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**Date:** November 16, 2020

**Time:** 3:00 PM

**Place:** Held Virtually via Microsoft Teams

**Present:** Mayor Foster, Councillor Neal, Councillor Hooper

**Staff Present:** Andy Allison, Trevor Pinn, Catherine Carr, Heather Lynch

### **1. Call to Order**

Councillor Neal called the meeting to order at 3:04 PM.

### **2. Declarations of Pecuniary Interest**

2.1 None

### **3. Adoption of Minutes of Previous Meeting(s)**

Resolution #AAC-001-20

Moved by Councillor Hooper

Seconded by Mayor Foster

That the minutes from the Audit and Accountability Committee meeting held September 10, 2020 be approved.

**Carried**

### **4. Presentations**

4.1 None

### **5. Delegations**

5.1. None

### **6. Communications – Receive for Information**

6.1 None

**7. Items for Direction**

**7.1 Report IAS-001-20, Internal Audit Policy**

Resolution #AAC-002-20

Moved by Mayor Foster  
 Seconded by Councillor Hooper

That Report IAS-001-20, Internal Audit Policy, be approved with the following amendment added to section 6.3 of the Policy:

“in accordance with the exceptions provided under 239(2) of the *Municipal Act, 2001*, as appropriate.”

**Carried**

**Recommendation to Council #1**

That Report IAS-001-20, Internal Audit Policy, be approved with the following amendment added to section 6.3 of the Policy:

“in accordance with the exceptions provided under 239(2) of the *Municipal Act, 2001*, as appropriate.”

**7.2 Report IAS-002-20, Audit Services**

Resolution #AAC-003-20

Moved by Councillor Hooper  
 Seconded by Mayor Foster

That Report IAS-002-20, Audit Services, be received.

That the proposal received from BDO Canada LLP., with a total bid price of \$343,948.80 (Net HST Rebate) being the most responsive bidder meeting all terms, conditions and specifications of Request for Proposal RFP2020-13 be awarded the contract for the provision of Audit Services for a five year term as required by the Municipality.

That the total funds required in the amount of \$343,948.80 (Net HST Rebate), be drawn on an annual basis over the five-year term from the account:

Description	Account Number	Amount
Unclassified Admin – Audit and Accounting Fees	100-21-211-00000-7154	\$343,949

That all interested parties listed in Report IAS-002-20 and any delegations be advised of Council's decision.

**Carried**

**Recommendation to Council #2**

That the proposal received from BDO Canada LLP., with a total bid price of \$343,948.80 (Net HST Rebate) be awarded the contract for the provision of Audit Services for a five year term as required by the Municipality.

**7.3 Report IAS-003-20, 2020 – 2021 Internal Audit Plan**

Resolution #AAC-004-20

Moved by Mayor Foster  
Seconded by Councillor Hooper

That Report IAS-003-20, 2021 Internal Audit Plan, be received.

That the 2020-2021 Internal Audit Plan, attached to Report IAS-003-20, as Attachment 1, be approved.

**Carried**

**Recommendation to Council #3**

That the 2020-2021 Internal Audit Plan, attached to Report IAS-003-20, as Attachment 1, be approved.

**8. Other Business**

8.1 None

**9. Adjournment**

Resolution #AAC-005-20

Moved by Councillor Hooper  
Seconded by Mayor Foster

That the meeting adjourn at 3:41 PM.

**Carried**

# Corporate Policy

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<b>POLICY TYPE:</b>	<b>Financial</b>
<b>SUBSECTION:</b>	
<b>POLICY TITLE:</b>	<b>Internal Audit Policy</b>
<b>POLICY #:</b>	<b>G14</b>
<b>POLICY APPROVED BY:</b>	<b>Audit and Accountability Committee</b>
<b>EFFECTIVE DATE:</b>	<b>November 16, 2020</b>
<b>REVISED:</b>	
<b>APPLICABLE TO:</b>	<b>All Municipal Operations</b>

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## 1. Purpose

The Internal Audit Policy provides a framework of accountability, including responsibilities to govern the operation of the internal audit function throughout the Municipality of Clarington.

## 2. Application and Scope

2.1 This policy applies to all municipal operations including all municipal boards, without exception.

### Definition

2.2 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the operations of the Municipality.

2.3 Internal auditing includes, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, corporate risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Municipality's goals and objectives.

### Internal Audit Functions

2.4 Internal Audit staff supports the Audit and Accountability Committee and management by providing independent and objective internal auditing services. Internal audit assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of corporate risk management.

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2.5 The Internal Audit Manager is responsible for the management and fulfillment of internal audit services. Other staff may be called upon to assist with an audit project as needed and with approval of the Director of Financial Services/Treasurer..

## **Types of Services**

2.6 Internal Audit provides the following services:

- Evaluating risk exposure relating to the achievement of the Municipality's strategic objectives;
- Evaluating the reliability and integrity of information systems and environment;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on the organization;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Evaluating governance processes;
- Performing consulting and advisory services related to governance, corporate risk management and control as appropriate for the organization;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues and other matters;
- Evaluating the effectiveness of the Municipality's corporate risk management processes; and
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.

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## **3. Professionalism and Principles**

- 3.1 In all its activities, Internal Audit will adhere to the Code of Ethics adopted by the Institute of Internal Auditors (Attachment A) as well as the Municipality's Code of Ethics policy (as amended from time to time). Engagements are performed with the care and skill expected of a reasonably prudent and competent internal auditor with consideration given to
- a. The extent of work required to meet objectives;
  - b. The complexity, materiality, and significance of areas under review;
  - c. The adequacy and effectiveness of internal controls;
  - d. The cost of assurance relative to potential benefits; and
  - e. The probability of significant errors, irregularities, or non-compliance.

