

Internal Audit Policy



Section	Date	By-Law Number	Page	Of
Administration & Finance	August 13, 2013	80-2013	1	4
Subsection	Repeals By-Law Number		Policy Number	
Internal Audit Policy	123-2012		AF-4-3	

Purpose

To define the authority and responsibilities of the City's Internal Audit Office and establish the principles and framework that govern it.

Internal Audit Services provides independent, objective assurance and consulting services designed to add value and improve the City of Kenora's operations. Internal Audit Services brings a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Objectives

The Budget/Auditor General is responsible for conducting reviews and providing advice on the City's operations and management activities. By employing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls, a performance measurement and governance process, the Budget/Auditor General assists the City in accomplishing its goals and objectives.

Internal audits may include financial, performance, operational and compliance audits. The role of the Budget/Auditor General is to assist Council and management in the effective discharge of their fiduciary and administrative responsibilities. This is achieved by providing information, analysis, appraisals, counsel and recommendations concerning activities reviewed, and by promoting effective controls for the recording and reporting of operational activities including the safeguarding of assets.

All City departments and operations fall within the mandate of the Internal Audit Office.

Scope

The scope of internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the City's financial risk management process, and the system of internal control structure to achieve the organization's goals and objectives. The City's processes should function in a manner to help ensure:

Internal Audit Policy

Policy Number	Page	of
AF-4-3	2	4

- Financial risks are appropriately identified and managed.
- Significant financial information is accurate, reliable and timely.
- Actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- Resources are acquired economically, used efficiently and are adequately protected.
- Quality and continuous improvement are fostered in the City's control processes.

Consulting

In addition to internal audit engagements, the Budget/Auditor General may provide advisory or other consulting services, as appropriate, or at the request of Council or senior management. These types of services may include:

- Conducting special projects, reviews or investigations;
- Performing research;
- Providing training on audit related topics such as a financial risk assessment and internal controls; or
- Providing counsel or advice (e.g. on the adequacy of draft procedures).

Authority

The Budget/Auditor General is granted full, free and unrestricted access to any and all financial records, property and personnel relevant to any function under review. This access is provided under *The Protection of Privacy Act – Municipal Freedom of Information* (in particular, Sections 31(c) and 32(d)).

The Budget/Auditor General has the authority to conduct audits and reviews of all City departments, agencies, and commissions, as well as other entities the City is related to or has an interest in.

Independence

Independence is an essential component to building public trust and preserving objectivity and integrity associated with the internal audit function.

To provide for the independence of the internal audit process, the Budget/Auditor General reports to the City's CAO. Audit and review reports are sent directly to the CAO for discussion and approval and then to Council. These reporting relationships help ensure independence, promote comprehensive audit objectivity and coverage and assure adequate consideration of audit recommendations.

Internal Audit Policy

Policy Number	Page	of
AF-4-3	3	4

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of an independent and objective attitude necessary in rendering reports.

The Budget/Auditor General shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which would normally be audited.

Responsibilities

The Budget/Auditor General has the responsibility to:

- Review operations within the City at appropriate intervals to determine whether the operations are in accordance with management instructions, policies and procedures and in a manner that is consistent with both City objectives and high standards of administrative practice.
- Determine the adequacy and effectiveness of the systems of internal accounting, financial and operating controls.
- Review the reliability, utility and integrity of financial information and the means used to identify, measure, classify and report such information.
- Review the established systems to ensure compliance with those policies, plans, procedures, laws and regulations which would have a significant impact on operations and reports and determine whether the organization is in compliance.
- Review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- Report to those members of management who should be informed or who should take corrective action, the results of audit examinations, the audit opinions formed, and the recommendations made.
- Evaluate any plans or actions taken to correct reported conditions and provide timely follow-up to ensure satisfactory disposition of audit findings in the manner and timeframe committed to by management in the original audit report. If the corrective action is considered unsatisfactory, hold further discussions to achieve acceptable disposition.
- Develop a flexible annual audit plan, including any control concerns identified by management or other audits as well as appropriate special tasks or projects requested by management.

Internal Audit Policy

Policy Number	Page	of
AF-4-3	4	4

Audit Planning

Each year, Budget/Auditor General shall prepare a work plan, setting out the proposed schedule of audits and other undertakings proposed for the coming year. In order to generate this plan, the following sources are considered:

- Requests from Councillors, senior management and staff;
- Any audits planned for the past year but delayed or not completed; and
- Any conditions or concerns discovered or communicated throughout the past year.

The annual work plan is presented to the CAO for approval.

Reporting

A written report is prepared and issued by the Budget/Auditor General following the conclusion of each audit. The report will include management's responses and the corrective action plans for specific findings and recommendations. Management's response will include a statement of general agreement or disagreement with the stated findings and recommendations as well as a timeframe for anticipated completion of action to be taken and an explanation for any recommendation not addressed.

The Budget/Auditor General is responsible for appropriate follow up on audit findings and recommendations.

All audit reports / follow up reports are presented to the CAO.