

CITY OF VAUGHAN
EXTRACT FROM COUNCIL MEETING MINUTES OF APRIL 20, 2021

Item 1, Report No. 16, of the Committee of the Whole, which was adopted, as amended, by the Council of the City of Vaughan on April 20, 2021, as follows:

By approving that the following appointments to the Audit Committee be made public:

- 1. Genevieve Grenier; and**
- 2. John Glicksman.**

1. AUDIT COMMITTEE CITIZEN MEMBER APPOINTMENTS AND AMENDED AUDIT COMMITTEE TERMS OF REFERENCE AND AUDIT COMMITTEE CHARTER

The Committee of the Whole recommends:

- 1) That the recommendations contained in the report of the Director of Internal Audit dated April 13, 2021, be approved; and**
- 2) That the two (2) citizen members recommended by the Director of Internal Audit in a Confidential Attachment # 1 be appointed to the Audit Committee.**

Recommendations

- 1. That Council consider the applications received [Confidential Attachment 1] for appointing two (2) citizen members to the Audit Committee for the remainder of this Term of Council; and**
- 2. That amendments to the Audit Committee Terms of Reference, substantially in the form in Attachment 2, and the Audit Committee Charter, substantially in the form in Attachment 3, to facilitate the addition of a maximum of two (2) qualified independent members of the public to the Audit Committee, be approved.**

Committee of the Whole (2) Report

DATE: Tuesday, April 13, 2021

WARD(S): ALL

TITLE: AUDIT COMMITTEE CITIZEN MEMBER APPOINTMENTS AND
AMENDED AUDIT COMMITTEE TERMS OF REFERENCE AND
AUDIT COMMITTEE CHARTER

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: DECISION

Purpose

To consider the applications received for appointing two (2) citizen members to the Audit Committee and to approve amendments to the Audit Committee Terms of Reference and Audit Committee Charter, to facilitate the addition of the two citizen members to the Audit Committee.

Report Highlights

- On October 21, 2020, Council approved the establishment of an Audit Committee.
- The amendments proposed in this report action Council's request from the December 8, 2020 CW(2) meeting to further amend the Audit Committee Charter and Terms of Reference to facilitate the addition of two qualified members of the public to the Audit Committee.
- Recruitment for these positions began in February 2021, based on the eligibility criteria and recruitment process approved by Council in October 2020.
- If approved, the appointed citizen members will be able to participate at the next scheduled Audit Committee meeting on April 27, 2021.
- The successful candidates will be advised of their appointment.

Recommendations

1. That Council consider the applications received [Confidential Attachment 1] for appointing two (2) citizen members to the Audit Committee for the remainder of this Term of Council; and
2. That amendments to the Audit Committee Terms of Reference, substantially in the form in Attachment 2, and the Audit Committee Charter, substantially in the form in Attachment 3, to facilitate the addition of a maximum of two (2) qualified independent members of the public to the Audit Committee, be approved.

Background

Based on the discussion of this item at the Committee of the Whole meeting on December 8, 2020, further amendments to the Audit Committee Terms of Reference and Audit Committee Charter are required to facilitate the addition of a maximum of two (2) qualified independent members of the public to the Audit Committee.

The Director of Internal Audit, in collaboration with the Office of the City Clerk and Corporate and Strategic Communications, coordinated the recruitment process utilizing the City's Social Media platforms, and the City's website. The deadline for submitting applications was 4:30 p.m. on Friday, February 19, 2021.

Previous Reports/Authority

1. [Options for Establishing an Audit Committee](#)
2. [Audit Committee Terms of Reference and Amended Procedure By-Law and Audit Committee Charter](#)

Analysis and Options

A summary of the applications received is provided to Mayor and Members of Council as Confidential Attachment 1.

Additional wording has been added to the Membership section within the Audit Committee Terms of Reference. It now states that "*The Audit Committee shall be comprised of a maximum of four Members of Council plus a maximum of two qualified independent members of the public. All Audit Committee members will have full voting privileges*". The only other proposed amendment to the Terms of Reference is to indicate that only Members of Council can hold the positions of Audit Committee Chair and Vice-Chair.

