

**GOVERNMENT OF ALBERTA
CORPORATE INTERNAL AUDIT SERVICES
INTERNAL AUDIT CHARTER**

1. Mission and Scope of Work

The mission of Corporate Internal Audit Services (CIAS) is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.

CIAS helps the Government of Alberta (GoA) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes. CIAS provides independent, objective services designed to add value and improve the GoA's operations.

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to management, and the Internal Audit Committee (IAC), on the adequacy and effectiveness of governance, risk management, and control processes for the GoA. Internal audit assessments include evaluating whether:

- a. Risks are appropriately identified and managed;
- b. Interaction with various program areas and governance groups occurs as needed;
- c. Significant financial, managerial and operating information is accurate, reliable and timely and to identify, measure, classify and report such information;
- d. Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations;
- e. Interactions and arrangements with third parties, including contractors and joint ventures, are in compliance with policies, standards, procedures, and applicable laws and regulations;
- f. Resources are acquired economically, used efficiently and adequately protected;
- g. Programs, plans and objectives are achieved;
- h. Quality and continuous improvement are fostered in the government's control process;
- i. Legislative or regulatory issues impacting the government are recognized and addressed appropriately;
- j. Information technology services are adequately controlled and protected by ensuring proper documentation, backup, access, cross training, controls and security; and
- k. Safeguarding of assets.

CIAS may perform advisory and related client service activities that are consistent with the mission of CIAS, the nature and scope of which will be agreed with the client, provided CIAS does not assume management responsibility. This includes such activities as providing advice to management about the control concerns in new systems or processes.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

CIAS audit engagements will focus on areas of high risk and may include:

- a. Financial, compliance and operational audits.
- b. Investigative assignments to assess any allegations of wrongdoing or breaches of government standards of conduct.
- c. Special audit projects, reviews or investigations at the request of the Chair of the IAC or any Deputy Minister (DM) or head of a public Agency, Board, or Commission (ABC). Forensic audits will be conducted in accordance with the Corporate Internal Audit Services Forensic Audit Policy.

2. Authority

The Chief Internal Auditor (CIA) is authorized by the IAC to:

- a. Investigate any matter assigned by the IAC, requested by a DM or within the approved audit plan.
- b. Ensure that internal audit personnel and contracted resources have unrestricted access to all functions, records, property and personnel of departments, ABCs, and the office of a member of the Executive Council unless such access is prohibited by legislation. The authority extends to the records, property and personnel of contractors where the contract provides that the Province may perform audits and where the Minister or DM requests that CIAS conduct audits on behalf of the Province,
- c. Attend IAC meetings and have unfettered access to the IAC and to the IAC Chair and Vice-Chair.
- d. Allocate CIAS resources, set frequencies, select subjects, determine scopes of work and apply techniques required to accomplish audit objectives approved by the IAC.
- e. Obtain the necessary assistance of personnel in units of Ministries where audits are performed, as well as other specialized services from within or outside the government.
- f. Provide advisory services to management as deemed appropriate.

The CIA and internal audit personnel are not authorized to:

- a. Perform any operational duties for the GoA, unless seconded to the operational area.
- b. Initiate or approve accounting transactions external to the internal audit division.
- c. Direct the activities of any organization employee not employed by the internal audit division, except to the extent such employees have been appropriately assigned to internal audit teams or to otherwise assist the internal auditors.

3. Independence and Objectivity

To provide for the independence of the internal auditing activity, CIAS staff report to the CIA, who reports functionally to the IAC and administratively to the Deputy Minister of Treasury Board and Finance.

The CIA will not jeopardize the independence of CIAS by permitting any auditor to:

- a. Perform any assurance work on areas where that auditor has provided advisory service to a department or ABC;

- b. Perform any assurance work on areas for which they were previously responsible in a department or ABC;
- c. Initiate or approve accounting transactions external to CIAS; or
- d. Direct the activities of any government employee not employed by CIAS, except to the extent such employees have been assigned to internal auditing teams or to otherwise assist the internal auditors.

Annually, all internal auditors will be required to sign the Government of Alberta Internal Audit Supplementary Code of Conduct.

