

**STANDARDS FOR THE PROFESSIONAL PRACTICE
OF AUDITING (STANDARDS)**

Attribute Standards

1000 – Purpose, Authority, and Responsibility

The purpose, authority, and responsibility of the audit activity must be formally defined in an audit by-law, consistent with the Municipal Act, the Definition of Auditing, the Codes of Conduct, and the *Standards*. The Auditor General must periodically review the audit by-law and present it to Council for approval.

Interpretation:

The audit by-law is a formal document that defines the audit activity's purpose, authority, and responsibility. The audit by-law establishes the audit activity's position within the City, including the nature of the Auditor General's functional reporting relationship with Council; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of audit activities. Final approval of the audit by-law resides with Council.

1000.A1 – The nature of assurance services provided to the City must be defined in the audit by-law. If assurances are to be provided to parties outside the City, the nature of these assurances must also be defined in the audit by-law.

1010 – Recognition of the Definition of Auditing, the Codes of Conduct, and the *Standards* in the Audit By-law

The mandatory nature of the Definition of Auditing, the Codes of Conduct, and the *Standards* must be recognized in the audit by-law. The Auditor General should discuss the Definition of Auditing, the Codes of Conduct, and the *Standards* with Council.

1100 – Independence and Objectivity

The audit activity must be independent, and auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the audit activity to carry out audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the audit activity, the Auditor General has direct and unrestricted access to Council and City staff. Threats to independence must be managed at the individual auditor, engagement, functional, and City levels.

Objectivity is an unbiased mental attitude that allows auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and City levels.

1110 – Organizational Independence

The Auditor General must report to a level within the City that allows the audit activity to fulfill its responsibilities. The Auditor General must confirm to Council, at least annually, the organizational independence of the audit activity.

Interpretation:

Organizational independence is effectively achieved when the Auditor General reports to Council. Examples of reporting to the Council involve Council:

- *Approving the audit by-law;*
- *Approving the risk based audit plan;*
- *Receiving communications from the Auditor General on the audit activity's performance relative to its plan and other matters;*
- *Approving decisions regarding the appointment and removal of the Auditor General; and*
- *Making appropriate inquiries to the Auditor General to determine whether there are inappropriate scope or resource limitations.*

1110.A1 – The audit activity must be free from interference in determining the scope of auditing, performing work, and communicating results.

1111 – Direct Interaction with Council

The Auditor General must communicate and interact directly with Council.

1120 – Individual Objectivity

Auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest *is a situation in which an auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfill his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the auditor, the audit activity, and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.*

1130 – Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to City independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the audit activity's and the Auditor General's responsibilities to Council as described in the audit by-law, as well as the nature of the impairment.

1130.A1 – Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an auditor provides assurance services for an activity for which the auditor had responsibility within the previous year.

1130.A2 – Assurance engagements for functions over which the Auditor General has responsibility must be overseen by a party outside the audit activity.

1200 – Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 – Proficiency

Auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

Interpretation:

Knowledge, skills, and other competencies is a collective term that refers to the professional proficiency required of auditors to effectively carry out their professional responsibilities. Auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications offered by appropriate professional organizations.

1210.A1 – The Auditor General must obtain competent advice and assistance if the auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2 – Auditors must have sufficient knowledge to evaluate the risk of fraud

and the manner in which it is managed by the City, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3 – Auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all auditors are expected to have the expertise of an auditor whose primary responsibility is information technology auditing.

1220 – Due Professional Care

Auditors must apply the care and skill expected of a reasonably prudent and competent auditor. Due professional care does not imply infallibility.

1220.A1 – Auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality, or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management, and control processes;
- Probability of significant errors, fraud, or noncompliance; and
- Cost of assurance in relation to potential benefits.

1220.A2 – In exercising due professional care auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3 – Auditors must be alert to the significant risks that might affect objectives, operations, or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1230 – Continuing Professional Development

Auditors must enhance their knowledge, skills, and other competencies through continuing professional development.

1300 – Quality Assurance and Improvement Program

The Auditor General must develop and maintain a quality assurance and improvement program that covers all aspects of the audit activity.

