

**Subject: Office of the Auditor General (OAG) – New Global Audit Standards**

**File Number: ACS2024-OAG-BVG-0012**

**Report to Audit Committee on 2 December 2024**

**and Council 11 December 2024**

**Submitted on November 21, 2024 by Nathalie Gougeon, Auditor General**

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**Ward: Citywide**

**Objet : Bureau de la vérificatrice générale (BVG) – Nouveaux normes  
internationales d’audit**

**Numéro de dossier : ACS2024-OAG-BVG-0012**

**Rapport présenté au Comité de la vérification**

**Rapport soumis le 2 décembre 2024**

**et au Conseil le 11 décembre 2024**

**Soumis le 21 novembre 2024 par Nathalie Gougeon, Vérificatrice générale**

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**Quartier : À l'échelle de la ville**

## **REPORT RECOMMENDATION(S)**

**That the Audit Committee recommend that Council approve the Office of the Auditor General’s Audit Charter.**

## RECOMMANDATION(S) DU RAPPORT

**Que le Comité de la vérification recommande au Conseil d'approuver la charte de vérification du Bureau de la vérificatrice générale.**

### BACKGROUND

The Auditor General By-law No. 2021-5 establishes the position and duties of the Auditor General (AG) of the City of Ottawa, including statutory powers. It outlines, at a high level, the responsibilities, accountability and reporting requirements of the OAG.

Section 6, item 5 of the By-law states that “the Auditor General shall establish such protocols and procedures that are necessary for the conduct of such audits, consistent with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Auditing and changes to these standards from time to time, except requirements applicable to consulting services.” The Standards include principles and requirements for undertaking professional auditing and for evaluating audit performance.

Earlier this year, the IIA released its new Global Internal Audit Standards (“the new Standards”), which take effect in January 2025. The OAG has assessed its policies and practices against the new Standards and is implementing changes to ensure alignment with them.

The new Standards require the development of an audit charter: a formal document including the audit function’s mandate, organizational position, reporting relationships, scope of work, types of services and other specifications. While the OAG created its audit charter in 2021, it has been revised to align with the new Standards.

### DISCUSSION

#### **New Standards**

On January 9, 2024, the IIA released new Global Internal Audit Standards (“the new Standards”), including **26 net new requirements and 118 enhancements**, which take effect on January 9, 2025.

Throughout 2024, OAG staff have attended training sessions to familiarize themselves with the new Standards. Furthermore, the OAG conducted a detailed assessment of its policies and practices against the new Standards to identify potential gaps and next steps. At a minimum, changes to the Standards require updates to OAG policies,

processes and templates. More significant changes to the Standards, some of which are briefly outlined below, require the introduction of new processes and new technology.

For example:

- The Auditor General must discuss what the Standards refer to as “essential conditions” with the Audit Committee and where appropriate, senior management. The essential conditions establish the foundation for effective dialogue between the Audit Committee, the Auditor General and as necessary, senior management, concerning the OAG mandate, audit charter, independence, support, resources and quality assurance.
- Audit reports must communicate the significance and prioritization of audit findings. The OAG will leverage an existing prioritization scale that was utilized for its most recent audit on Cybersecurity.
- Themes across multiple engagements related to the City’s governance, risk management and control processes must be communicated in a timely manner. Moving forward, thematic issues will be identified as part of the OAG’s Annual Report.
- For audit recommendations that are overdue, management will be required to sign off, indicating they have accepted the associated risk. Communication about this risk acceptance will be included in our Semi-Annual Report on Follow-up Procedures.
- The OAG must use technology to improve its effectiveness and efficiency. In addition to integrating technology within the performance of audits, the OAG has consulted Information Technology Services to identify technology solutions that would enhance the Office’s effectiveness and efficiency. Technologies already in use at the City are currently under review for their ability to automate audit workflows and data driven reporting at little or no additional cost.

## **Audit Charter**

As mentioned in the background section of this report, the Auditor General By-law establishes the position and duties of the AG and further outlines, at a high level, the responsibilities, accountability and reporting requirements of the OAG. However, the By-law does not outline more specific requirements regarding independence, conflicts of

interest and reporting on the OAG's effectiveness to the Audit Committee, which are required as part of the IIA Standards. As such, in 2021, the OAG created an audit charter to supplement the By-law and ensure that all aspects of the IIA Standards were covered and communicated to the Audit Committee. On May 25, 2021, the Audit Committee recommended that Council approve the OAG's audit charter (ACS2021-OAG-BVG-005). Council subsequently approved the audit charter on June 9, 2021.

The Auditor General committed to performing an annual review of the Charter to ensure that it continuously reflects the IIA Standards. Due to the introduction of the new Standards, significant changes to the charter were needed this year. The OAG leveraged the IIA's model audit charter for the public sector as a starting point and customized it to reflect the OAG's unique operating environment. It should be noted that in some cases, the *Municipal Act, 2001* or the Auditor General By-law 2021-5 overlap with and/or supersede the contents of the model audit charter, providing greater assurance that certain requirements (e.g., with respect to Auditor General independence) are met.

## **FINANCIAL IMPLICATIONS**

There are no financial implications associated with this report.

## **LEGAL IMPLICATIONS**

There are no legal implications associated with this report.

## **CONSULTATION**

As this is considered an internal administrative matter, no public consultation was undertaken.

## **ACCESSIBILITY IMPACTS**

There are no accessibility impacts associated with this report.

## **SUPPORTING DOCUMENTATION**

Document 1 – OAG: Audit Charter  
Document 1 – BVG: Charte de vérification

## **DISPOSITION**

The Office of the Auditor General will update the audit charter on an annual basis and communicate any future required changes to the Audit Committee.