The same two amendments have also been made in the Audit Committee Charter in Section 2, which has been renamed to "Composition, Eligibility of Independent Members of the Public and Election of Chair and Vice-Chair". The eligibility and recruitment process for appointing independent qualified members of the public to serve on the City of Vaughan's Audit Committee has also been added to this section. It

includes the same verbiage as contained within Attachment 2 of the report entitled, Internal Audit Report – Options for Establishing and Audit Committee, which was approved by Council on October 21, 2020. The Audit Committee Charter also indicates that the two qualified independent members of the public who will serve on the Audit Committee will do so without remuneration.

Financial Impact

There are no direct economic impacts associated with this report.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

It is recommended that Council consider the applications received for appointing two (2) citizen members to the Audit Committee. If approved, the appointed citizen members will be able to participate at the next scheduled Audit Committee meeting on April 27, 2021.

Approval of the amendments to the Audit Committee Terms of Reference and Audit Committee Charter are also required to facilitate the addition of the two (2) citizen members to the Audit Committee.

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

Attachments

1. Confidential Attachment 1 – Applications (Mayor and Members of Council only).
2. Attachment 2 – Amended Audit Committee Terms of Reference.
3. Attachment 3 – Amended Audit Committee Charter.

Prepared by

Kevin Shapiro, Director of Internal Audit, ext. 8293

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



AUDIT COMMITTEE TERMS OF REFERENCE

Mandate / Objectives

The objective of the Audit Committee is to assist Council in the discharge of governance, accountability and controllership responsibilities by ensuring risks are being appropriately addressed through strong governance, a risk/control and compliance framework, appropriate stewardship and an effective internal audit activity.

This includes reviewing and advising on:

1. The integrity, quality and transparency of the City's financial, management and operational information.
2. The effectiveness of the financial and management reporting processes.
3. The effectiveness of risk management and control processes and practices.
4. The performance of the Internal Audit activity and assessing the effectiveness of the External Audit function.
5. Ethical business conduct and compliance with the City of Vaughan's Employee Code of Conduct.

Term

Audit Committee members shall be appointed by Council, based on the Term of Council, or until successors are appointed. If an Audit Committee member ceases to be a member before the expiration of their term, Council will appoint another eligible person for the remainder of the term.

Membership

The Audit Committee shall be comprised of a maximum of four Members of Council plus a maximum of two qualified independent members of the public. All Audit Committee members will have full voting privileges. Audit Committee members are expected to gain familiarity with the City's Audit Committee Charter, Internal Audit Policy and the City's Procedure By-law.

Members will be expected to contribute their expertise actively during meetings of the Audit Committee.

The Audit Committee will elect from its members a Chair and Vice-Chair. Only Members of Council are eligible to hold these positions. The election will be held at the Audit Committee's first meeting of a new term. In the event that neither the Chair or Vice-Chair is in attendance at a meeting, the members in attendance shall elect a Chair for that meeting.

Meeting Procedures

The proceedings of the Audit Committee are to be governed by the City's Procedure By-law.

Agendas and Reporting

Agendas shall be prepared by the Office of the City Clerk in consultation with the Director of Internal Audit and the Committee Chair. Agendas shall be posted on the City's website one week prior to the scheduled date of the meeting or as soon as practicable.

After each Audit Committee meeting, the City Clerk shall submit a report in the City's committee report format to the Committee of the Whole.

Meetings

The Audit Committee will be scheduled to meet a minimum of five times each year in order to provide Council with timely information. Audit Committee meetings will be scheduled in January, April, June, September and November. Additional Audit Committee meetings may be held at the recommendation of the Director of Internal Audit, the External Auditor, or by call of the Audit Committee Chairperson or the City Clerk.

Meetings are to be open to the public in accordance with the *Municipal Act, 2001*.

For the consideration of confidential matters, the Audit Committee has the authority under the City's Procedure By-Law and the *Municipal Act, 2001* to go into closed session.

Notice of Meetings

Meetings will be noted on the Schedule of Meetings calendar posted on the City's website.

Quorum

The majority of members, including the Chair, shall constitute quorum.

Staff Resources

The role of staff is to act as a resource to the Audit Committee, but not to be members of the committee, or to deliberate or draft the findings of the committee. The following staff and/or their delegate will provide advisory and technical support specific to the mandate and objectives of the committee:

- Director of Internal Audit
- External Auditor
- City Manager
- DCM Corporate Services, Treasurer and CFO
- DCM, Administrative Services & City Solicitor

The Office of the City Clerk will be responsible for agenda production and distribution, the giving of procedural advice, and the recording of the proceedings of the committee.