Interpretation:

A quality assurance and improvement program is designed to enable an evaluation of the audit activity's conformance with the Definition of Auditing and the Standards and an evaluation of whether auditors apply the Codes of Conduct. The program also assesses the efficiency and effectiveness of the audit activity and identifies opportunities for improvement.

1310 – Requirements of the Quality Assurance and Improvement Program

The quality assurance and improvement program must include both internal and external assessments.

1311 – Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the audit activity; and
- Periodic reviews performed through self-assessment.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review, and measurement of the audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Definition of Auditing, the Codes of Conduct, and the Standards.

Periodic reviews are assessments conducted to evaluate conformance with the Definition of Auditing, the Codes of Conduct, and the Standards.

Sufficient knowledge of audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 – External Assessments

External assessments must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the City. The Auditor General must discuss with Council:

- The need for more frequent external assessments; and
- The qualifications and independence of the external reviewer or review team, including any potential conflict of interest.

Interpretation:

A qualified reviewer or review team demonstrates competence in two areas: the professional practice of auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organizations and / or cities of similar size, complexity, sector or industry, and technical issues is more valuable than less relevant experience. In the case of a review team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The Auditor General uses professional judgment when assessing whether a reviewer or review team demonstrates sufficient competence to be qualified.

An independent reviewer or review team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the City to which the audit activity belongs.

1320 – Reporting on the Quality Assurance and Improvement Program

The Auditor General must communicate the results of the quality assurance and improvement program to Council.

Interpretation:

The form, content, and frequency of communicating the results of the quality assurance and improvement program is established through discussions with Council and considers the responsibilities of the audit activity and Auditor General as contained in the audit by-law. To demonstrate conformance with the Definition of Auditing, the Codes of Conduct, and the Standards, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the reviewer's or review team's assessment with respect to the degree of conformance.

1321 – Use of “Conforms with the Standards for the Professional Practice of Auditing”

The Auditor General may state that the audit activity conforms with the *Standards for the Professional Practice of Auditing* only if the results of the quality assurance and improvement program support this statement.

Interpretation:

The audit activity conforms with the Standards when it achieves the outcomes described in the Definition of Auditing, Codes of Conduct and Standards.

The results of the quality assurance and improvement program include the results of both internal and external assessments. All audit activities will have the results of internal assessments. Audit activities in existence for at least five years will also have the results of external assessments.

1322 – Disclosure of Nonconformance

When nonconformance with the Definition of Auditing, the Codes of Conduct, or the *Standards* impacts the overall scope or operation of the audit activity, the Auditor General must disclose the nonconformance and the impact to Council.

Performance Standards

2000 – Managing the Audit Activity

The Auditor General must effectively manage the audit activity to ensure it adds value to the City.

Interpretation:

The audit activity is effectively managed when:

- *The results of the audit activity's work achieve the purpose and responsibility included in the audit by-law;*
- *The audit activity conforms with the Definition of Auditing and the Standards; and*
- *The individuals who are part of the audit activity demonstrate conformance with the Codes of Conduct and the Standards.*

The audit activity adds value to the City (and its stakeholders such as City Boards and City controlled corporations) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

2010 – Planning

The Auditor General must establish risk-based plans to determine the priorities of the audit activity, consistent with the City's goals.

Interpretation:

The Auditor General is responsible for developing a risk-based plan. The Auditor General takes into account the City's risk management framework, including using risk appetite levels set by management for the different activities or parts of the City. If a framework does not exist, the Auditor General uses his/her own judgment of risks after consultation with Council and senior City staff.

2010.A1 – The audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of Council must be considered in this process.

2010.A2 – The Auditor General must identify and consider the expectations of Council, and other stakeholders *such as City Boards and City controlled corporations* for audit opinions and other conclusions.

2020 – Communication and Approval

The Auditor General must communicate the audit activity's plans and resource requirements, including significant interim changes, to Council for review and approval and to senior City staff for information. The Auditor General must also communicate the impact of resource limitations.

2030 – Resource Management

The Auditor General must ensure that audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills, and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimizes the achievement of the approved plan.

2040 – Policies and Procedures

The Auditor General must establish policies and procedures to guide the audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the audit activity and the complexity of its work.

2050 – Coordination

The Auditor General should share information with the external auditors to ensure proper coverage and minimize duplication of efforts.

2060 – Reporting to the Council

The Auditor General must report periodically to Council on the audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Council.

Interpretation:

The frequency and content of reporting are determined in discussion with Council and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or Council.

2100 – Nature of Work

The audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.

2110 – Governance

The audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the City;
- Ensuring effective organizational performance management and accountability; and
- Communicating risk and control information to appropriate areas of the City.

2110.A1 – The audit activity must evaluate the design, implementation, and effectiveness of the City's ethics-related objectives, programs, and activities.

2110.A2 – The audit activity must assess whether the information technology governance of the City supports the City's strategies and objectives.

2120 – Risk Management

The audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the auditor's assessment that:

- *City objectives support and align with the City's mission;*
- *Significant risks are identified and assessed;*
- *Appropriate risk responses are selected that align risks with the City's risk appetite; and*
- *Relevant risk information is captured and communicated in a timely manner across the City, enabling staff, management, and Council to carry out their responsibilities.*

The audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the City's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1 – The audit activity must evaluate risk exposures relating to the City's governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;

- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

2120.A2 – The audit activity must evaluate the potential for the occurrence of fraud and how the City manages fraud risk.

2130 – Control

The audit activity must assist the City in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1 – The audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the City’s governance, operations, and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programs;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures, and contracts.

2200 – Engagement Planning

Auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.

2201 – Planning Considerations

In planning the engagement, auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources, and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity’s risk management and control processes compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity’s risk management and control processes.

2201.A1 – When planning an engagement for parties (i.e., City Boards and City controlled corporations) outside the City, auditors must establish a written understanding with them about objectives, scope, respective responsibilities, and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2210 – Engagement Objectives

Objectives must be established for each engagement.

2210.A1 – Auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2 – Auditors must consider the probability of significant errors, fraud, noncompliance, and other exposures when developing the engagement objectives.

2210.A3 – Adequate criteria are needed to evaluate controls. Auditors must ascertain the extent to which management has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, auditors must use such criteria in their evaluation. If inadequate, auditors must work with management to develop appropriate evaluation criteria.

2220 – Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1 – The scope of the engagement must include consideration of relevant systems, records, personnel, and physical properties, including those under the control of third parties.

2230 – Engagement Resource Allocation

Auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints, and available resources.

2240 – Engagement Work Program

Auditors must develop and document work programs that achieve the engagement objectives.

2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement. The work program must be approved prior to its implementation, and any adjustments approved promptly.

2300 – Performing the Engagement

Auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.

2310 – Identifying Information

Auditors must identify sufficient, reliable, relevant, and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate, and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the City meet its goals.

2320 – Analysis and Evaluation

Auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 – Documenting Information

Auditors must document relevant information to support the conclusions and engagement results.

2330.A1 – The Auditor General must control access to engagement records. The Auditor General must obtain the approval of the City Solicitor prior to releasing such records to external parties, as appropriate and based on the provisions of the Municipal Act.

2330.A2 – The Auditor General must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the City's guidelines and any pertinent regulatory or other requirements.

2340 – Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and staff is developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of auditors and the complexity of the engagement. The Auditor General has overall responsibility for supervising the engagement, whether performed by or for the audit activity, but may designate appropriately experienced members of the audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 – Communicating Results

Auditors must communicate the results of engagements.

2410 – Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans.

2410.A1 - Final communication of engagement results must, where appropriate, contain the auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of Council, and other stakeholders *such as City Boards and City controlled corporations* and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions, or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk, or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2 – Auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3 – When releasing engagement results to parties outside the City, the communication must include limitations on distribution and use of the results.

2420 – Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial, and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy, and wordiness. Constructive communications are helpful to the engagement client and the City and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 – Errors and Omissions

If a final communication contains a significant error or omission, the Auditor General must communicate corrected information to all parties who received the original communication.

2430 – Use of “Conducted in Conformance with the *Standards for the Professional Practice of Auditing*”

Auditors may report that their engagements are “conducted in conformance with the *Standards for the Professional Practice of Auditing*”, only if the results of the quality assurance and improvement program support the statement.

