City of St. John's Corporate and Operational Policy Manual

Policy Title: Internal Audit Charter	**Policy #:** 01-01-08
Last Revision Date: 2006-04-17	**Policy Section:** Organization> Administration
Policy Sponsor: Audit Committee	

1. Purpose

The purpose of this policy is to:

a) outline the purpose and mission of the Office of the City Internal Auditor;
b) provide the authority required for the Office of the City Internal Auditor to perform its work;
c) set the standards that will guide the Office of the City Internal Auditor and its work;
d) outline the scope of internal audit activities; and
e) outline the responsibilities of the Office of the City Internal Auditor and the Audit Committee as they relate to internal audit.

2. Definitions

"Audit Committee" means the Committee approved by Council as detailed in the Audit Committee Terms of Reference.

"Department Head" means all Deputy City Managers and the City Manager or their designate.

"Employee" means any person employed by the City of St. John's as a permanent, term, part-time, casual, contract, seasonal, temporary, or student worker.

"Internal Auditing" means an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations, helping the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

“Supplier” shall have the same meaning as the Public Procurement Act, that is “an individual, partnership, corporation, joint venture or other form of business organization engaged in the lawful supply of commodities.”

3. Policy Requirements

3.1 Purpose and Mission

a) The purpose of the Office of the City Internal Auditor shall be to provide independent, objective assurance and consulting services designed to add value and improve the City’s operations.
b) The mission of the Office of the City Internal Auditor shall be to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
c) The Office of the City Internal Auditor shall help the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

3.2 Standards for the Professional Practice of Internal Auditing

a) The Office of the City Internal Auditor shall be guided by the Institute of Internal Auditors’ (IIA) International Professional Practices Framework (IPPF), 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.
b) The City Internal Auditor shall report annually to the Audit Committee regarding the Office of the City Internal Auditor’s compliance to the IIA Code of Ethics.

3.3 Authority

a) The City Internal Auditor shall report functionally to the Audit Committee and administratively (that is, day to day operations) to the City Manager.

b) To establish, maintain, and assure that the Office of the City Internal Auditor has sufficient authority to fulfill its duties, the Audit Committee shall:
   i. approve the Internal Audit Charter;
   ii. approve the risk-based internal audit plan;
   iii. recommend to Council an established budget for the Office of the City Internal Auditor;
   iv. receive communications from the City Internal Auditor on the Office's performance relative to its plan and other matters;
   v. approve decisions regarding the appointment and removal of the City Internal Auditor; and
   vi. make appropriate inquiries of Department Heads and the City Internal Auditor to determine whether there is inappropriate scope or resource limitations.

c) The City Internal Auditor shall have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without Employees present.

d) The Audit Committee shall authorize the City Internal Auditor to:
   i. 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;
   ii. allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
   iii. obtain assistance from the necessary personnel of the City, as well as other specialized services from within or outside the City (subject to budgetary restrictions), in order to complete the engagement.

3.4 Independence and Objectivity

a) The City Internal Auditor shall ensure that the Office of the City Internal Auditor remains free from all conditions that threaten the ability of the 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 City Internal Auditor determines independence or objectivity may be impaired in fact or appearance, the details of the impairments shall be disclosed to the appropriate parties.

b) Internal auditors shall 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 judgement on audit matters to others.

c) Internal auditors shall not have direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors shall not:
   i. implement internal controls;
   ii. develop procedures;
   iii. install systems; and/or
   iv. prepare records or engage in any activity that may impair their judgement.

d) The activities noted in (c), include, but are not limited to:
   i. assessing specific operations for which they had responsibility within the previous year;
   ii. performing any operational duties for the City or its affiliates;
   iii. initiating or approving transactions external to the Office of the City Internal Auditor; and/or
   iv. directing the activities of any City Employee not employed by the Office of the City Internal Audit, except to the extent that such Employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

e) Where the City Internal Auditor has or is expected to have roles and/or responsibilities that fall outside of Internal Auditing, safeguards shall be established to limit impairments to independence and objectivity.

f) Internal auditors shall:
   i. disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties;
   ii. exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
   iii. make balanced assessments of all available and relevant facts and circumstances; and

iv. take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

g) The City Internal Auditor shall confirm to the Audit Committee, at least annually, the organizational independence of the Office of the City Internal Auditor.

h) The City Internal Auditor shall disclose to the Audit Committee any interference and related implications in determining the scope of Internal Auditing, performing work, and/or communicating results.

