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City Council Decision Monday, January 20, 2020

Moved by: Councillor Morrison
Seconded by: Councillor Sleiman

Decision Number: CR35/2020

That City Council **APPROVE** the Auditor General Charter (attached as Appendix A); and,

That the CAO and City Clerk **BE AUTHORIZED** to sign amendments to the City's existing Engagement Letter with PwC in order to reflect the required changes relative to the engagement of PwC as the City's Outsourced Auditor General service provider through to March 31, 2025, satisfactory in technical content to the CAO, in financial content to the CFO & City Treasurer, and in legal form to the City Solicitor; and,

That City Council **DIRECT** the CAO to work with the Auditor General to ensure that the Auditor General Charter is implemented.

Carried.

Councillor McKenzie voting nay.

Report Number: C 193/2019

Clerk's File: AF/11247 8.2

Steve Vlachodimos

Deputy City Clerk/Senior Manager of Council Services

April 20, 2020

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CITY OF WINDSOR
AUDITOR GENERAL CHARTER

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CITY OF WINDSOR AUDITOR GENERAL CHARTER

INTRODUCTION

By virtue of the authority provided to a municipality in s. 223.19 of the *Municipal Act, 2001*, S.O. 2001, c. 25, (the "Act") The Corporation of the City of Windsor ("City of Windsor") appointed an auditor general (the "AG") on September 23, 2019 by Council Resolution CR485/2019.

The purpose, scope, authority, responsibilities and accountability of the AG for the City of Windsor are described in this Auditor General Charter (the "Charter").

This Charter shall be periodically reviewed and updated, in consultation with City Council.

OVERVIEW

The AG is responsible for assisting the City of Windsor in holding itself and its administrators accountable for the quality of stewardship over public funds and for achievement of value for money in municipal operations. The AG will carry out its responsibilities by providing objective and independent assessment, advice and assurance with respect to governance, risk management, accountability, and performance. The role of the AG is not only to identify cost savings. When selecting audit projects, the AG attempts to balance audit work that will identify opportunities for cost reductions, loss avoidance, increased revenues, improved revenue collection, enhanced efficiency and effectiveness, and improvements to major control systems.

While cost savings may result from the work conducted by the AG, of equal importance is the work conducted to safeguard City of Windsor resources and ensure proper use of public funds. Recommendations relating to the improvement of internal controls and the quality of stewardship over public funds are an important part of the AG's work but are not easily quantifiable. Reports which have no apparent immediate financial benefit may nevertheless have significant other long-term benefits to the City.

REPORTING

The AG for the City of Windsor shall report directly to City Council and will issue the annual plan, reports and status updates through the Corporate Services Standing Committee (CSSC) to City Council.

Internal Audit personnel will report to and be overseen by the AG and support the AG in executing the mandates within this Charter. Internal Audit personnel, and their efforts/hours, will be directed by the AG. The AG has delegated the following powers conferred to him under the Act to the Internal Audit personnel who report to him, including all internal audit personnel: Scope, Duty to Furnish, Access to Records, Confidentiality and Testimony. (see Appendix A).

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PURPOSE

The purpose of the AG is to provide independent, objective assurance and advice designed to add value and improve the City of Windsor's operations. Independence is mandated by the *Act* and carried out in accordance with professional standards. The AG will collaborate with City of Windsor management and help the City of Windsor accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

In addition to these primary services, the AG shall provide guidance to improve the effectiveness of controls, examine suspected fraudulent or irregular activities, and provide advisory services to assist with the improvement of operational activities.

SCOPE

The scope of the AG is defined annually through the approved Audit Plan ("Audit Plan") and includes all audit activities to assist management in determining whether the City of Windsor's network of governance, risk management, and control processes, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Interactions and arrangements with third parties, including external parties, are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources and assets are acquired economically, used efficiently, and adequately safeguarded.
- Operations and initiatives are conducted to deliver results that are consistent with established objectives and goals.
- Quality and continuous improvement are fostered in the City of Windsor's control process.
- Legislative or regulatory compliance issues impacting the City of Windsor are recognized and addressed appropriately.

