

**Report to
Rapport au:**

**Audit Committee
Comité de la vérification
26 February 2015 / 26 février 2015**

**and Council
et au Conseil
25 March 2015 / 25 février 2015**

**Submitted on February 13, 2015
Soumis le 13 février 2015**

**Submitted by
Soumis par:
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2015-CMR-CCB-0046

SUBJECT: Audit Committee Terms of Reference

OBJET: Mandat du Comité de vérification

REPORT RECOMMENDATION

That the Audit Committee recommend Council approve its Terms of Reference, as outlined in this report and attached at Document 1.

RECOMMANDATION DU RAPPORT

Que le Comité de vérification recommande au Conseil d'approuver le mandat du Comité de vérification tel qu'il est décrit dans le Document 1.

BACKGROUND

At its meeting of December 3, 2014, Ottawa City Council considered a report titled 2014-2018 Council Governance Review (ACS2014-CMR-CCB-0062). In approving this report, Council approved “That the revised Terms of Reference for Standing Committees, Sub-Committees and the Transit Commission be submitted in draft form to the respective Committees/Commission at their first meeting in 2015 for consideration and recommendation to Council for approval.” Accordingly, this report is presented to the Audit Committee for its consideration and approval.

DISCUSSION

The 2014-2018 Council Governance Review report recommended making the Audit Sub-Committee a Standing Committee of Council. The report further recommended that the Audit Committee “receive staff reports which provide an update on the City’s implementation of accepted audit recommendations on a more regular basis” and that it “have the ability to refer any of these updates to the appropriate Standing Committee or Transit Commission” if deemed advisable. In order to implement these changes, the Terms of Reference have been amended as follows:

- All references to “Sub-Committee” have been changed to “Committee”;
- All references to the Sub-Committee reporting through the Finance and Economic Development Committee have been removed and, where appropriate, these have been substituted with the words “directly to Council”;
- A bullet has been added under the heading “Specific Responsibilities” with respect to receiving regular status reports on the City’s implementation of accepted audit recommendations; and
- Pursuant to a recommendation approved as part of the 2010-2014 Mid-Term Governance Report, a bullet has been removed under the heading “Audit Plan and Annual Report” as it made reference to a previous practice of referral audits to the various Standing Committees to hear public delegations.

Also, in order to make it consistent with the Terms of Reference of other Standing Committees of Council, the following bullets have been added:

- Receive delegations from the public, and hold public hearings as required by statute and Council;

- Have the authority to hear briefings on litigious matters related to items within the Committee's mandate and to give direction to the City Clerk and Solicitor on such matters where it is consistent with current Council direction or policy;
- Review and recommend to Council revisions to the Audit Committee Terms of Reference, as required; and
- Recommend to Council proposed by-laws that are under the Committee's jurisdiction.

Finally, because Council has delegated the authority to the Mayor and the Chair and Vice-Chair of the Audit Committee with respect to some human resource-related matters associated with the Auditor General's position, the following bullet has been deleted:

- Conduct a performance appraisal for the Auditor General and make recommendations to the Finance and Economic Development Committee and Council as appropriate.

The draft revised Terms of Reference for the Audit Committee are attached at Document 1.

RURAL IMPLICATIONS

There are no specific rural implications associated with this report.

CONSULTATION

As part of the preparation for the 2014-2018 Council Governance Review report, the City Clerk and Solicitor and the Deputy City Clerk consulted with elected representatives, citizen members of Committees of Council, Chairs and Vice-Chairs of Advisory Committees, the Executive Committee and members of the Senior Management Committee, as well as staff in the City Clerk's Branch, Legal Services and the City Manager's Office who work most closely with the legislative process.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a city-wide report.

LEGAL IMPLICATIONS

There are no legal impediments to implementing the recommendation in the report.

RISK MANAGEMENT IMPLICATIONS

There are no risk management implications associated with this report.

ASSET MANAGEMENT IMPLICATIONS

There are no asset management implications associated with this report.

