

Audit Charter for the City of Ottawa's Office of the Auditor General (OAG)

Purpose

The OAG 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 municipal operations.

The OAG enhances the City of Ottawa's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

The OAG is most effective when:

- Auditing is performed by competent professionals in conformance with The [Institute of Internal Auditor's \(IIA\)'s Global Internal Audit Standards™](#), which are set in the public interest.
- The OAG is independently positioned with direct accountability to City Council.
- OAG staff are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

The OAG will adhere to the mandatory elements of The [IIA's Professional Practices Framework](#), which are the Global Internal Audit Standards and Topical Requirements. The Auditor General will report annually to the Audit Committee regarding the OAG's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

Authorities

The Auditor General's mandate and authorities are outlined in the [Municipal Act, 2001](#) and the City of Ottawa's [Auditor General By-Law \(2021-5\)](#).

Independence, Organizational Position, and Reporting Relationships

The Auditor General will be positioned at a level in the organization that enables audit engagements to be performed without interference from management, thereby establishing the independence of the OAG. The Auditor General will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the Mayor. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference, and supports the OAG's ability to maintain objectivity.

The Auditor General will confirm to the Audit Committee, at least annually, the organizational independence of the OAG. The Auditor General will disclose to the Audit Committee any interference OAG staff encounter related to the scope, performance, or communication of audit work and results. The disclosure will include communicating the implications of such interference on the OAG's effectiveness and ability to fulfill its mandate.

Changes to the Charter

Circumstances, such as a significant change in the Global Internal Audit Standards, may justify a follow-up discussion between the Auditor General and the Audit Committee on the audit charter.

Audit Committee Oversight

The [Audit Committee Terms of Reference](#) outline the Audit Committee's mandate and responsibilities.

To establish, maintain, and ensure that the OAG has sufficient authority to fulfill its duties, the Audit Committee will:

- Discuss with the Auditor General the appropriate authority, role, responsibilities, scope, and services of the OAG.
- Ensure the Auditor General has access to and communicates and interacts directly with Audit Committee members.
- Participate in discussions with the Auditor General about the “essential conditions¹,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective audit function.
- Discuss with the Auditor General other topics that should be included in the OAG's audit charter.

¹ Essential conditions are requirements outlined in the Standards that establish a necessary foundation for an effective dialogue between the Audit Committee, the Auditor General, and where appropriate, senior management.

- Review proposed changes to the audit charter provided by the Auditor General, on an annual basis, to consider changes to the Global Internal Audit Standards or the organization and recommend the audit charter to Council for approval, as necessary.

Auditor General Roles and Responsibilities

Ethics and Professionalism

The Auditor General will ensure that OAG staff:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Auditor General will ensure 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 engagement selection, scope, procedures, frequency, timing, and communication. If the Auditor General determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

OAG staff will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

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

- Assessing specific operations for which they had responsibility within the previous year.

- Performing operational duties for the City of Ottawa, local boards or municipally-controlled corporations which the OAG has authority to audit.
- Initiating or approving transactions external to the OAG.
- Directing the activities of any City of Ottawa employee that is not employed by the OAG, except to the extent that such employees have been appropriately assigned to the OAG or to assist OAG staff.²

OAG staff will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the OAG

The Auditor General has the responsibility to:

- At least annually, develop and/or update³ a risk-based audit work plan that considers the input of the Audit Committee and senior management. This would include discussing the work plan with the Audit Committee and senior management and submitting the work plan to the Audit Committee for review and recommendation to Council for approval.
- Communicate the impact of resource limitations on the audit workplan to the Audit Committee.
- Communicate the impact of scope limitations, if applicable.
- Review and adjust the audit work plan, as necessary, in response to changes in the City of Ottawa's business, risks, operations, programs, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the audit work plan.

² This does not preclude the Auditor General from exercising his or her powers of examination under section 223.21 (1) of the *Municipal Act, 2001*, or the application of the *Public Inquiries Act, 2009* to an examination by the Auditor General under section 223.21 (2) of the *Municipal Act, 2001*.

³ Per section 11(2) of the Auditor General by-law, the Auditor General may, at his or her discretion, prepare a longer-term audit plan for submission to City Council.

- Ensure audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and applicable laws and/or regulations.
- Communicate the results of audit engagements to the Audit Committee.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results to the Audit Committee semi-annually.
- Ensure the OAG collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the OAG's mandate.
- Identify and consider trends and emerging issues that could impact the City of Ottawa. These elements will be included within the audit workplan which is communicated to the Audit Committee and senior management, as appropriate.
- Consider emerging trends and successful practices in the field of auditing.
- Establish and ensure adherence to methodologies designed to guide the OAG.
- Ensure adherence to the City of Ottawa's relevant policies and procedures unless such policies and procedures conflict with the audit charter or the Global Internal Audit Standards, or an exception is approved by the policy owner. Any such conflicts will be resolved or documented and communicated to the Audit Committee.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance services. If the Auditor General cannot achieve an appropriate level of reliance, the issue must be communicated to senior management and, if necessary, escalated to the Audit Committee.

Communication with the Audit Committee

The Auditor General will report periodically to the Audit Committee regarding:

- The OAG's mandate.
- The audit work plan and performance relative to its plan.
- The OAG's budget.
- Significant revisions to the audit work plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.

- Results from the quality assurance and improvement program, which include the OAG's conformance with The IIA's Global Internal Audit Standards and action plans to address the OAG's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee, that arise in the conduct of the OAG's work, that could interfere with the achievement of the City of Ottawa's strategic objectives.
- Results of assurance engagements⁴.
- Resource requirements.
- Management's responses to risk that the OAG determines may be unacceptable or acceptance of a risk that is beyond the City of Ottawa's risk appetite.

Quality Assurance and Improvement Program

The Auditor General will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the OAG's audit activities. The program will include external and internal assessments of the OAG's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the OAG's progress toward the achievement of its objectives and promotion of continuous improvement. The program will also assess, if applicable, compliance with laws and/or regulations relevant to auditing. If applicable, the assessment will include plans to address the OAG's deficiencies and opportunities for improvement.

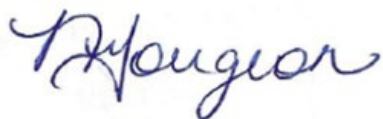
Annually, the Auditor General will communicate with the Audit Committee about the OAG's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City of Ottawa; qualifications must include at least one assessor holding an active Certified Internal Auditor[®] credential.

Scope and Types of Audit Engagements

The scope and types of engagements performed by the OAG are outlined in the [Municipal Act, 2001](#) and the [Auditor General by-law](#).

⁴ The mandate of the OAG, as outlined in the Auditor General By-law, does not allow for the performance of advisory engagements.

Approval



Auditor General

November 21, 2024

Date