



**OFFICE OF THE PRIVACY
COMMISSIONER OF CANADA**

INTERNAL AUDIT CHARTER

Revised: May 2012

TABLE OF CONTENTS

1. OBJECTIVE OF INTERNAL AUDIT CHARTER..... 1

2. THE INTERNAL AUDIT PROCESS..... 2

3. INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT 2

4. INTERNAL AUDIT REPORTING APPROACH..... 3

5. ROLES AND RESPONSIBILITIES 4

6. AUTHORITY 6

7. PROFESSIONAL CONDUCT 6

8. APPROVAL OF INTERNAL AUDIT CHARTER 7

APPENDIX 1 - Authorities and References..... 8

1. OBJECTIVE OF INTERNAL AUDIT CHARTER

Federal government agencies, including Agents of Parliament, are expected to have an Internal Audit Charter for their internal audit functions. The Charter describes the purpose, authority and responsibilities of the internal audit function and the scope and nature of the services it provides. The Charter also establishes Internal Audit's position in the organization describes reporting relationships and authorizes access to records and personnel relevant to the performance of audit engagements.

The spirit and intent of the Treasury Board *Policy on Internal Audit*¹ is respected in this Charter, taking into consideration the Joint Agreement of the Working Group of Agents of Parliament². The Working Group of Agents of Parliament agreed that the intent of the government's Internal Audit Policy shall be reflected in the Internal Audit systems, processes and infrastructure within each Office of Parliament, but with consideration for their status of independence, their relatively small size and the oversight role played by the Parliamentary Advisory Panel on the funding of Agents of Parliament.

This document is considered as 'evergreen' in that it will evolve over time as lessons are learned about application in general of the government's Internal Audit Policy and in specific terms to the special circumstances of the Commissioner as an Officer of Parliament³.

ROLE OF INTERNAL AUDIT

Internal auditing in the Government of Canada is a professional, independent and objective appraisal function that uses a disciplined, evidence-based approach to assess and improve the effectiveness of risk management, control and governance processes.

For the internal audit profession, the above-described role is referred to as providing assurance. It is intended to assist decision-makers to exercise oversight and control over their organizations and apply sound risk management.

Internal audit adds value by assessing and contributing to the improvement of risk management, control, and governance processes. In doing so, it helps ensure that the organization achieves its objectives efficiently and in a way that demonstrates informed ethical and accountable decision-making.

¹ Treasury Board *Policy on Internal Audit* (<http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12340>), 2006.

² The Joint Agreement is detailed in correspondence from the Auditor General of Canada on behalf of Agents of Parliament to the President of the Treasury Board, dated September 28, 2006.

³ Implementation of the TBS IA Policy is being phased in over a three-year transition period, to April 1, 2009, to determine if changes to the Policy are required.

Principally as an adjunct to the assurance role, and within their sphere of expertise, internal auditors may also provide consulting services to their organization.

2. THE INTERNAL AUDIT PROCESS

The internal audit function will be guided by the Government of Canada's *Policy on Internal Audit*, *Directive on Internal Auditing in the Government of Canada* and the *Internal Auditing Standards for the Government of Canada*.

A risk-based audit plan will be prepared on an annual basis that is consistent with OPC objectives, considers input from OPC senior management, and supports the provision of assurance services on the effectiveness and adequacy of risk management, control, and governance processes. As well, consideration will be given to the horizontal or sectoral audit themes from Office of the Comptroller General audits.

The risk-based audit plan is to be reviewed and recommended for approval by the Audit Committee (the Committee) and approved by the Commissioner. The Advisory Panel on the Funding of Agents of Parliament and other parliamentary committees will be informed of the audit plan and audit reports, as appropriate.

Internal audit engagements will be contracted out to audit professionals following government contracting guidelines. The next section explains how the OPC ensures the integrity of the internal audit function.

The Internal Audit (IA) function focuses primarily on the provision of assurance services. Other services are provided only as an exception.

3. INDEPENDENCE AND OBJECTIVITY OF INTERNAL AUDIT

The Internal Audit function needs to be independent to allow internal auditors to make assessments impartially and without bias, while avoiding conflicts of interest. Given its small organizational size, it is not practical for the OPC to dedicate a full-time resource to internal audit. In this context, the Director General, Corporate Services of OPC is the Chief Audit Executive (CAE) while also being the Chief Financial Officer (CFO). In line with the TBS IA Policy, the incumbent is a senior executive who reports directly to the Officer of Parliament and has an accounting designation.

The integrity of the internal audit function is assured through the following mechanisms:

- Contracted audit professionals are engaged to develop the OPC risk-based internal annual audit plan and to audit the OPC programs and management processes and practices. Audit products from the contracted resources are to be labelled under the auditors' letter head to show their independence. Auditors are provided with access to all OPC records, databases, workplaces and employees, and the right to obtain information and explanations from OPC employees and contractors;

- The Committee reviews and recommends for approval the risk-based internal audit plan, and the Commissioner approves the plan ; and
- A direct reporting line is established between the contracted audit professionals and both the Commissioner and the Committee. This way, the auditors present their audit findings directly to the Commissioner and Committee and are not required to first go through the CAE when audit findings relate to corporate services and all other areas for which this position has responsibility.

The CAE remains responsible and accountable to ensure the integrity of the Internal Audit function.

To preserve its independence and ensure it remains solely accountable for its internal audit function, the OPC will not provide the Comptroller General with access to internal audit staff and working papers as normally required under the Policy. As well, the OPC will not normally participate in government-wide audits initiated by the Comptroller General.