2431 – Engagement Disclosure of Nonconformance

When nonconformance with the Definition of Auditing, the Codes of Conduct or the *Standards* impacts a specific engagement, communication of the results must disclose the:

- Principle or rule of conduct of the Codes of Conduct or *Standard(s)* with which full conformance was not achieved;
- Reason(s) for nonconformance; and
- Impact of nonconformance on the engagement and the communicated engagement results.

2440 – Disseminating Results

The Auditor General must communicate results to the appropriate parties.

Interpretation:

The Auditor General or designee reviews and approves the final engagement communication before issuance and decides to whom and how it will be disseminated.

2440.A1 – The Auditor General is responsible for communicating the final results to Council who can ensure that the results are given due consideration.

2440.A2 – If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the City the Auditor General must:

- Assess the potential risk to the City;
- Consult with City Solicitor as appropriate; and
- Control dissemination by restricting the use of the results.

2450 – Overall Opinions

When an overall opinion is issued, it must take into account the expectations of Council and must be supported by sufficient, reliable, relevant, and useful information.

Interpretation:

The communication will identify:

- *The scope, including the time period to which the opinion pertains;*
- *Scope limitations;*
- *Consideration of all related projects including the reliance on other assurance providers;*
- *The risk or control framework or other criteria used as a basis for the overall opinion; and*
- *The overall opinion, judgment, or conclusion reached.*

The reasons for an unfavorable overall opinion must be stated.

2500 – Monitoring Progress

The Auditor General must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1 – The Auditor General must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management and / or Council has accepted the risk of not taking action.

2600 – Resolution of Senior Management’s Acceptance of Risks

When the Auditor General believes that senior management has accepted a level of residual risk that may be unacceptable to the organization, the Auditor General must discuss the matter with the City Manager. If the decision regarding residual risk is not resolved, the Auditor General must report the matter to the Audit Sub-Committee for resolution.

Glossary

Add Value

The audit activity adds value to the City (and its stakeholders *such as City Boards and City controlled corporations*) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.

Adequate Control

Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the City's risks have been managed effectively and that the City's goals and objectives will be achieved efficiently and economically.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the City. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Auditing

Assisting City Council in holding itself and its administrators accountable for the quality of stewardship over public funds and for the achievement of value for money in municipal operations.

Auditor General

Auditor General describes a person in a senior position responsible for effectively managing the audit activity in accordance with the by-law and the Definition of Auditing, the Codes of Conduct, and the *Standards*. The Auditor General or others reporting to the Auditor General will have appropriate professional certifications and qualifications. The Auditor General reports to City Council.

Council (City Council)

The City of Ottawa's elected governing body.

By-law

The audit by-law is a formal document that defines the audit activity's purpose, authority, and responsibility. The audit by-law establishes the audit activity's position within the City; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of audit activities.

Codes of Conduct

The Codes of Conduct include that of the City of Ottawa as well as those of the applicable professional associations relating to accounting and/or auditing designations. The Codes of Conduct applies to both parties and entities that provide audit services.

The purpose of the Codes of Conduct is to promote an ethical culture in the global profession of auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the City. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Control

Any action taken by management, Council, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of Council and management regarding the importance of control within the City. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

Engagement

A specific audit assignment, task, or review activity, such as an audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by auditors that define intended engagement accomplishments.

Engagement Work Program

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

A person or firm outside of the City that has special knowledge, skill, and experience in a particular discipline.

Fraud

Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by Council to inform, direct, manage, and monitor the activities of the City toward the achievement of its objectives.

Impairment

Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the audit activity to carry out audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance

Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories – (1) mandatory and (2) strongly recommended.

Municipal Act

Municipal Act, 2001, S.O. 2001, CHAPTER 25.

Must

The *Standards* use the word “must” to specify an unconditional requirement.

Objectivity

An unbiased mental attitude that allows auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that auditors do not subordinate their judgment on audit matters to others.

Residual Risk

The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite

The level of risk that the City is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the City’s objectives.

Should

The *Standards* use the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance. Standards were modified and approved by Council.

Technology-based Audit Techniques

Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).