

## Audit Committee Charter

### 1.0 Introduction

- 1.1 The Audit Committee is an essential component of the Agency's governance structure and a critical aspect of a strong and credible internal audit function.
- 1.2 The President is responsible for establishing the Audit Committee. Authority in this regard is derived from Treasury Board's *Policy on Internal Audit (2006)* and *Directive on Departmental Audit Committees*. The policy and directive also set out the basic parameters for the composition and operation of the Audit Committee, as well as its responsibilities, duties, and accountability. One provision of the directive is that the Audit Committee shall document its role, responsibilities, and operations in terms of reference or a charter.

### 2.0 Purpose

- 2.1 The Audit Committee provides the President with independent, objective advice, guidance, and assurance on the adequacy of the Agency's risk management, control, and accountability processes. To do this, the Audit Committee must exercise active oversight of core areas of Agency control and accountability in an integrated and systematic way.

### 3.0 Membership

- 3.1 The Audit Committee shall consist of at least three and no more than five members. External members shall be engaged by the President for a term of four years. The President and the Comptroller General shall jointly select Audit Committee members for approval by Treasury Board (TB).
- 3.1.1 An external Committee member shall serve no more than two terms. However, to ensure adequate continuity within the

Committee, engagement of members by the President can be staggered (i.e., initial terms of office of some members may be less than four years).

- 3.1.2 The Audit Committee shall include independent, external members who are not currently in the federal public service. By April 1, 2009, the Audit Committee must have a majority of external members. Members of the federal public service shall be limited to the President, and associate deputy ministers and assistant deputy ministers from other departments.
- 3.1.3 The President or an external member shall chair the Committee. If the President is chair, an external member shall be vice-chair. The President shall be the only internal representative on the Audit Committee if he/she elects to chair the Committee.

#### **4.0 Meetings**

- 4.1 The Audit Committee shall meet at least four times a year, with authority to convene additional meetings as circumstances require.
  - 4.1.2 The chair is required to call a meeting if requested to do so by the President or another Audit Committee member.
  - 4.1.3 The quorum for a meeting shall be a majority of the members. No alternates shall be permitted.
  - 4.1.4 The President (if not a member), the Senior Financial Officer (SFO)/Chief Financial Officer (CFO), and the Chief Audit Executive (CAE) shall attend all meetings of the Audit Committee. The chair may request the attendance of other Agency officials.
  - 4.1.5 The chair shall, as necessary, ask senior representatives of the Office of the Auditor General (OAG) and Office of the Comptroller General (OCG) to attend Audit Committee meetings to discuss plans, findings and other matters of mutual concern.

- 4.1.6 The Committee's meeting schedule will normally be set out one year in advance so that Agency management and internal auditors can prepare the information and reports required to support the Committee's work. Rescheduling of Committee meetings will be by exception only.
- 4.1.7 The Committee shall receive draft reports sufficiently in advance of reporting deadlines to allow for their review and discussion at scheduled Audit Committee meetings.
- 4.1.8 As part of each meeting, the Audit Committee shall meet individually, in-camera, with each of the following:
- the President (if not an Audit Committee member);
  - the SFO/CFO;
  - the CAE;
  - the representative of the OCG when in attendance; and
  - any other officials the Committee may determine.
- 4.1.8.1 It is expected that the Minister will meet annually, in camera, with the Audit Committee for assurance regarding risk management, control, and governance processes.

## **5.0 Operations**

- 5.1 The Audit Committee charter shall be approved by the President. The document shall be reviewed periodically by the Audit Committee and reaffirmed by the President.
- 5.1.1 It is expected that the Audit Committee will routinely brief the President, if he/she is not a Committee member.
- 5.1.2 The Chair of the Audit Committee shall prepare a plan to ensure that the annual and ongoing responsibilities of the Committee are scheduled and fully addressed. The plan shall be presented to the Committee for its approval.

- 5.1.3 The Audit Committee shall prepare a timetable of its annual schedule of activity. The timetable should map out the responsibilities of the Committee against the calendar.
- 5.1.4 Minutes of each meeting shall be kept and shall contain a record of the persons present. The minutes should provide a record of decisions taken and a high-level summary of the discussion, providing insight on the topics and subtopics discussed.
- 5.1.5 The role of the Audit Committee can be fulfilled only if its members are well informed. Members shall receive formal orientation and training on the Committee's purpose, responsibilities, objectives, and on the business of the Agency. A process of continuing education (e.g., briefings and information on emerging issues and risks) shall also be put in place.
- 5.1.6 The Audit Committee shall be provided with the resources necessary to carry out its role, responsibilities, and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its charter, the Audit Committee has the authority to retain independent advice and assistance.
- 5.1.7 The Audit Committee shall be provided with secretariat support. This includes:
- the timely preparation of all notices and agendas of meetings;
  - coordination of presentations and distribution of reports and/or related documents that are prepared for the Audit Committee's information or consideration;
  - the timely preparation and distribution of minutes of meetings; and
  - performance of other duties as may be assigned.