Because of the importance of the IAC's visibility to internal audit to support independence and objectivity of the internal audit activity, the IAC must:

- a. Review updates for the IAC Chair's approval, this Charter.
- b. Review and approve the risk-based audit plan.
- c. Receive communications from the CIA on CIAS' performance relative to its Audit Plan and other matters.
- d. Approve decisions regarding the appointment and removal of the CIA.
- e. Provide input on the CIA's performance evaluation.
- f. Make appropriate inquiries of management and the CIA to determine whether there are inappropriate scope or resource limitations.
- g. Appoint a member of the IAC, other than the Chair, with whom the CIA can discuss issues of independence related to audits undertaken in the Department of Treasury Board and Finance.

4. Accountability

The CIA, in the discharge of his/her duties, shall be accountable to management and the IAC to:

- a. Provide coverage of the adequacy and effectiveness of the GoA's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- b. Report important issues related to the processes for managing risk and controlling the activities of the GoA, including potential improvements to those processes, and provide information concerning such issues through resolution. This includes coverage of risk management and governance practices.
- c. Periodically provide information on the status and results of the annual audit plan and sufficiency of CIAS resources. This includes ensuring the resources are sufficient in amount and competency, through in-house staff and co-sourcing to cover risks in the annual audit plan.
- d. Coordinate with other control and monitoring functions (risk management, governance, compliance, security, legal, ethics, environmental) and the Auditor General of Alberta for the purpose of providing optimal audit coverage, coordinating audit work and minimizing duplication of efforts across GoA.
- e. Establish a follow-up process to track and monitor the effective implementation of management actions related to important issues and recommendations.
- f. Create and maintain successful working relationships with DMs, internal government councils and others that are crucial to meeting the CIAS mandate.

5. Responsibility

The CIA has the responsibility to:

5.1 Internal Audit Function

- a. Develop flexible audit plans using an appropriate risk-based methodology, including any risks or control concerns identified by the IAC and DMs, and submit these plans to the DMs and the IAC for review and approval. In addition, submit any subsequent periodic changes to the plans to the IAC for review and approval. Distribute approved audit plans as directed by the IAC.
- b. Align internal audit coverage with the GoA's strategic, operational, compliance and financial risks, including important areas of emerging risk.
- c. Implement the annual audit plan, as approved, including, as appropriate, any special tasks or projects requested by DMs and the IAC based on risk assessment and available resources.
- d. Maintain professional internal audit resources with internal audit staff and, where appropriate, other internal or external resources with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter in accordance with the Public Service Act and / or the contracting authority delegated to the CIA. Report to the IAC on the adequacy of CIAS resources.
- e. Evaluate and assess important merging/consolidating functions and new or changing services, business units, processes, systems, operations, and control processes coincident with their development, implementation, and/or expansion.
- f. Issue periodic reports to the IAC, DM Council (DMC) and other Councils, where the Council Chair indicates an interest in a specific engagement, summarizing results of audit activities and any significant challenges, including any restrictions on the scope of work or access to required information or people, or delays by auditees.
- g. Keep the IAC informed of emerging trends and successful practices in internal audit.
- h. Provide internal audit measurement goals and results to the IAC.
- i. Conduct forensic audits and other investigations and notify the DM and the IAC of the results.
- j. Consider the scope of work of departmental internal auditors and of the Office of the Auditor General (OAG) for the purpose of providing optimal audit coverage, coordinating audit work and minimizing duplication of efforts across government.
- k. As appropriate, provide advisory services to management that add value and improve governance, risk management, and control processes without CIAS assuming management responsibility.
- l. Execute a quality assurance and improvement program to ensure the effective operation of internal audit activities and annually report the results of the program to the IAC.

- m. Periodically review and prepare updates as required, to the IAC and CIAS charters and present to the IAC for approval. Updates that do not change CIAS' purpose, authority, and responsibility or scope and nature of assurance and advisory services can be approved by the Chair of the IAC.
- n. Ensure that CIAS is operating in accordance with this Charter.
- o. Promote the importance of the work of CIAS within the GoA.