Opportunities for improving management control, financial and operating results, and the City of Windsor's structure or performance may be identified during audits. To fulfill its objective of adding value and improving the City of Windsor's operations, the AG will validate audit findings and recommendations with the appropriate level of management and obtain management responses and action plans to include in audit reports.

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ACCOUNTABILITY

The AG, in the discharge of their duties, shall be accountable to the City of Windsor by reporting directly to City Council through the CSSC to:

- Provide coverage of the adequacy and effectiveness of the City of Windsor's processes for controlling its activities and managing its risks.
- Report important issues related to the processes for managing risk and controlling the activities of the organization, including potential improvements to those processes, and provide information concerning such issues through resolution. This includes coverage of risk management and governance practices.
- Periodically provide information on the status and results of the annual Audit Plan and the sufficiency of department resources. This includes ensuring the resources are sufficient in amount and competency to cover the risks in the annual audit plan.
- Coordinate with and provide coverage of other control and monitoring functions (risk management, governance, compliance, security, legal, ethics, environmental).
- Coordinate with external audit.
- Along with management, establish a follow-up process to track and monitor the effective implementation of management actions related to important issues and recommendations.

AUTHORITY, ACCESS AND SUPPORT

The AG may exercise the powers and shall perform the duties with respect to the City of Windsor's:

1. departments,
2. local boards,
3. controlled corporations, and
4. grant recipients (where the grant received is directly or indirectly from the municipality, a local board or a municipally-controlled corporation for grants received 2006 or later).

The responsibilities of the AG do not include those matters for which an auditor is responsible under s. 296(1) of the *Act*. The AG's responsibilities do not include annually auditing the accounts and transactions of the municipality and its local boards and expressing an opinion on the financial statements of these bodies based on the audit.

As per the *Act*, the AG does not have the right to limit the natural person powers bestowed upon a municipality nor does the AG have the right to limit municipal by-laws respecting the following matters:

1. Governance structure of the municipality and its local boards.

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2. Accountability and transparency of the municipality and its operations and of its local boards and their operations.
3. Financial management of the municipality and its local boards.
4. Public assets of the municipality acquired for the purpose of exercising its authority under this or any other Act.
5. Economic, social and environmental well-being of the municipality, including respecting climate change.
6. Health, safety and well-being of persons.
7. Services and things that the municipality is authorized to provide under subsection 1 of the Municipal Act.
8. Protection of persons and property, including consumer protection.
9. Animals.
10. Structures, including fences and signs.
11. Business licensing.

As per the Act, the City of Windsor, its local boards and its municipally-controlled corporations and grant recipients shall give the AG, such information regarding their powers, duties, activities, organization, financial transactions and methods of business as the AG believes to be necessary to perform their duties.

As per the Act, the AG is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things or property belonging to or used by the municipality, its local boards, the municipally-controlled corporations or the grant recipient, as the case may be, that the AG believes to be necessary to perform their duties.

For the purpose of this Charter, affiliates of the City of Windsor include, but are not limited to, service providers, subcontractors, consultants or any other party performing work, whereby the City of Windsor has an oversight role.

The AG shall have access to any functions, meetings, records, physical property, and personnel required to carry out its responsibilities. The AG shall handle confidential information by adhering to the same restrictions that apply to the department that manages it.

The AG will have full and free access to the CSSC and City Council.

The Mayor and City Councillors, City of Windsor management and staff shall provide full cooperation, access to records, explanations, assistance, and general facilitation to complete audit endeavours.

The AG shall have the authority to stop, delay or postpone active/ongoing or planned work in order to redirect efforts to conduct projects and analysis when a complaint/allegation is lodged which may have merit. Any such changes will be reported to City Council for approval of the Audit

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Plan change or alternatively for allocation of additional resources to avoid such changes to the plan.