4. INTERNAL AUDIT REPORTING APPROACH

Internal Audit Reports

Upon approval of the Commissioner, internal audit reports will be posted on the OPC website in both official languages in a timely fashion to the extent possible by the *Access to Information Act* and *the Privacy Act*.

The Senior Management Committee (SMC) will receive copies of the audit reports once they have been approved by the Commissioner.

Annual Internal Audit Report of the Chief Audit Executive

The CAE shall prepare a written report annually to the Commissioner and the Committee that will include sections on:

- Internal audit's independence, proficiency, performance and results relative to its plan including resource utilization, lessons learned and influences on future years' plans;
- The results of the Quality Assurance and Improvement Program including internal audit's conformance with the *Internal Auditing Standards for the Government of Canada*;
- The results of the follow-up on the implementation of management action plans; and,
- An overview of the aggregate findings following the execution of the risk-based audit plan including the actions taken by management to address key findings.

5. ROLES AND RESPONSIBILITIES

5.1 Responsibilities of the Commissioner are to:

5.1.1 Establish an Internal Audit function that is appropriately resourced and that operates in accordance with the *TB Policy on Internal Audit*, and any related directive, subject to the provisos agreed to by the Agents of Parliament and the government and follows the *Internal Auditing Standards for the Government of Canada*;

5.1.2 Establish an Audit Committee that includes a majority of external members who are not currently employed in the federal public service;

5.1.3 Appoint a qualified Chief Audit Executive at a senior executive level to lead and direct the Internal Audit function, as reflected in the Joint Agreement of the Working Group of Agents of Parliament;

5.1.4 Approve the OPC internal audit plan and budget, and the audit reports based upon a recommendation from the Audit Committee;

5.1.5 Ensure that the Audit Committee receives all of the information and documentation needed or requested to fulfill its responsibilities, subject to applicable legislation;

5.1.6 Ensure that Senior Managers prepare action plans that adequately address the recommendations and findings arising from internal audit engagements, and that the action plans are effectively implemented.

5.2 Responsibilities of the Chief Audit Executive are to:

5.2.1 Develop and obtain approval for the Internal Audit Charter;

5.2.2 Contract out the development of a risk-based audit plan on an annual basis that is consistent with OPC objectives, considers input from OPC senior management and the Audit Committee, and supports the provision of assurance services on all significant aspects of the Office.

5.2.3 Coordinate 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;

5.2.4 Communicate the audit plan and resource requirements for the Internal Audit function, including significant interim changes and the impact of resource limitations to the Commissioner and the Audit Committee, and ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan;

5.2.5 Contract out the conduct of internal audit engagements according to the approved plan and ensure that audit reports are provided to the Audit Committee with a minimum of delay;

5.2.6 Develop and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function, and continuously monitor its effectiveness;

5.2.7. Report to the Audit Committee on whether management's action plans have been implemented and provide an assessment of the impact of the proposed actions and whether these actions will address the risks identified;

5.2.8 Ensure that the *Internal Auditing Standards for the Government of Canada* are followed and that internal auditors contracted have appropriate professional qualifications and skills (through making these expectations a contract clause);

5.2.9 Meet quarterly with the Commissioner, and attend all meetings of the Audit Committee;

5.2.10 In consultation with the Commissioner and the Audit Committee, ensure that a practice inspection of the Internal Audit function is conducted at least every five years, by a qualified independent reviewer competent in the professional practice of internal auditing and the external assessment process, and that the results of this external assessment with accompanied action plan are communicated to the Commissioner and the Audit Committee;

5.2.11 Report annually to the Commissioner and the Audit Committee as defined in section 6.6.1.1. of the *Directive on Internal Auditing in the Government of Canada*.

5.3 Responsibilities of OPC managers and staff are to:

5.3.1 Be forthright and proactive in providing information relevant to an audit, and ensure auditors are given full access to OPC records, databases, workplaces and employees, and have the right to obtain information and explanations from OPC employees for the purpose of carrying out assigned responsibilities; and

5.3.2 Prepare and implement management action plans in response to audit recommendations in a timely fashion and report progress periodically to the CAE.

5.4 The Audit Committee's responsibilities are to:

5.4.1 Provide objective advice and recommendations to the Commissioner regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the department's risk management, control and governance frameworks and processes (including accountability and auditing systems);

5.4.2 The Committee's Terms of Reference further specify the Audit Committee responsibilities.

6. AUTHORITY

The Commissioner is responsible for establishing an Internal Audit capacity appropriate to the needs of the Office. Authority in this regard is derived from:

- *Federal Accountability Act*

- *Financial Administration Act* (Part I.1)
- *Privacy Act*
- Treasury Board Secretariat Internal Audit Policy Suite (April 1, 2006; revised April 1, 2012).

7. PROFESSIONAL CONDUCT

OPC's internal audit activity subscribes to the Government of Canada Internal Audit Standards and to OPC's Values and Ethics Code.

8. APPROVAL OF INTERNAL AUDIT CHARTER

Developed by the Chief Audit Executive

Date

Recommended by the Audit Committee

Date

Approved by the Commissioner

Date

APPENDIX 1 - Authorities and References

A number of related instruments to assist in the interpretation of the government's *Policy on Internal Audit* have been issued in the form of a directive and standards. They are as follows:

- ▶ *Internal Auditing Standards for the Government of Canada*—These prescribe the internal auditing standards to be applied in all departments subject to the *Policy on Internal Audit*.
- ▶ *Directive on Internal Auditing in the Government of Canada* – This directive identifies the mandatory requirements and provides direction: in establishing appropriate responsibilities and qualifications for departmental CAEs; in relation to departmental internal auditing and reporting; on the role and responsibilities of the members of the audit committee; and, in relation to the membership and operations of the audit committee.