### **Independence and Objectivity**

- 3.2 Internal auditors must be independent of the activities that they audit and the managers who are directly responsible for those activities. Internal auditors may provide advice and recommendations but not implement procedures or systems, prepare records, or engage in any activity that would compromise independence and objectivity.

### **Integrity**

- 3.3 The integrity of internal auditors creates trust and provides a basis for relying on their judgment.

### **Confidentiality**

- 3.4 Internal auditors will respect the value and ownership of information they receive and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

### **Competence**

- 3.5 Internal auditors will apply the knowledge, skills and experience needed in the performance of internal auditing services.

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## **Risk Based**

- 3.6 Internal auditors will independently assess all significant business processes, functions and organizational units within the Municipality's departments to support the identification and assessment of business risks and mitigation strategies.

## **Continuous Improvement**

- 3.7 Internal Audit activities will be designed to contribute to the continuous improvement of processes within the organization.

## **Supported by the Audit Committee and Management**

- 3.8 The Municipal Audit Committee, Director of Financial Services/Treasurer and the Chief Administrative Officer (CAO), must work to ensure that internal audit is sufficiently resourced to enable it to fulfill its mandate.

## **4. Reporting Relationship**

### **Audit Committee**

- 4.1 The Internal Audit Manager is accountable to the Audit Committee.
- 4.2 Administratively, Internal Audit Manager reports to the Director of Financial Services/Treasurer.
- 4.3 Internal Audit will communicate significant matters to the CAO and the Department Head group as a means of informing management of important issues and obtaining feedback on findings.
- 4.4 Internal Audit will obtain guidance and direction on audit matters from the Audit Committee.

### **Relationship with External Auditor**

- 4.5 The Internal Audit Manager will maintain a working relationship with the external auditor in order to better co-ordinate audit activity and improve communications.

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## 5. Mandatory Requirements

### Audit Committee

- 5.1 An effective audit committee promotes a strong control and governance environment. An audit committee also helps an internal audit function to establish the level of independence and objectivity required to effectively discharge its responsibilities.
- 5.2 The Municipality's Audit and Accountability Committee is composed of three members of Council. Council shall appoint the members to the Committee, one of which shall be the Council liaison to Financial Services. Where the Mayor is not appointed to the Committee, he/she shall be an ex-officio member. The CAO, Director of Financial Services/Treasurer and the Internal Audit Manager are also ex-officio members of the Committee. The Chair will be the Council liaison to Financial Services.

### Audit Plan

- 5.3 Internal Audit must prepare an annual audit plan. The audit plan is created using a risk-based approach that will focus audit resources on providing assurance and consulting in the areas of highest risk to the Municipality.
- 5.4 The Internal Audit Manager will provide a draft audit plan to the Director of Financial Services/Treasurer and the CAO for review. Once reviewed, the Internal Audit Manager will submit the plan to the Audit Committee for approval.
- 5.5 If the risks or conditions of the Municipality change significantly during the year, the plan may be amended to address the needs of the organization. In-year changes to the audit plan will be made by the Internal Audit Manager and approved by the Audit Committee.



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## **Access**

- 5.6 Internal Audit must be given direct and ready access to all personnel, books of accounts, records, reports, files, physical properties, or other documentation that Internal Audit deems necessary to carry out its audit functions.
- 5.7 This includes information in any media and considers any future form of storage. Access to all information will be in compliance with the provisions of the Municipal Freedom of Information and Protection of Privacy Act. (MFIPPA).

## **6. Responsibilities**

### **Audit Committee**

- 6.1 Approving the Internal Audit Policy;
- 6.2 Approving the annual audit plan and any major changes to the plan;
- 6.3 Regularly meeting in camera with the Internal Audit Manager to discuss any matters that the Committee or internal audit believes should be discussed privately in accordance with the exceptions provided under S.239(2) of the *Municipal Act, 2001* as appropriate;
- 6.4 Reporting Committee activities, issues and related recommendations to the council;
- 6.5 Directing the Internal Audit Manager to perform special reviews, as necessary;
- 6.6 Providing open communication between internal audit, the external auditors, and the council;
- 6.7 Monitoring implementation of management activities in response to internal audit recommendations; and
- 6.8 Review the Internal Audit Policy with every term of Council.

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## **Chief Administrative Officer, Director of Financial Services and Management**

- 6.9 Supporting an effective internal audit function, which includes providing the Internal Audit Manager with the ability to report directly to the Audit Committee.
- 6.10 Working to ensure that Internal Audit is sufficiently resourced to enable it to fulfill its mandate.

## **Internal Audit Manager**

- 6.11 Establishing plans and procedures to guide internal audit activities;
- 6.12 Ensuring the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- 6.13 Developing and, if required, adjusting the internal audit plan, reflective of the business, risks, operations, programs, systems, and controls;
- 6.14 Ensuring the execution of the audit plan, including establishing objectives and scope, assigning appropriate and adequately supervised resources, documenting work programs and testing results, and communicating engagement results with applicable conclusions and recommendations to appropriate parties;
- 6.15 Communicating to CAO and the Audit and Accountability Committee any significant interim changes to the internal audit plan;
- 6.16 Reporting to the Committee at least annually on the results of the execution of the audit plan;
- 6.17 Reporting to the Committee, including in camera, and informing the Committee of any significant matters as they arise;
- 6.18 Following up on engagement findings and corrective actions, and reporting periodically to the Committee any corrective actions not effectively implemented;

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- 6.19 Maintaining the integrity and quality of the internal audit function including quality of service, adherence to professional standards, quality assurance and performance measures, human resource and professional development strategies, communication strategies and financial management.
- 6.20 Preparing an annual report on the delivery of the annual risk-based audit plan;  
and
- 6.21 Ensuring that significant audit findings are reported to and addressed by the level of management where direct accountability resides.