

A by-law to amend By-law 0065-2013, as amended, being a by-law to establish a revised Internal Audit Charter

WHEREAS The Corporation of the City of Mississauga (the "City") has undertaken a review of its Internal Audit Charter;

AND WHEREAS the City deems it necessary and desirable to amend the Internal Audit Charter so that it is current and aligned to the new *Global International Audit Standards* which take effect on January 9, 2025;

AND WHEREAS on _____, the Council for the City passed Resolution _____ approving Audit Committee Recommendation _____ to amend the Internal Audit Charter By-law 0065-2013 as necessary;

NOW THEREFORE the Council of The Corporation of the City of Mississauga, ENACTS as follows:

1. That the Internal Audit Charter By-law 0065-2013 is amended by deleting Schedule 'A' (Internal Audit Charter) and replacing it with the attached Schedule A to this By-law.

ENACTED and PASSED this _____ day of _____, 2024.

Approved by Legal Services City Solicitor City of Mississauga
Tushar Sharma
Date:
File: LA.25-24.310

MAYOR

CLERK

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INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the Internal Audit function is to strengthen the City's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal Audit's mission is to assist the City in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes, decision-making and oversight, reputation and credibility with its stakeholders, and assurance to residents that services and resources are being administered in an effective, efficient and economical manner.

City of Mississauga's Internal Audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the Audit Committee.
- Internal Auditors are free from undue influence and committed to making objective assessments.

The Internal Audit Charter shall be reviewed by the Audit Committee periodically or as required, and any revisions recommended by the Audit Committee shall be presented to Council for approval. At the start of every term of Council the Internal Audit Charter will be presented for review, and the Internal Audit Charter will be shared when new members are appointed to the Audit Committee.

Commitment to Adhering to the Global Internal Audit Standards

Internal Audit will adhere to the mandatory elements of the Institute of Internal Auditors' (the IIA) International Professional Practices Framework (IPPF), which are the Global Internal Audit Standards and Topical Requirements, and guidelines and procedures of ISACA for information systems. Internal Audit will also ensure adherence to the City's relevant policies and procedures and the Internal Audit Procedures Manual.

Values and Operating Principles

Our values and operating principles include:

- Act with integrity, maintain objectivity, demonstrate competence, exercise due professional care, maintain confidentiality and ensure Internal Audit activities are free from undue influence.
- Perform independent assessments of risk and control as guided by the IIA's IPPF.
- Promote risk awareness and risk management throughout the City.
- Provide balanced, objective reporting on risk and control to management and the Audit Committee.
- Foster collaboration and teamwork to support management's efforts to achieve the City's strategies and objectives.

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- Develop and maintain an audit team with diverse and versatile skills to respond to the needs of and to provide value to management and the Audit Committee.

Scope of Internal Audit Services

The scope of Internal Audit services includes all of the City's operations, including its activities, assets and personnel. It also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory services to the Audit Committee and management on the adequacy and effectiveness of governance, risk management and control processes of the City.

The nature and scope of advisory services may be agreed to with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal Audit engagements may include evaluating whether:

- Risks relating to the achievement of the City's strategic objectives are appropriately identified and managed.
- The actions of the City's officers, directors, employees, and contractors are in compliance with the City'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, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with City goals, objectives, policies, plans, procedures, standards, regulations, by-laws and other directives of Council.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information are reliable.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

Mandate

Authority

The Internal Audit function's authority is created by its direct reporting relationship to the Audit Committee.

The Audit Committee authorizes the Director and staff of Internal Audit to:

- Have full and unrestricted access to any and all functions, data, records, information, physical property and personnel pertinent to carrying out internal audit responsibilities, subject to accountability for confidentiality under the Municipal

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Freedom of Information and Protection of Privacy Act (MFIPPA). Internal Auditors are accountable for confidentiality and safeguarding of records and information.

- Have full and unrestricted access to the Audit Committee, including private meetings without management present.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish audit objectives.
- Obtain assistance from the necessary personnel of the City, and other specialized services outside the City, in order to complete the engagement.
- Conduct audits and reviews of all City departments, third parties (subject to a right to audit clause, where applicable), and City-related boards.

Independence, Organizational Position, and Reporting Relationships

The Director, Internal Audit will be positioned at a level of the organization that enables Internal Audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit function (see “Mandate” section). The Director, Internal Audit will report functionally to the Audit Committee and administratively (for example, day-to-day operations) to the City Manager and Chief Administrative Officer. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference, and supports the Internal Auditors’ ability to maintain objectivity.

