

CITY AUDITOR'S OFFICE CHARTER

MISSION:

Internal Auditing is an independent and objective assurance and advisory activity that is guided by a philosophy of adding value to improve the operations of The City of Calgary. It assists The City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control. The mission of the City Auditor's Office is to "Provide independent and objective assurance, advisory and investigative services to add value to The City of Calgary and enhance public trust." This aligns to the Institute of Internal Auditors' stated mission to "Enhance and protect organizational value by providing risk-based and objective assurance, advice and insight."

ROLE:

The designated officer position of the City Auditor is established by Bylaw 30M2004 (as amended).

PROFESSIONALISM:

The City Auditor will govern the City Auditor's Office by adherence to The Institute of Internal Auditors' mandatory guidance including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations.

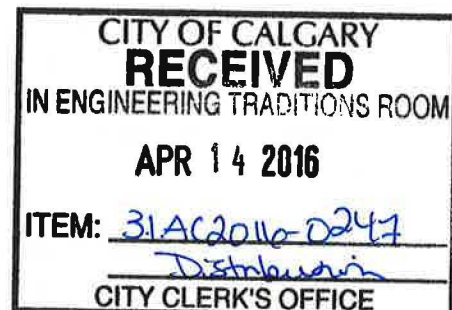
AUTHORITY:

The City Auditor's Office shall be provided with unrestricted access to all municipal personnel, records, property, policies, procedures, processes and systems necessary to conduct audits. All employees are requested to assist the City Auditor's Office in fulfilling its roles and responsibilities. The City Auditor's Office will also have free and unrestricted access to Audit Committee through in camera sessions scheduled as part of each Audit Committee meeting and as requested/required.

The City Auditor has sole administrative authority and control over staff reporting to that position.

The City Manager will provide administrative support as required to the City Auditor including:

- a. legal services,
- b. human resources and payroll,
- c. corporate communications,
- d. information technology, and
- e. materials management, budget and accounting.



ORGANIZATION:

The City Auditor shall be subject to the supervision of and accountable to Council and report to Council through Audit Committee. Audit Committee's role with regard to the City Auditor's Office is set out in Bylaw 48M2012.

INDEPENDENCE AND OBJECTIVITY:

The City Auditor's Office will remain free from interference by any element in the organization in the conduct of individual audits (including matters of audit selection, scope, procedures, frequency, timing, or report content) to permit maintenance of a necessary independent and objective mental attitude.

The City Auditor's Office will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgement.

The City Auditor's Office will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The City Auditor will confirm to Audit Committee annually the independence of the City Auditor's Office.

RESPONSIBILITY:

The City Auditor's Office is responsible for assisting Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement of value for money in City operations, which, without limiting the scope of the foregoing, includes:

- a) Performance audits: independent objective review and evaluation of City operations, programs, processes and systems, further categorized as:

Compliance Audits

Review the systems established to ensure compliance with policies, plans, procedures, ethical and business norms, as well as laws, regulations, and contracts which can have a significant impact on operations and reports and determining whether the organization is in compliance.

Follow-up Audits

Review the effectiveness of the corrective action implemented in response to previous audit recommendations to ensure the underlying risk was mitigated as intended to support achievement of the objective. This type of audit is generally limited in scope, however, may identify efficiency opportunities resulting from operational changes and/or redundant control structures.

IT Audits

Review and evaluation of automated information processing systems, related non-automated processes and the interfaces among them to ensure business risks are minimized appropriately.



Operational Audits

Utilizing a risk-based approach, review operations, services, processes and/or systems to determine whether they are effective and implemented as planned to achieve their objectives. This type of audit may include assessing the efficiency with which resources are utilized.

- b) Financial audits, excluding those performed by the external auditor appointed under s. 280 of the Municipal Government Act ("the Act"); and
- c) Consulting services, including financial advisory, risk management, information technology systems security and control, and general management advisory services.

The City Auditor will determine the appropriate methodologies, project scope and service delivery options necessary to discharge the above responsibilities. The City Auditor's Office has the authority to audit any area of City operations reporting to the City Manager, as well as consolidated entities, or civic entities who receive any type of benefit from The City of Calgary (financial, assets, or in-kind). The City Auditor's Office takes a risk-based approach to developing the annual audit plan, and may include audits of civic entities taking into account relevant risks, as well as considering the involvement of other assurance groups.

INTERNAL AUDIT PLAN:

The City Auditor will present an annual risk-based audit plan to Audit Committee for approval and to Council for information. The City Auditor will present a corresponding budget to Audit Committee for their review and recommendation to Council for approval. The Audit Committee or Council may not remove items from the City Auditor's annual audit plan but may direct items be added to the plan at the time of presentation. The City Auditor may request additional resources where items are added to the plan.

If the City's risk profile, on which the annual audit plan is based, significantly changes during any given year, the City Auditor will amend the annual audit plan as needed by presenting proposed changes to Audit Committee for approval.

The City Auditor will coordinate related activities with the City's appointed External Auditor to minimize duplication of efforts. The City Auditor will consider work done by other internal City assurance groups to avoid duplication of efforts.

REPORTING AND MONITORING:

The City Auditor will present audit reports (including Administration's response and corrective actions to be taken in regard to specific observations) to Audit Committee upon completion. Reports are shared with members of Audit Committee and enter the public domain through the Audit Committee agenda. The City Auditor may share finalized audit reports with the Chair of Audit Committee in advance of publication of the Audit Committee agenda.

The City Auditor submits a quarterly report to Audit Committee that summarizes the status of deliverables against the annual audit plan. In addition to quarterly reports, the City Auditor presents to Audit Committee and to Council an Annual Report summarizing activities undertaken by the City Auditor's Office in the past year.

The City Auditor will include in quarterly reporting to Audit Committee, the status of Administration action on the recommendations contained in previous audit reports. All significant audit recommendations will be followed up by the City Auditor's Office until cleared/closed.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM:

The City Auditor's Office will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether the City Auditor's Office applies the Code of Ethics. The program also assesses the efficiency and effectiveness of the City Auditor's Office and identifies opportunities for improvement. The City Auditor will report annually to Audit Committee on the City Auditor's Office quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

REVIEW:

The City Auditor will review this Charter and Bylaw 30M2004 every three years (or more frequently if required), in conjunction with Audit Committee's review of Bylaw 48M2012, and present any proposed changes to Audit Committee and Council for approval.