## **6.0 Responsibilities and Duties**

- 6.1 The key areas of responsibility that shall be addressed by the Audit Committee are:

- 6.1.1 *Values and Ethics:* The Audit Committee shall review, at least annually, the arrangements established by management to exemplify and promote public service values and ethics and to ensure compliance with laws, regulations, policies, and standards of ethical conduct.
- 6.1.2 *Risk Management:* The Audit Committee shall review, at least annually, the corporate risk profile and Agency risk management arrangements.
- 6.1.3 *Management Control Framework:* The Audit Committee shall review, at least annually, the Agency's internal control arrangements, including the adequacy of management-led audit.
- 6.1.4 *Internal Audit Function:* The Audit Committee shall:
- recommend, and review regularly, the Agency's internal audit charter for approval by the President;
  - review regularly the adequacy of resources of the internal audit function;
  - review and recommend for approval by the President the risk assessment and internal audit plan prepared by the CAE;
  - review regularly the performance of the internal audit function (e.g., review conclusions of external practice inspections and related remedial actions taken) ;
  - advise the President on the appointment and performance appraisal of the CAE;
  - receive and recommend for approval by the President internal audit reports and management action plans to address recommendations; and
  - be aware of audit engagements or tasks that do not result in a report to the Committee and be informed of all matters of significance arising from such work.
- 6.1.5 *OAG and Central Agencies:* The Audit Committee shall:
- ensure that management has adequate arrangements to support the OAG and Central Agencies in undertaking audit work in the Agency;

- be fully briefed on all audit work relating to the Agency to be undertaken by the OAG, other agents of Parliament, or Central Agencies;
- review the audit reports of the OAG and Central Agencies that have Agency or government-wide implications;
- meet periodically with the OAG and seek its comments and advice on matters of Agency risk, control and governance;
- be briefed on audit-related issues and priorities raised by the Central Agencies; and
- be briefed on the impact of government-wide initiatives to improve management practices.

6.1.6 *Follow-up on Management Action Plans:* The Audit Committee shall:

- ensure that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits, the OAG, or other sources; and
- receive periodic reports from management on actions taken.

6.1.6.1 In respect of the foregoing, the CAE shall report periodically to the Audit Committee on whether management's action plans have been implemented and whether the actions taken have been effective. The CAE's report shall identify any areas where he/she believes management has accepted a level of risk that is unacceptable to the Agency or to the government.

6.1.7 *Internal Disclosure of Information Concerning Wrongdoing in the Workplace:* Upon notification by the Agency's designated Senior Officer, the Audit Committee shall review complaints and concerns of employees who perceive that a wrongdoing has been committed or will be committed regarding questionable accounting, internal accounting controls and auditing matters.

6.1.8 *Financial Statements and Public Accounts Reporting:* The Audit Committee shall:

- review periodically the Agency's financial statements with management and all significant accounting estimates and

judgments therein and recommend to the President whether they should be accepted;

- when the Agency’s financial statements are audited, the Audit Committee shall review:
  - (i) the audited financial statements with the external auditor (i.e., OAG) and senior management, discuss any significant adjustments to the statements required as encountered in the course of the audit;
  - (ii) management letters arising from the external audit of the Agency’s financial statements or the Public Accounts; and
  - (iii) the auditor’s findings and recommendations relating to the internal controls in place for financial statement reporting.

6.1.9 *Risk and Accountability Reporting:* The Audit Committee shall review the Agency’s Corporate Risk Profile and its Report on Plans and Priorities, Departmental Performance Report and other significant accountability reports, to ensure that, to the best of their knowledge, there are no material misstatements or omissions.

## 7.0 **Accountability Reporting by the Audit Committee**

7.1 The Audit Committee shall prepare an annual report to the President. This report shall:

- summarize the Committee’s activities undertaken and the results of its reviews;
- provide the Committee’s assessment of the Agency’s system of internal controls;
- document any significant concerns the Committee may have in relation to the Agency’s risk management, controls and accountability processes;
- provide the Committee’s assessment of the capacity and performance of the internal audit function;
- provide such other information or documentation that the Committee deems important to best convey a fair and complete picture of its activity and results – and the context within which this ought to be viewed (e.g., it is good practice

for the Committee to disclose or include its charter in its annual report); and

- be made available to the Comptroller General without undue delay (i.e., normally within one or two months of its transmittal to the President).

## 8.0 Assessment of Audit Committee Performance

8.1 The Audit Committee shall:

- self-assess its performance periodically; and
- be subject, at least every four years, to an external assessment of its performance by the OCG as a key aspect of the Office’s practice inspection of the Agency’s internal audit function.

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Audit Committee Chair

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Date

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Audit Committee Vice-Chair

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Date