The administrative reporting responsibilities of the City Manager and Chief Administrative Officer include:

- Approving the Internal Audit function’s human resources administration, together with input from the Audit Committee.
- Facilitating the approval of Internal Audit’s budgets by Audit Committee.
- Approving the Director, Internal Audit’s expenses, with input from the Audit Committee.
- Approving the Director, Internal Audit’s vacation plans.
- Providing input to the Chair of the Audit Committee, regarding the performance of the Director, Internal Audit.

The Director, Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit function. If the governance structure does not support organizational independence, the Director, Internal Audit will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Director, Internal Audit will disclose to the Audit Committee any interference Internal Auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Internal Audit function’s effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Director, Internal Audit, Audit Committee, and senior management on the internal audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include, but are not limited to:

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- A significant change in the Global Internal Audit Standards.
- A significant reorganization within the organization.
- Significant changes in the Audit Committee senior management, or Director, Internal Audit.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Director, Internal Audit Roles and Responsibilities

Ethics and Professionalism

The Director, Internal Audit will ensure that Internal Auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behaviour that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The Director, Internal Audit will ensure that Internal Audit 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 communicating results. If the Director, Internal Audit determines that independence or objectivity may be impaired, in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

The Director, Internal Audit and Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively, such that they believe their work product does not compromise quality, and does not subordinate their judgement on audit matters to others, either in fact or appearance.

The Director, Internal Audit and Internal Auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, the Director, Internal Audit and staff of Internal Audit will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within a one-year period.
- Performing operational duties for the City or its affiliates.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any City employee not employed by Internal Audit,

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except to the extent such employees have been appropriately assigned to Internal Audit or otherwise to assist the Internal Auditors.

Internal Auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The Director, Internal Audit has the responsibility to:

- At least annually, develop a flexible audit work plan using an appropriate risk-based methodology, including any risks, control or governance concerns identified by management, and submit that plan to the Audit Committee for review and approval.
- Review and adjust the Internal Audit Work Plan, as necessary, in response to changes in the City's business, risks, operations, programs, systems, and controls.
- Communicate any significant interim changes to the Internal Audit Work Plan to the Audit Committee and senior management.
- Communicate the impact of resource limitations on the Internal Audit Work Plan to the Audit Committee and senior management.
- Ensure Internal Audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards and laws and/or regulations.
- Ensure that the Internal Audit function collectively possesses or obtains the knowledge, skills, competencies, experience, and qualifications to meet the requirements of the Global Internal Audit Standards and fulfill the Internal Audit mandate.
- Maintain a quality assurance and improvement program (QAIP) including ongoing monitoring and periodic internal assessment of the audit activity and an external assessment conducted at least once every five years by a qualified, independent reviewer outside the City. Qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.
- Assess significant new or changing services, operations, and control processes coincident with their development, implementation and/or expansion, as requested by management.
- Follow up on the status of outstanding audit recommendations and prepare a report on behalf of the City Manager and Chief Administrative Officer up to four times a year to be provided to the Audit Committee.
- Review new or revised Corporate and departmental policies, procedures and controls as required.
- Identify and consider trends and emerging issues that could impact the City and communicate to the Audit Committee and senior management as appropriate.

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- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Act as an ongoing resource to management by providing impartial and objective advice related to control and risk management issues.
- Assist in the investigation of significant suspected fraudulent activities at the City and notify the appropriate parties of the results.
- Ensure adherence to the City's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services for the purpose of providing adequate audit coverage to the City and minimizing redundancy. If the Director, Internal Audit cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary to the Audit Committee.

Communication with the Audit Committee and Senior Management

The Director, Internal Audit will report periodically to the Audit Committee and the City Manager and Chief Administrative Officer regarding:

- The Internal Audit function's mandate.
- The Internal Audit work plan and progress relative to its plan.
- Internal Audit budget.
- Significant revisions to the Internal Audit work plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with the IIA's Global Internal Audit Standards and action plans to address the deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit Committee that could interfere with the achievement of the City's strategic objectives.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond the City's risk appetite.

Quality Assurance and Improvement Program

The Director, Internal Audit will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program will also assess, if applicable, compliance with laws and/or

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regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement. Annually, the Director, Internal Audit will communicate with the Audit Committee and senior management about the Internal Audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside of the City of Mississauga; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.