FINANCIAL IMPLICATIONS

There are no financial implications associated with this report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental impacts associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the Term of Council Priority related to Governance, Planning and Decision Making (GP1: Improve the public's confidence in and satisfaction with the way Council works).

SUPPORTING DOCUMENTATION

Document 1 – Draft 2014-2018 Audit Committee Terms of Reference

DISPOSITION

Upon approval of the report by Council, the Terms of Reference will become the mandate and governing authority for the Audit Committee to be implemented by the City Clerk's office.

Document 1**AUDIT COMMITTEE****Terms of Reference****MANDATE**

The Audit Committee is responsible for overseeing all audit matters and receiving the annual and ad hoc reports from the City's Auditor General. The Committee is responsible for both the external audit process as well as matters relating to the Office of the Auditor General.

MEMBERSHIP

Membership of the Audit Committee shall consist of Members of City Council and approved by City Council. The Mayor shall be an *ex officio* member of the Committee.

GENERAL RESPONSIBILITIES

The Audit Committee shall:

1. Be responsible directly to Council for those applicable items emanating from:
 - a. the Auditor General's Office;
 - b. the Finance Department (on matters relating to the City's external audit process); and,
 - c. all other Departments/Branches in the City of Ottawa having to do with matters pertaining to the responsibilities of the Committee.
2. Act as a liaison between the Office of the Auditor General and City Council to ensure regular and effective communication.

SPECIFIC RESPONSIBILITIES

Administration and General Policy

1. Recommend a selection committee to interview candidates for the position of City Auditor General.
2. Confirm and assure the independence of the City's Auditor General and the external auditor, including a review, if requested, of all additional audit, management consulting and other fees of the external auditor.

3. Have the authority to hear briefings on litigious matters related to items within the Committee's mandate and to give direction to the City Clerk and Solicitor on such matters where it is consistent with current Council direction or policy.
4. Review and recommend to Council revisions to the Audit Committee Terms of Reference, as required.
5. Recommend to Council proposed by-laws that are under the Committee's jurisdiction.

Audit Plan and Annual Report

6. Review and recommend to Council, the annual Audit Plan submitted by the Auditor General and any subsequent adjustments from the Office of the Auditor General.
7. Receive and resolve any audit recommendations where management does not agree as directed by Council.
8. Ensure that any policy recommendations coming out of an audit are referred to the appropriate Standing Committee.
9. Monitor the performance of the Office of the Auditor General in carrying out its approved Audit Plan and report directly to Council, as appropriate.
10. Consider and recommend to Council a process for a Quality Assessment Review of the Office of the Auditor General.
11. Review reports from the Office of the Auditor General on status and implementation of audit recommendations for which management action has been directed.
12. Receive reports and additional background information on changed or disputed audit recommendations, and direct staff on next steps or make recommendations to Council on potential resolutions.
13. Receive regular status reports on the City's implementation of accepted audit recommendations.

External Audit

14. Recommend the appointment of the external auditor and the audit fees to Council, as required.
15. Recommend the appointment of an external auditor to conduct an annual financial audit of the Officer of the Auditor General.

16. Receive and review the Annual Financial Statements with management and the external auditors and ensure Council receives an information report.
17. Review any other matters brought to the Committee's attention by the external auditor and determine the appropriate disposition.
18. Review any changes in accounting principles and practices followed by the municipality.
19. Discuss with the external auditor the annual evaluation of the internal control systems and recommendations for improvements.

AUTHORITY, DECISION-MAKING AND REPORTING RELATIONSHIP

The Audit Committee shall meet at the call of its Chair in accordance with the notice provision of above-noted *Procedure By-law*. All Members of Council will receive meeting notices, agendas and meeting documentation for this Committee. All Members of Council, and/ or their office staff, and the public are permitted to attend meetings of the Committee.

A decision by the Audit Committee shall be forwarded to Council for consideration.