5.2 Monitoring and Reporting

- a. Monitor and report to the IAC on the effectiveness of the GoA's internal control systems.
- b. Report to the IAC the scope of the CIAS review of risk management, control and governance systems, and significant issues and trends.
- c. For significant issues and trends arising from cross-government audits, recommend to the IAC assignment of the issue to the responsible DM for action.
- d. Report to the IAC on the follow-up of management action plans responding to significant issues and trends identified by the CIA.
- e. Report progress on the audit plans, and significant issues and trends to the IAC, a minimum of three times per year.
- f. Report to the IAC significant issues and trends related to audit engagements conducted, including potential improvements to processes.
- g. Annually discuss with the IAC the results of the internal audit quality assurance improvement program.
- h. Annually confirm to the IAC the organizational independence of the internal audit activity.

5.3 CIAS Relationship with Auditor General

The CIA will coordinate audit work with the Office of the Auditor General of Alberta (OAG). Duplication of work will be lessened through this coordination and through the OAG reliance on the work of CIAS. CIAS will facilitate this coordination and reliance by:

- a. Meeting with the Office of the Auditor General to discuss areas of common interest as necessary.
- b. Providing the OAG with a copy of the audit plan and updates on the progress of the audit plan, a minimum of three times per year.
- c. After discussion with the IAC Chair and notification to the affected DMs, providing the OAG with a copy of final reports of cross-government engagements on request.
- d. As agreed to with the OAG, granting access to working papers as requested by the OAG after the OAG receives the CIAS report from a department or ABC.
- e. Requesting OAG working papers, i.e. control environment and systems documentation and risk analysis.

5.4 Support to IAC

The CIA is the Secretary of the IAC and will provide support to the IAC as follows:

- a. The timely preparation of all meeting agendas and background materials;
- b. Coordination of any presentations and distribution of reports and/or related documents that are prepared for the IAC's information or consideration;
- c. The timely preparation and distribution of minutes of meeting proceedings;
- d. The preparation and delivery or coordination of member orientation; and,
- e. Performance of other duties as may be assigned.

6. Standards for the Professional Practice of Internal Auditing

- a. CIAS will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The CIA will report periodically to the IAC regarding the CIAS' conformance to the Code of Ethics and the Standards.
- b. All auditors will comply with the Government of Alberta Internal Audit Supplementary Code of Conduct.

7. Audit Reports

7.1 Distribution of Reports

The CIA will report audit results as follows:

- a. For cross-government audit engagements, CIAS will validate the observations with individual Ministries subject to 7.4 of this Charter, and report the results to the IAC with a copy to the DM of the central agency responding to recommendations and the chair of the appropriate Government Council (Senior Financial Officer (SFO), Human Resource Director, Chief Information Officer and/or Admin Council);
- b. For department audits, CIAS will issue a report to the DM with a copy to the executive manager responsible for the area under review and/or SFO; and
- c. For an ABC, CIAS will issue a report to the CEO with copies to the Chair of the ABC's Audit Committee and to the DM of the department of the responsible Minister.

7.2 Freedom of Information and Protection of Privacy

In accordance with Sections 6 (7), 6 (8) and 24 (2.1) of the *Freedom of Information and Protection of Privacy Act* (the Act), records (as defined in the Act) of the CIA are not subject to disclosure under that Act.

Where no formal access request has been made under the Act and a public body is looking to disclose such information, the Chair of the IAC and the CIA should be consulted prior to the release of records relating to an audit conducted by CIAS or any information that would reveal the substance of such an audit.

7.3 Rating of Audit Results

Audit reports will distinguish between key recommendations and suggestions for improvement.

7.4 Management Response

The department or ABC may respond to the audit report separately or have its response(s) incorporated into the audit report. If a response is not received within two weeks of the post-audit meeting, the CIA may issue the report without a management response unless there is a mutually agreed to extension.

Original signed by
Michael Hocken
Chief Internal Auditor
on July 10, 2018

Original signed by
Lorna Rosen
Chair, Internal Audit Committee
on July 10, 2018