



The Regional Municipality of York

Audit Services Branch Charter

September 2020

Purpose and Mission

As part of Audit Committee's responsibilities, the purpose of the Regional Municipality of York (York Region) Audit Services Branch is to provide independent, objective assurance and consulting services designed to add value and improve York Region's operations.

The mission of Audit Services is to enhance and protect organizational value by employing a risk-based approach to provide objective assurance, advice, and insight.

The Audit Services Branch helps York Region accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The Audit Services Branch will govern itself by adherence to the mandatory elements of:

- The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
- York Region's Code of Conduct.

The chief audit executive (Director, Audit Services) will report routinely to York Region's Audit Committee regarding the Audit Services Branch's conformance to the IIA Code of Ethics and the IIA Standards.

Authority

The chief audit executive will report functionally to the York Region Audit Committee and administratively (i.e. day-to-day operations) to the Chief Administrative Officer.

To establish, maintain, and help ensure that York Region's Audit Services Branch has sufficient authority to fulfill its duties, the York Region Audit Committee will:

- Review and recommend for Regional Council's approval the Audit Services Branch Charter on a periodic basis and/ or when changes are made.
- Review and recommend for Regional Council's approval the risk-based Audit Services Branch Annual Audit Plan.
- Receive communications from the chief audit executive on the Audit Services Branch's performance relative to its plan and other matters.
- Review and concur in the appointment, replacement or removal of the chief audit executive.
- Make appropriate inquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

The chief audit executive will have unrestricted access to, and communicate and interact directly with, the York Region Audit Committee, including in private meetings without management present where necessary.

The York Region Audit Committee authorizes the Audit Services Branch to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scope of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of York Region, as well as other specialized services from within or outside York Region, in order to complete the engagement.
- Make changes to the approved risk-based work plan as needed.

Independence and Objectivity

The chief audit executive (and staff) will ensure that the Audit Services Branch remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for York Region or its affiliates.
- Initiating or approving transactions external to the Audit Services Branch.
- Directing the activities of any York Region employee not employed by the Audit Services Branch, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Notwithstanding the previous paragraph, in case of a Regional emergency, to the extent that redeployment of staff may be necessary to support critical functions, Audit Services Branch staff may be required to perform otherwise non-audit related duties.

Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The chief audit executive will confirm to the York Region Audit Committee, at least annually, the organizational independence of the Audit Services Branch.

The chief audit executive will disclose to the York Region Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the York Region Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for York Region. The scope includes York Region and any wholly owned subsidiary of the Regional Municipality of York but does not include York Regional Police.

Audit Services assessments include evaluating whether:

- Risks relating to the achievement of York Region's strategic objectives and business objectives are appropriately identified and managed.
- The actions of York Region's officers, directors, employees, and contractors are in compliance with York Region's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact York Region.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The chief audit executive will report periodically to senior management and the York Region Audit Committee regarding:

- The Audit Services Branch purpose, authority, and responsibility.
- The Audit Services Branch plan and performance relative to its plan.
- The Audit Services Branch conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the York Region Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to York Region.

The chief audit executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Audit Services Branch may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Audit Services Branch does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The chief audit executive has the responsibility to:

- Submit, at least annually, to senior management and the York Region Audit Committee a one-year risk-based audit plan for review and approval.
- Communicate to senior management and the York Region Audit Committee the impact of resource limitations on the audit plan.
- Review and adjust the audit plan, as necessary, in response to changes in York Region's business, risks, operations, programs, systems, and controls.
- Communicate and seek approval of senior management and the York Region Audit Committee any significant interim changes to the audit plan.
- Ensure each engagement of the audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the York Region Audit Committee.
- Evaluate the potential for the occurrence of fraud and how the organization manages fraud risk.
- Lead or support the investigation of suspected fraudulent activities reported to Audit Services.
- Conduct consulting engagements as requested where the scope is defined by management or the Audit Committee.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Audit Services Branch collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Audit Services Charter.
- Ensure trends and emerging issues that could impact York Region are considered and communicated to senior management and the York Region Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Audit Services Branch.
- Ensure adherence to York Region's relevant policies and procedures, unless such policies and procedures conflict with the Audit Services Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the York Region Audit Committee.
- Ensure conformance of the Audit Services Branch with the Standards, except where conformance would violate legal or regulatory requirements. When the Standards cannot be conformed to, a qualification with the appropriate disclosure(s) to highlight the nonconformance will be issued.

Quality Assurance and Improvement Program

The Audit Services Branch will maintain a quality assurance and improvement program that covers all aspects of the Audit Services Branch. The program will include an evaluation of the Audit Services Branch's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Audit Services Branch and identify opportunities for improvement.

The chief audit executive will communicate to senior management and the York Region Audit Committee on the Audit Services Branch quality assurance and improvement program, including results of internal

assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside York Region.