The attendance of additional staff members at Committee meetings shall be at the discretion of the Audit Committee chair.

Authority

The Audit Committee acts as a forum for communication among Council, Management, Internal Audit and the External Auditors. The Audit Committee, within the scope of its roles and responsibilities, is authorized to:

- Approve investigations into any matters it deems necessary.
- Obtain any information it needs from Internal Audit, the External Auditor and Management.
- Request the attendance of any employee or external party at Audit Committee meetings.
- Discuss any matters with the Director, Internal Audit.

Amendment / Expansion of Terms of Reference

Only Council can initiate any amendment and/or expansion of the Audit Committee Terms of Reference.

The Terms of Reference for the Audit Committee was established by Council's adoption of Item X of Committee of the Whole Report No. X on Date.



CITY OF VAUGHAN

CORPORATE POLICY

POLICY TITLE: AUDIT COMMITTEE CHARTER

POLICY NO.: 02.C.08

Section:	Accountability & Transparency		
Effective Date:	Click or tap to enter a date.	Date of Last Review:	Click or tap to enter a date.
Approval Authority: Council		Policy Owner: Director, Internal Audit	

POLICY STATEMENT

The Audit Committee is a decision-making committee who performs oversight of the City's governance, risk management and internal control practices.

PURPOSE

The purpose of this document is to assist the Audit Committee in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the audit process and the City's process of monitoring compliance with laws, regulations and the City's code of conduct.

SCOPE

The objective of the Audit Committee is to assist Council in the discharge of governance, accountability and controllership responsibilities by ensuring risks are being appropriately addressed through strong governance, a risk/control and compliance framework, appropriate stewardship and an effective internal audit activity.

This includes reviewing and advising on:

1. The integrity, quality and transparency of the City's financial, management and operational information.
2. The effectiveness of the financial and management reporting processes.
3. The effectiveness of risk management and control processes and practices.

4. The performance of the Internal Audit activity and assessing the effectiveness of the External Audit function.
5. Ethical business conduct and compliance with the City of Vaughan's Employee Code of Conduct.

LEGISLATIVE REQUIREMENTS

1. Municipal Freedom of Information and Protection of Privacy Act, R.S.O. 1990.
2. *Municipal Act, 2001*, as amended.

DEFINITIONS

1. **Assurance:** An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization and that the results can be relied upon for supporting informed decision making.
2. **Compliance:** Conformity and adherence to policies, plans, procedures, laws, regulations, contracts or other requirements.
3. **Control Environment:** The attitude and actions of the Board/Council and Management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:
 - 3.1. Integrity and ethical values.
 - 3.2. Management's philosophy and operating style.
 - 3.3. Organizational structure.
 - 3.4. Assignment of authority and responsibility.
 - 3.5. Human resource policies and practices.
 - 3.6. Competence of personnel.
4. **Engagement:** A specific Internal Audit assignment, task or review activity, such as an internal audit, control self-assessment review, fraud examination or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.
5. **Ethics:** Conception of what is right and fair conduct or behaviour. Ethics can also be equated with the concept of morals; one's ability to choose between right and wrong, good and bad, acceptable and unacceptable.
6. **Fraud:** Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services, to avoid payment or loss of services, or to secure personal or business advantage.

- 7. Governance:** The combination of processes and structures implemented by the governing body in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.
- 8. Independence:** The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.
- 9. Objectivity:** An unbiased mental attitude that allows Internal Auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires Internal Auditors not to subordinate their judgment on audit matters to that of others.
- 10. Risk:** The possibility that events will occur and affect the achievement of strategy and business objectives.
- 11. Stewardship:** To hold something in trust for another. The activity or job of protecting and being responsible for something.

POLICY

1. Authority

The Audit Committee acts as a forum for communication among Council, Management, Internal Audit and the External Auditors. The Audit Committee, within the scope of its roles and responsibilities, is authorized to:

- 1.1. Authorize investigations into any matters it deems necessary.
- 1.2. Obtain any information it needs from Internal Audit, the External Auditor and Management.
- 1.3. Request the attendance of any employee or external party at Audit Committee meetings.
- 1.4. Discuss any matters with the Director, Internal Audit.

2. Composition, Eligibility of Independent Members of the Public & Election of Chair and Vice-Chair

The Audit Committee shall be comprised of a maximum of 4 Members of Council plus a maximum of 2 qualified independent members of the public. All Audit Committee members will have full voting privileges. Audit Committee members shall be appointed by Council, based on the Term of Council, or until successors are appointed. If an Audit Committee member ceases to be a member before the

expiration of their term, Council will appoint another eligible person for the remainder of the term.

Audit Committee members are expected to gain familiarity with the City's Audit Committee Charter, Internal Audit Policy and the City's Procedure By-law. Members will be expected to contribute their expertise actively during meetings of the Audit Committee.

The following outlines the eligibility and recruitment process for appointing independent qualified members of the public to serve on the City of Vaughan's Audit Committee:

ELIGIBILITY

- A resident, owner or tenant of land in the City of Vaughan or a non-resident Vaughan based organizational or business representative.
- Completion of the Certified Internal Auditor (CIA) designation or an Accounting Designation (CPA). Other designations, such as the Certification in Risk Management Assurance (CRMA), Certified Information System Auditor (CISA) or a Certified Fraud Examiner (CFE) will also be considered.
- Completion of a University Degree. A degree specializing in Business Administration (MBA, BBA, etc.) or Public Administration would be considered an asset.
- A minimum of 10 years of professional experience.
- Be independent of the internal or external auditors of the City of Vaughan.
- Be independent of the Mayor and Members of Council and the City's Administration.
- Satisfactory criminal record check.

The Prospective Candidate Cannot Be:

- An elected official of the Region of York Council or of the Council of a municipality in the Region of York.
- A current employee of the City of Vaughan or an employee of any municipality within and including the Region of York.
- A current vendor or have any other business interest with the City of Vaughan.

DESIRED COMPETENCIES

- A strong understanding of the City's risks, including, strategic, operational, financial, compliance and reputational risks.
- Have a broad awareness of the interrelationship of the City's operations and its financial reporting.
- Financial expertise including an understanding of financial statements and financial controls.
- Have an aptitude for complex organizational effectiveness and governance.

- Information technology expertise or background including IT Governance, IT Security and Information Management.
- Professionals who in the course of their duties are required to adhere to codes or standards of their profession.
- A strong passion for the City of Vaughan, working collaboratively to advance the City's strategic mission, vision and goals.
- Demonstrated ability to innovate and develop strategic vision.
- Understand the difference between the oversight function of the Audit Committee and the decision-making function of management.
- Excellent verbal, written, listening, teamwork, and collaboration skills.
- Prior Audit Committee experience or working on a committee, task force or similar setting would be considered an asset.
- Expected to gain familiarity with the City's Audit Committee Charter, Internal Audit Policy and the City's Procedure By-law 7-2011.
- Members will be expected to contribute their expertise actively during meetings of the Audit Committee.

NON-ELECTED MEMBER SELECTION PROCESS

The Audit Committee Charter and a posting outlining the eligibility criteria and desired competencies for the position will be posted on the City of Vaughan's website. Advertisements may also be placed in local newspapers.

Applicants will be required to communicate their qualifications and experience in a cover letter and resume.

The Director of Internal Audit will review all the applications and develop a short-list of prospective candidates based on those applicants whose qualifications best meets the eligibility and desired competencies for the position. The short-listed candidates will be contacted by the Office of the City Clerk to attend an in person or virtual interview. The interview panel will include the City Clerk, the Director of Internal Audit and the Deputy City Manager, Corporate Services, City Treasurer and CFO.

After the interview is complete, the Interview Panel shall forward a report to Committee of the Whole – Closed Session with a recommendation regarding the suitability of the prospective candidates. Council shall appoint the non-elected members to the Audit Committee.

The term of membership for new members appointed through this process will coincide with the term of Council.

Non-elected members of the Audit Committee will serve without remuneration.

ELECTION OF CHAIR AND VICE-CHAIR

The Audit Committee will elect from its members a Chair and Vice-Chair. Only Members of Council are eligible to hold these positions. The election will be held at the Audit Committee's first meeting of a new term. In the event that neither the Chair or Vice-Chair is in attendance at a meeting, the members in attendance shall elect a Chair for that meeting.

The majority of members, including the Chair, shall constitute quorum.

