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**MEMORANDUM**

**AC-C 4-2020**

**Subject:** Internal Audit Organizational Model  
**Date:** September 21, 2020  
**To:** Audit Committee  
**From:** Todd Harrison, Commissioner, Corporate Services/Regional Services

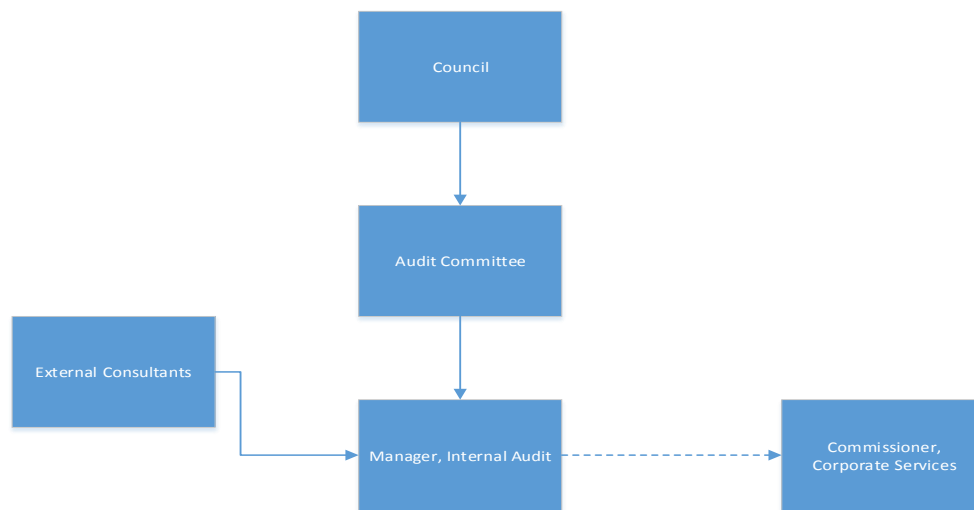
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As a follow up to the organizational restructuring from November 2019, this memo addresses the reporting and operational relationship regarding the Internal Audit function.

As reported by the Acting CAO on November 28, 2019, the Internal Audit function will be headed by a Manager, Internal Audit. This position will report directly to Audit Committee functionally and to the Commissioner, Corporate Services for administrative support. Administrative support includes payroll encoding, budget planning, vacation requests and expense approvals. This reporting relationship is also required to ensure all audits are operating effectively through the ongoing full and unfettered support of program staff, supporting the evaluation of consultants, processing invoice payments and ensuring that approved management action plans are progressing.

All audit reports, including status updates of Management Action Plan, Audit Plan approval and progress updates and other operational/risk related issues will be presented directly to Audit Committee through either the Manager, Internal Audit or procured consultants.

The following schematic graphically displays the new reporting relationship.



Attached to this memo are 2 documents – Audit Committee Terms of Reference and the Audit Charter.

Internal Audit Service Audit Charter is a common document required by the Institute of Internal Auditors to communicate operating requirements for all Internal Audit staff and external consultants performing internal audits. These requirements include integrity, objectivity, confidentiality and competency. The audit charter also details the reporting relationship between the Internal Audit function, Audit Committee and Senior Management. A few areas that are important for Audit Committee members to consider are:

- Section 6 – Independence – Internal Audit is accountable functionally to Audit Committee and administratively to the Commissioner, Corporate Services,
- Section 7 – Accountability and Responsibility – the Chief Audit Executive (which includes all internal and external staff) shall be accountable to Audit Committee and the Commissioner, Corporate Services to develop annual audit plans, progress updates and reporting of scope limitations.
- Section 8 – Authority – Internal Audit Services shall have full and unfettered access to Audit Committee.

Audit Committee last approved the Internal Audit Charter at the February 2019 Audit Committee meeting. The Audit Committee Terms of Reference were introduced at the same meeting yet have not been revised since 2017. Those revisions included formal recognition of an Internal Audit function and the position of Chief Audit Executive, including the relationship of that function with Audit Committee.

Respectfully submitted and signed by

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Todd Harrison, CPA, CMA  
Commissioner, Corporate Services/ Regional Treasurer

Appendices:

Appendix 1 – AC-C 4-2020 – Internal Audit Charter

Appendix 2 – AC-C 4-2020 – Audit Committee Terms of Reference