the past year but delayed or not completed; and
- Any conditions or concerns discovered or communicated throughout the past year.

Similarly, for planning the value-for-money audit candidates, the most recent risk assessment of services provided to citizens and areas likely to provide significant payback in terms of increased revenues, reduced costs, operational efficiencies and quality of services will be considered.

**CITY OF HAMILTON
AUDIT SERVICES CHARTER**

The annual work plans (divided into the two sections) will be presented to the Audit, Finance and Administration Committee for approval. Any changes to the work plan requested by Council or individual Members of Council will require a majority of at least two-thirds the total members of Council present and not prohibited by statute from voting for the Director of Audit Services to consider.

REPORTING

A written report is prepared and issued by the Director of Audit Services following the conclusion of each audit. In most cases, the report will include management's responses and the corrective action plans for specific findings and recommendations. Management's response will include a statement of general agreement or disagreement with the stated findings and recommendations as well as a timeframe for anticipated completion of action to be taken and an explanation for any recommendation not addressed.

Audit Services is responsible for appropriate follow up on audit findings and recommendations. All significant findings will remain open until the Director of Audit Services has determined management has appropriately taken action to resolve the finding.

All reports (whether compliance, control or VFM audits) are presented to the Audit, Finance and Administration Committee.

PROFESSIONAL STANDARDS

Audit Services will be guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA).