

Internal Audit Charter

1.0 Introduction

1.1 This charter aims to define and establish:

- The formal mission of ACOA's internal audit directorate.
- The scope of work of the internal audit directorate.
- The internal audit directorate's authority within ACOA; its access to functions, records, property and personnel; its accountability, independence, responsibility and authority; and its objectivity and impartiality.

2.0 Mission and Scope of Work

2.1 The formal mission of ACOA's internal audit directorate is to provide independent, objective assurance services on the effective design and operation of the Agency's:

- Risk management strategies and practices.
- Management control frameworks, systems, and practices.
- Governance processes.

2.2 Additionally, the internal audit directorate provides consulting services on an exceptional basis to management in areas of risk and control. The consulting services are advisory in nature, and are generally performed at the specific request of an engagement client.

2.3 When performing consulting services, ACOA's internal auditors shall maintain objectivity and not assume management responsibility.

2.4 The scope of the Agency's internal audit function is to determine whether the Agency's network of risk management, control and

governance processes, as designed and represented by management, is adequate and functioning in a manner that ensures the following:

- risks are appropriately identified and managed;
- interaction with the various governance groups occurs as needed;
- significant financial, managerial, and operating information is accurate, reliable, and timely;
- activities and actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- resources are acquired economically, used efficiently, and adequately protected;
- programs, plans, and objectives are achieved (i.e., systems and operations are assessed on: (i) the extent to which organizational objectives are achieved; and (ii) the adequacy of controls over activities leading to such achievements);
- quality and continuous improvement are fostered in the Agency's control processes; and
- significant legislative or regulatory issues impacting the Agency are recognized and addressed properly.

2.5 Internal audit's approach is a collaborative one. When opportunities for improving management control, sound resource stewardship, and the Agency's image are identified during audits, they will be communicated to the appropriate level of management.

3.0 Accountability

3.1 The chief audit executive (CAE) is responsible for managing the internal audit activity within the Agency. The CAE, in the discharge of his or her duties, shall be accountable to the President and Audit Committee to:

- provide annually an assessment of the adequacy and effectiveness of the Agency's processes for controlling its activities and managing its risks in the areas set forth under Section 2.0 of this charter. This assessment should provide an opinion on whether:

- significant risks have been identified, evaluated and managed;
 - the system of internal controls has been effective in managing the significant risks (with particular attention to any significant shortcomings or weaknesses);
 - necessary action is being taken promptly to remedy any significant shortcomings or weaknesses; and
 - audit findings indicate a need for more extensive monitoring of the Agency's system of internal controls.
- report significant issues related to the processes for controlling the activities of the department, including recommendations on potential improvements to those processes, and provide information concerning such issues through resolution;
 - provide information periodically on the status and results of the annual audit plan and the sufficiency of internal audit resources; and
 - coordinate with other assurance control and monitoring functions (e.g., risk management, evaluation, compliance, security, legal, ethics, environmental, external audit).

4.0 Independence

- 4.1 To provide for the independence of the internal audit function, its personnel report to the CAE, who reports directly to the President and Audit Committee in a manner outlined in the previous section on accountability.
- 4.2 To ensure objectivity and independence, any audits of functions for which the CAE has responsibility will be performed by either an external auditor or by a contracted third party. The CAE will include as part of his or her reports to the Audit Committee a regular report on internal audit personnel.

5.0 Responsibility

- 5.1 The CAE and staff of the internal audit function are responsible for:

- developing a flexible annual audit plan using appropriate risk-based methodology; the plan is to:
 - include any risks or control concerns identified by management or external auditors;
 - include internal audits identified by the Comptroller General as part of government-wide coverage, including fundamental controls and selected horizontal audits;
 - be focused primarily on the provision of assurance services, with other services being provided on an exceptional basis only;
 - support an annual opinion from the CAE on Agency risk management, control, and governance processes; and
 - be submitted to the Audit Committee for review and recommendation, and submitted to the President for approval.

- implementing the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by the President or the Audit Committee;
- communicating the plan of engagements and resource requirements for the internal audit function, including significant interim changes and the impact of resource limitations to the President and the Audit Committee;
- ensuring that the internal audit resources are effectively deployed to achieve the approved plan;
- ensuring the timely completion of internal auditing engagements and that reports are provided to the Audit Committee with a minimum of delay;
- maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter, as well as opportunities for sufficient training and development to maintain and develop their internal auditing competence and to obtain Certified Internal Auditor certification;
- establishing appropriate policies and procedures to guide the internal audit function;

- developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit function, and continuously monitors its effectiveness;
- providing a list of significant measurement goals and results to the Audit Committee and reporting at least annually on the function's conformance with professional internal auditing standards;
- in collaboration with the Audit Committee and the Comptroller General, ensuring that a practice inspection or other external review of the internal audit function is conducted at least every four years by the Office of the Comptroller General or a qualified, independent reviewer or external review team and that the results of this external assessment are communicated to the President, the Audit Committee, and the Comptroller General.
- evaluating and assessing significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- issuing periodic reports to the Audit Committee and management summarizing results of audit activities;
- keeping the Audit Committee informed of emerging trends and successful practices in internal auditing;
- assisting in the investigation of significant suspected fraudulent activities within the Agency and notifying management and the Audit Committee of the results;
- coordinating internal audit activities and plans with other internal and external providers of assurance and consulting activities to ensure proper coverage and minimize duplication of effort; and
- after discussion with the President, informing the Comptroller General without delay of any issue of risk, control, or management practice that may be of significance to the government and/or require Treasury Board of Canada Secretariat's involvement.

6.0 Authority

6.1 The CAE and staff (where applicable) of the internal audit function are authorized to:

- have unrestricted access to all functions, records, property, and personnel and have the right to obtain information and explanations from Agency employees and contractors, subject to applicable legislation;
- have full and free access to the Agency's Audit Committee and to the Committee chair and vice-chair;
- allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives;
- obtain the necessary assistance of personnel in units of the Agency where they perform audits, as well as other specialized services from within or outside the Agency; and
- have unimpaired ability to carry out their responsibilities, including reporting findings to the President, to the Audit Committee and, as appropriate, to the Comptroller General.

6.2 The CAE and staff of the internal audit function are *not* authorized to:

- perform any operational duties for the Agency;
- initiate or approve accounting transactions external to the internal audit function; and
- direct the activities of any Agency employees not employed by the internal audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

7.0 Objectivity and Impartiality

7.1 Internal auditors shall be objective and impartial in performing their work. Therefore, internal audit staff shall not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit staff may be

consulted on the adequacy of controls incorporated into new systems and procedures, or on revisions to existing systems.

- 7.2 Further, an objective internal audit function implies that auditors shall seek to avoid any conflict of interest. To this end, staff assignments within the internal audit function shall be rotated periodically, where practicable. Internal auditors shall not audit activities or functions they managed or performed in the past two years and they shall not audit any work performed earlier by them.
- 7.3 Impartiality requires that the internal audit function not be involved in the Agency's operations, or in selecting, implementing or managing risk management, control or governance processes. However, internal auditors may provide recommendations for strengthening these processes and advice and opinions on specific matters related to risk management, control or governance processes, as requested by management.

8.0 Standards of Audit Practice

- 8.1 The internal audit function will meet or exceed the Government of Canada's *Policy on Internal Audit* and standards, including the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and the Comptroller General of Canada's *Internal Auditing Standards for the Government of Canada*.

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Chief Audit Executive	Date
_____	_____
Audit Committee (Vice) Chair	Date
_____	_____
President of ACOA	Date