3. Meetings

The Audit Committee will be scheduled to meet a minimum of five times each year in order to provide Council with timely information. Audit Committee meetings will be scheduled in January, April, June, September and November. Additional Audit Committee meetings may be held at the recommendation of the Director of Internal Audit, the External Auditor, or by call of the Audit Committee Chairperson or the City Clerk.

Meetings are to be open to the public in accordance with the *Municipal Act, 2001*.

For the consideration of confidential matters, the Audit Committee has the authority under the City's Procedure By-Law and the *Municipal Act, 2001* to go into closed session.

4. Roles and Responsibilities

The responsibilities of the Audit Committee may be revised by Council resolution. In each of its specific areas of responsibility, the Audit Committee, through Internal Audit or other means, has a responsibility to receive and evaluate information related to areas of risk or vulnerability within the City of Vaughan and the agreed upon management actions to effect change.

4.1. The Audit Committee will carry out the following Internal Audit Activities:

- 4.1.1. Review and approve the Internal Audit policy (02.C.07) and discuss if the appropriate authority access and reporting arrangements are in place.
- 4.1.2. Approve the risk based Internal Audit Work Plan recommended by the Director of Internal Audit.
- 4.1.3. Receive audit reports identifying key issues and the actions taken to address the issues.
- 4.1.4. Review the status of management action plans.
- 4.1.5. Review audit plan status.

- 4.1.6. Review the results of the annual client satisfaction survey report.
- 4.1.7. Review the results from the Anonymous Reporting System annual report.
- 4.1.8. Review the results of significant fraud allegations and investigations.
- 4.1.9. In conjunction with the Director, Internal Audit, review Internal Audit's compliance with the Standards for the Professional Practice of Internal Auditing, including adequate quality assurance practices, appropriate staffing and effective operational management.
- 4.1.10. Review the adequacy of resources to allow Internal Audit to carry out its responsibilities, including completion of the annual and longer-term audit plans.
- 4.1.11. Ensure clear and independent communication reporting lines exist between the Director, Internal Audit and the Audit Committee. This includes the ability to meet in closed session with the Director, Internal Audit, in the absence of management, regarding matters deemed allowable under the *Municipal Act, 2001*.

4.2. The Audit Committee will carry out the following External Audit Activities:

- 4.2.1. Provide approval for the appointment of the External Auditor for Financial Reporting.
- 4.2.2. Provide approval of the terms of engagement and the fees of the External Auditor.
- 4.2.3. Review the External Auditor's proposed audit scope and approach, including coordination of efforts with Internal Audit.
- 4.2.4. Review the independence of the External Auditor and confirm there are no conflict of interest issues for auditing and non-auditing services.
- 4.2.5. Consider the External Auditor's judgements about the quality and appropriateness of the City's accounting principles.
- 4.2.6. Respond to any inquiries the External Auditor may have as it relates to the Committee's view of fraud, fraud allegations and the Committee's role in the City's fraud program.

4.2.7. Confirm that the vendor performance evaluation of the external auditor, performed on a contractual basis, does not contain any nonconformance or other related issues.

4.3. The Audit Committee will provide oversight over the following Risk Management and Control Activities:

4.3.1. Review and discuss with management their responsibility for assessing and managing the City's exposure to risk.

4.3.2. Review policies governing risk management.

4.3.3. Review and discuss with management the City's major emerging risk exposures.

4.3.4. Review and discuss with management their responsibility for maintaining an efficient and effective control environment, including the use and management of third parties, to ensure it is comprehensive and effective.

4.3.5. Review processes to determine if the City has relevant policies and procedures in place and whether these are periodically reviewed, updated and complied with.

4.3.6. Review with management that they have embedded a culture which is committed to ethical and legal behavior, including compliance with laws, legislation and regulation.

4.3.7. Review with management the administration of and compliance with the City's Employee Code of Conduct including the processes for educating and communicating the Code to City staff.

4.3.8. Review and discuss with management their responsibility for safeguarding of corporate assets.

4.4. The Audit Committee Charter will be reviewed each year. Suggested changes will be reported to the Audit Committee for consideration and approval.

ADMINISTRATION

Administered by the Office of the City Clerk.

Review Schedule:	SELECT If other, specify here	Next Review Date:	Click or tap to enter a date.
Related Policy(ies):			
Related			

By-Law(s):	
Procedural Document:	
Revision History	
Date:	Description:
Click or tap to enter a date.	
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