The CAO, or his or her designate, is authorized to:

- Coordinate with management to ensure the audit personnel have unrestricted access to all functions, meetings, records, physical property, and personnel required to carry out their responsibilities.
- Coordinate with management to allocate internal resources and/or seek from management the necessary assistance of personnel in departments of the City of Windsor or those contracting with the City of Windsor in order to accomplish audit objectives.
- As part of carrying out his or her responsibilities or at the request of management, provide advice to management on the audit process, as deemed appropriate.

RESPONSIBILITY

The AG's responsibilities and accountability are defined and approved by the City of Windsor through City Council and the CSSC as well as through the appointment of an Auditor General by the City of Windsor under the *Act*, which includes all activities that encompass:

- The examination and evaluation of the adequacy and effectiveness of the system of internal controls; and,
- The quality of performance in carrying out assigned responsibilities and operational activities.

The AG has responsibility to:

- Develop a rolling three-year Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan, as well as any recommendations regarding changes to the plan, if required, to the CSSC for review and approval.
- Implement each year's Audit Plan, as approved, including as appropriate any special tasks or projects requested through CSSC for approval by Council.
- Propose, and make merited, amendments to the annual Audit Plan and projects as per the provided powers and authority.
- Maintain professional resources with staff and, where appropriate, additional resources with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluate and assess important merging/consolidating functions and new or changing services, business units, processes, systems, operations, and control processes coincident with their development, implementation, and/or expansion.
- Evaluate the reliability and integrity of operational and financial information and the means used to identify, measure, classify, and report such information.
- Evaluate the systems established to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.

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- Evaluate the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- Evaluate the effectiveness and efficiency with which resources are employed.
- Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals.
- Evaluate and report on risk management processes, significant risk exposures and control issues.
- Consider fraud risks during the planning of audits, alertness to process deficiencies or other red flags which indicate the possibility that fraud could or has occurred, the determination of whether further action is required, and the recommendation of investigations where appropriate.
- Assist as appropriate in the investigation of suspected fraudulent activities within the organization and notify management (where appropriate) and Council through the CSSC of the results.
- Issue periodic reports summarizing results of audit activities to the Executive Leadership Team and through the CSSC for approval by Council.
- Keep CSSC and Council informed of emerging trends and successful practices in internal auditing.
- Provide audit measurement goals and results to City Council through the CSSC.
- Coordinate its plans and efforts with those of the external auditors to avoid duplication of audit effort and to optimize audit coverage.
- In discharging its responsibilities or at the request of management, as appropriate, provide advice to management that add value and improve an organization's governance, risk management, and control processes without the AG assuming management responsibility.
- Execute a quality assurance and improvement program to ensure the effective operation of audit activities and annually report the results of the program to the CAO, or designate and Council through the CSSC.

INDEPENDENCE AND OBJECTIVITY

The AG is required to be perform his or her responsibilities in an independent manner. He or she is required to be objective in accordance with professional standards.

In order to ensure maintenance of its independence and objectivity, the AG will remain free from interference by any element in the City of Windsor, including matters of audit scope, procedures, frequency, timing, or report content.

To provide for the organizational independence of the audit function, the AG will report functionally to the CSSC with administrative coordination provided by the CAO, or designate, to support the AG role.

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To ensure objectivity, the AG shall not implement procedures or controls, develop records, or engage in any activity that would impair their objectivity. To assist management in discharging their responsibilities, the AG office may advise management in the formulation of policies and procedures, or the development of new systems. However to remain independent and objective, it will be in an advisory capacity, with final decisions and implementation being the responsibility of the appropriate management.

The AG shall not have direct responsibility or authority over any activities which they review. The AG will attest to the organizational independence of the AG's & related staff/personnel audit activity and identify any unwarranted restrictions on audit scope, communications, access, and resources, including personnel and externally contracted resources to Council through the CSSC, at least annually.