3.5 Internal Audit Activities

a) The scope of internal audit activities shall include, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the City of St. John’s.

b) Internal audit assessments shall include evaluating whether:

  i. risks relating to the achievement of the City’s strategic objectives are appropriately identified and managed;

  ii. the actions of the City’s Employees, and Suppliers comply with the applicable policies, procedures, governance standards, and legislation;

  iii. the results of operations or programs are consistent with established goals and objectives;

  iv. operations and programs are being carried out effectively and efficiently;

  v. established processes and systems comply with policies, procedures, and legislation that could significantly impact the City, as determined by Department Heads, the Office of the City Internal Auditor, and the Audit Committee;

  vi. information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity; and

  vii. resources and assets are acquired economically, used efficiently, and protected adequately.

c) The City Internal Auditor shall report periodically, as detailed below, to the Audit Committee regarding:

  i. the Office of the City Internal Auditor’s purpose, authority, and responsibility, on an annual basis;

ii. the Office of the City Internal Auditor's plan and performance relative to its plan, on an annual basis;
iii. the impact of resource limitations and/or any significant interim changes for the internal audit plan, as required;
iv. annual confirmation of the organizational independence of the Office of the City Internal Auditor;
v. the Office of the City Internal Auditor's conformance with the IIA's Code of Ethics and action plans to address any significant conformance issues, on an annual basis;
vi. significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or as requested/required by, the Audit Committee;
vii. results of audit engagement or other activities, as completed; and
viii. resource requirements, as determined by the City Internal Auditor.

d) The Office of the City Internal Auditor shall:
   i. review and adjust the internal audit plan, as necessary, in response to changes in the City's business, risks, operations, programs, systems, and controls;
   ii. execute each engagement of the audit plan, 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;
   iii. follow up on engagement findings and corrective actions, and report periodically to Department Heads and the Audit Committee;
   iv. apply and uphold the principles of integrity, objectivity, confidentiality, and competency;
   v. consider trends and emerging issues that could impact the City and communicating them to Department Heads and the Audit Committee as appropriate;
   vi. consider emerging trends and successful practices in Internal Auditing; and
   vii. monitor adherence to the City's relevant policies and procedures, unless such policies and procedures conflict with this policy. Any such conflicts shall be resolved or otherwise communicated to Department Heads and the Audit Committee.

e) The Office of the City Internal Auditor may coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting Suppliers as needed. The Office of the City Internal Auditor may perform advisory and related departmental service activities, the nature and scope of which shall be agreed by Department Heads, provided the Office of the City Internal Auditor does not assume management responsibility.

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

4. Application

This policy applies to all City internal audit activities undertaken by the Office of the City Internal Auditor.

5. Responsibilities

5.1 The Office of the City Internal Auditor shall be responsible for:

a) implementing this policy;
b) submitting, at least annually, to the Audit Committee a risk-based internal audit plan for review and approval;
c) ensuring the Office of the City Internal Auditor collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this policy;
d) establishing and monitoring adherence to policies and procedures designed to guide the Office of the City Internal Auditor; and
e) working with the Audit Committee on internal audit activities detailed in the Audit Committee Terms of Reference.

5.2 The Audit Committee shall be responsible for:

a) complying with the requirements of this policy;
b) approving activities, policies, and budgets for the Office of the City Internal Auditor; and
c) performing internal audit activities as detailed in the Audit Committee Terms of Reference.

5.3 Department Heads and Employees shall be responsible for:

a) complying with the requirements of this policy.

6. References

- Audit Committee Terms of Reference
- Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including:
  - Core Principles for the Professional Practice of Internal Auditing;
  - Code of Ethics; and
  - International Standards for the Professional Practice of Internal Auditing.

7. Approval

- Policy Sponsor: Audit Committee
- Policy Writer: City Internal Auditor; Policy Analyst
- Date of Approval from
  - Corporate Policy Committee: July 23, 2021
  - Senior Executive Committee: February 4, 2022
  - Audit Committee: February 9, 2022
- Date of Approval from Council: February 21, 2022

8. Monitoring and Contravention

The Audit Committee and the Office of the City Internal Auditor shall monitor the application of the policy. Any contravention of the policy shall be reported to the Audit Committee and/or the City Manager for further investigation and appropriate action, which may include, but is not limited to legal action and discipline, up to and including dismissal.

9. Review Date

Every five years