

# Office of the Auditor General (OAG) Audit Charter

## Role of the Auditor General

Pursuant to subsection 223.19(1) of the [Municipal Act, 2001, S.O. 2001, c.25](#), as amended (“the Act”), the Auditor General assists City Council (“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 municipal operations. The OAG helps the City’s administration accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

The Auditor General reports functionally to Council through the Audit Committee and administratively to the Mayor for items such as leave and expenditure approvals. The Auditor General is independent of the City’s administration.

## Standards

The OAG adheres to the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the [International Standards for the Professional Practice of Internal Auditing](#) (“the Standards”)<sup>1</sup> and the Definition of Internal Auditing. The Auditor General reports periodically to the Audit Committee regarding the OAG’s conformance to the Code of Ethics and the *Standards*.

## Authorities

The [Auditor General by-law](#) establishes the position and duties of the Auditor General, including its statutory powers.

The Auditor General is authorized to:

- Establish an Office of the Auditor General including a managerial hierarchy and administrative policies and procedures.
- Appoint, promote, demote, suspend and dismiss, subject to any applicable personnel policies adopted by Council, all employees of the Office of the Auditor General.
- Review the performance of personnel within the Office of the Auditor General subject to any personnel policies applicable to the employees of the City.
- Retain the services of any individual or corporation for the purposes related to the operation of the Office of the Auditor General and to execute all agreements and contracts required for the provision of such services subject to the provisions of the City’s Procurement By-law.

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<sup>1</sup> Except requirements applicable to consulting services.

The Auditor General has unrestricted access to, communicates and interacts directly with the Audit Committee, including in camera meetings.

- In accordance with subsection 223.20(1) of the Act, the City, its local boards, its municipally-controlled corporations and its grant recipients must give the Auditor General such information regarding their powers, duties, activities, organization financial transaction and methods of business as the Auditor General believes to be necessary to conduct his or her duties.
- In accordance with subsection 223.20(2) of the Act, the Auditor General is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things, or property belonging to, or used by the City, its local boards, its municipally-controlled corporations or its grant-recipients, as the case may be, that the Auditor General believes to be necessary to perform his or her duties.

The [Audit Committee Terms of Reference](#) identify the Committee's mandate, membership and responsibilities. To establish, maintain, and assure that the OAG has sufficient authority to fulfill its duties, the Audit Committee:

- Confirms and assures the independence of the City's Auditor General.
- Reviews and recommends to Council, the annual Audit Plan submitted by the Auditor General and any subsequent adjustments from the OAG.
- Monitors the performance of the OAG in carrying out its approved Audit Plan and reports directly to Council, as appropriate.
- Considers and recommends to Council a process for a Quality Assessment Review of the OAG.
- Reviews reports from the OAG on status and implementation of audit recommendations in accordance with the Audit Recommendation Implementation Update Process approved by Council.

Recruitment, appointment and contract administration for the City of Ottawa's ("the City's") Auditor General is conducted in accordance with the City's [Statutory Officer Recruitment, Appointment and Contract Administration Policy and Procedures](#).

## Independence and Objectivity

The Auditor General ensures that the OAG remains free from all conditions that threaten the ability of its staff to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Auditor General determines that independence or objectivity may be impaired in fact or appearance, the details of impairment are disclosed to appropriate parties.

OAG staff maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product,

that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

OAG staff have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the City, or agencies, boards, commissions or corporations created by Council.
- Initiating or approving transactions external to the OAG.
- Directing the activities of any City employee not employed by the OAG, except to the extent that such employees have been appropriately assigned to audit teams or to otherwise assist OAG staff.

Furthermore, where the Auditor General has or is expected to have roles and/or responsibilities that fall outside of auditing, safeguards are established to limit impairments to independence or objectivity.

OAG staff:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Auditor General confirms to the Audit Committee, at least annually, the organizational independence of the OAG.

The Auditor General discloses to the Audit Committee any interference and related implications in determining the scope of its audits, performing work, and/or communicating results.

## Scope of Audit Activities

The Auditor General is responsible for carrying out financial (excluding attest)<sup>2</sup>, compliance, and performance audits of:

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<sup>2</sup> The responsibilities of the Auditor General do not include the matters described in clauses 296(1)(a) and (b) of the Municipal Act, 2001, S.O. 2001, c.25, as amended.

- all programs, activities and functions of all City departments and agencies, and of the offices of the Mayor and Members of Council;
- local boards of the City as defined in Part V.1 of the Act;
- municipally-controlled corporations as defined in the Act;<sup>3</sup>
- grant recipients as defined in Part V.1 of the Act; and
- any other agencies, boards, commissions and corporations as Council may from time to time create or identify.

At the request of Council or a board of directors, the Auditor General may conduct financial (excluding attest), compliance and performance audits of autonomous organizations that have an agreement with the City that contains provisions for an audit by the City.

The Auditor General must not call into question or review the merits of the policies and objectives of Council.

The OAG does not perform advisory or consulting services.

The Auditor General reports periodically to Audit Committee regarding:

- The OAG's annual audit plan and performance relative to its plan
- The OAG's compliance with the Auditor General by-law
- The OAG's conformance with The IIA's Code of Ethics and *Standards*, and action plans to address any significant conformance issues
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee
- Results of audit engagements or other activities
- Resource requirements
- Any response to risk by management that may be unacceptable to the City

The Auditor General also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibilities

The Auditor General has the responsibility to:

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<sup>3</sup> Per Schedule A of the Auditor General by-law (2021-5), Hydro Ottawa Holding Inc. and Ottawa Community Housing Corporation.

- Submit an annual audit plan for the following year to City Council by December 31<sup>st</sup> of each year.<sup>4</sup>
- Review and adjust the annual audit plan as necessary, in response to changes in the City's business, risks, operations, programs, systems, and controls.
- Communicate to Audit Committee any significant changes to the annual audit plan.
- Ensure engagements listed in the annual audit plan are executed in accordance with the *Standards* and OAG policies and procedures.
- Follow up on engagement findings and corrective actions, and report periodically to Audit Committee concerning any corrective actions not effectively implemented.
- Provide a Notice of Tabling of the Annual Report to City Council no later than December 31<sup>st</sup> of the year following the tabling of the annual audit plan.<sup>5</sup>
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the OAG collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the OAG audit charter.
- Ensure trends and emerging issues that could impact the City are considered and communicated to the Audit Committee, as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Administer the City's Fraud and Waste Hotline in accordance with the Fraud and Waste Policy approved by Council.

## Quality Assurance and Improvement Program

The OAG maintains a quality assurance and improvement program that covers all aspects of its activities. The program includes an evaluation of conformance with the *Standards* and an evaluation of whether OAG staff apply The IIA's Code of Ethics. The program also assesses the efficiency and effectiveness of the OAG and identify opportunities for improvement.

The Auditor General communicates to Audit Committee on the OAG's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City.

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<sup>4</sup> In each year subsequent to the year of the Auditor General's appointment.

<sup>5</sup> Except in an election year, when timelines for the Auditor General's Annual Report are determined by the Auditor General, in consultation with the Mayor and the Chair of the Audit Committee.

Approval

*D. Ferguson*

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Auditor General

\_\_May 25, 2021\_\_

Date