REPORTING AND MONITORING

The AG will submit to the CSSC:

1. A rolling three year risk-based Audit Plan for approval by Council. Annual Audit Plans will be developed based on a prioritization of the audit universe using a risk-based methodology, including input from the Mayor, Councillors, the City of Windsor Corporate Leadership Team, senior management and other identified City of Windsor staff. Any significant deviation from the approved Audit Plan, including modifications made by the AG based on merit and the AG powers, will be communicated to the CSSC through periodic updates.
2. A written report will be prepared and issued following the conclusion of each audit engagement and once discussed with management, will be distributed as appropriate, including the CSSC. To ensure management feedback and to encourage management participation in the process, the audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations, including timetable of anticipated completion.
3. A written report will be prepared based on validation of management's corrective action plan closure and summary status for all unresolved findings (those open as of the prior report as well as the new ones raised in the period).
4. An annual report on the audit activities conducted during the preceding year.
5. Immediate communication of any suspected or known instances of fraud to the CSSC.

STANDARDS

The internal audit profession is covered by the International Professional Practices Framework of The Institute of Internal Auditors. This framework includes mandatory elements consisting of the

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Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing. The AG will meet the applicable mandatory requirements of the profession.

Where appropriate, performance audits (also known as value-for-money audits), may leverage the Generally Accepted Government Auditing Standards for Performance Audits or the Performance Audit Process as outlined but the Office of the Auditor General of Canada.

The AG shall employ established and proven frameworks and practices that are appropriate for the City and for the effective performance of AG responsibilities.

ENQUIRIES

Enquiries about this policy should be directed to the CAO, or designate or the AG.

APPROVAL

Modifications to the Auditor General Charter must be:

1. In compliance with the Act.
2. Based on the annual review and approved by the appointed AG.
3. Subsequent to initial presentation, where modifications are identified through preceding items 1 and 2, such modifications will be presented to City Council for endorsement through a Council Resolution.

APPENDIX A: DELEGATION OF POWERS AND DUTIES TO INTERNAL AUDIT PERSONNEL

Under the Act, section 223.19 (5) the Auditor General has the ability to delegate powers and duties while also retaining those powers and duties (section 223.29 (6)).

The Auditor General hereby delegates the following powers and duties conferred upon him through the Act and Charter to all Internal Audit personnel:

Duty to Furnish: 223.20 (1) The municipality, its local boards and the municipally-controlled corporations and grant recipients referred to in subsection 223.19 (3) shall give the Auditor General such information regarding their powers, duties, activities, organization, financial transactions and methods of business as the Auditor General believes to be necessary to perform his or her duties under this Part. 2006, c. 32, Sched. A, s. 98.

Access to Records: 223.20 (2) The Auditor General is entitled to have free access to all books, accounts, financial records, electronic data processing records, reports, files and all other papers, things or property belonging to or used by the municipality, the local board, the municipally-controlled corporation or the grant recipient, as the case may be, that the Auditor General believes to be necessary to perform his or her duties under this Part. 2006, c. 32, Sched. A, s. 98.

Duty of Confidentiality: 223.22 (1) The Auditor General and every person acting under the instructions of the Auditor General shall reserve secrecy with respect to all matters that come to his or her knowledge in the course of his or her duties under this Part. 2006, c. 32, Sched. A, s. 98.

Testimony: 223.23 Neither the Auditor General nor any person acting under the instructions of the Auditor General is a competent or compellable witness in a civil proceeding in connection with anything done under this Part. 2006, c. 32, Sched. A, s. 98.

Further, the Auditor General hereby delegates the powers and duties (specifically, scope, authority, access and support, independence & objectivity, reporting & monitoring and standards) outlined in the Auditor General Charter to all Internal Audit personnel such that those personnel support him in executing said Charter.



Auditor General for the Corporation of the City of Windsor

January 21, 2020

Date