

# Audit Committee Report

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**DATE:** Monday, April 25, 2022

**WARD(S):** ALL

**TITLE:** INTERNAL AUDIT POLICY UPDATE

**FROM:**

Kevin Shapiro, Director of Internal Audit

**ACTION:** DECISION

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**Purpose**

To propose revisions to the City's Internal Audit Policy.

**Report Highlights**

- The Internal Audit Policy is a formal document that defines the Internal Audit Department's purpose, authority, and responsibility.
- The policy remains effective. However, it has been updated to describe Internal Audit's functional and administrative reporting relationships and responsibilities.
- Based on the results of our recently completed External Quality Assessment, the policy also now indicates the condition to use "Conforms with the International Standards for the Professional Practice of Internal Auditing."
- Approval of the updated Internal Audit Policy supports good public sector governance.

**Recommendations**

1. That the revised Internal Audit Policy, substantially in the form in Attachment 1, be approved.

**Background**

The Internal Audit Charter was developed and approved by the Finance, Administration and Audit Committee (FA&A) in October 2012. The Charter was revised and renamed the Internal Audit Policy and approved by Council in June 2014. In 2020, the updated Internal Audit Policy was approved to include the addition of Internal Audit's role as the

administrator of the City's Anonymous Reporting System, the development of the Quality Assurance and Improvement Program and alignment of Internal Audit's assurance and advisory roles with the City's new Enterprise Risk Management program.

The Internal Audit Policy is a formal document that defines the Internal Audit Department's purpose, authority, and responsibility. It establishes the Internal Audit Department's position within the City, including the nature of the functional reporting relationship with Council; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The policy requires that it be reviewed at least once a year to ensure that it is up-to-date and effective. As reported in the past Internal Audit Annual Reports, the policy remains effective.

The International Standards for the Professional Practice of Internal Auditing (*Standards*) requires an external quality assessment at least once every five years to evaluate whether or not internal audit is in conformance with the Institute of Internal Auditors' (IIA) *Standards* and Code of Ethics. In November 2021, a Self-Assessment with Independent Validation was conducted, and Vaughan's Internal Audit team received the highest ranking. During the self-assessment portion, Internal Audit observed opportunities to enhance the efficiency and effectiveness of our infrastructure and processes. Although not required by the *Standards*, it was decided that including and describing Internal Audit's administrative relationship with the City Manager would provide more clarity and transparency of Internal Audit's role within the City of Vaughan. The successful external quality assessment allows the use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" in Internal Audit reporting. The condition of this inclusion is now described in the policy.

### **Previous Reports/Authority**

Not applicable

### **Analysis and Options**

Although not required by the *Standards*, establishing the nature of the administrative reporting relationship in the Internal Audit Policy is a progressive and contemporary industry practice. The reporting relationships are reported annually in the department's annual report, clearly establishing the two reporting relationships, functionally to Council and administratively to the City Manager. Defining these reporting relationships in the Internal Audit Policy would provide a clear picture to stakeholders supporting not only the purpose, authority, and responsibility of Internal Audit, but the independence and objectivity.

In the annual review of the Internal Audit Policy, section 4 has been revised to include a more detailed account of functional reporting responsibilities to Council and administrative

reporting responsibilities to the City Manager. Also, section 9 now includes the condition of use of “Conforms with the International Standards for the Professional Practice of Internal Auditing” in Internal Audit reporting.

### **Financial Impact**

There are no direct economic impacts associated with this report

### **Broader Regional Impacts/Considerations**

Not applicable.

### **Conclusion**

Approval of the updated Internal Audit Policy would represent better practice and supports good public sector governance. This document reflects assurance and advisory roles and responsibilities of Internal Audit activity.

**For more information**, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

### **Attachments**

1. Attachment 1 – Amended Internal Audit Policy

### **Prepared by**

Kevin Shapiro, Director of Internal Audit, extension 8293  
Rebecca Burchert, Audit Project Manager, extension 8124

### **Approved by**

A handwritten signature in black ink, appearing to be 'K. Shapiro', with a long horizontal flourish extending to the right.

Kevin Shapiro, Director of Internal Audit