

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

1. Mission

The mission of Corporate Internal Audit Services (“CIAS”) is to work with Ministries to provide risk-based assurance and advisory services that add value to the Government of Alberta. CIAS provides independent, objective services designed to improve the government’s operations. It helps the government accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. CIAS performs consulting services beyond assurance services, to assist management in meeting its objectives. Examples include process design, training and advisory services.

2. Authority

The Chief Internal Auditor (“CIA”) is authorized by the Internal Audit Committee (“IAC”) to:

- a. Investigate any matter assigned by the IAC, requested by a Deputy Minister (“DM”) or within the approved audit plan.
- b. Ensure that the internal audit personnel and contracted resources have unrestricted access to all functions, records, property and personnel of departments, Agencies, Boards and Commissions (“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 Deputy Minister requests that CIAS conduct audits on behalf of the Province,
- c. Attend IAC meetings and have full and free access to the IAC.
- 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.

3. Independence

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 the government or ABC or was an employee of that department or ABC within the previous year;
- b. Initiate or approve accounting transactions external to CIAS; or
- c. Direct the activities of any government employee not employed by CIAS, except to the extent such employees have been assigned to auditing teams or to otherwise assist the internal auditors.

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

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 government'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 government and its affiliates, 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 and provide coverage of other control and monitoring functions (risk management, governance, compliance, security, legal, ethics, environmental) and the external audit.
- e. Establish a follow-up process to track and monitor the effective implementation of management actions related to important issues and recommendations.

f.

The IAC will review and advise the Chair and the Vice-Chair on the appointment, evaluation, replacement or dismissal of the CIA.

5. Responsibilities and Duties

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. Obtain the approval of DMC for all cross-government engagements.

- b. Align internal audit coverage with the organization'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 special 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 by which the CIA assures effective operation of internal audit activities and annually report the results of the program to the IAC.
- m. Bi-Annually prepare updates as required to the IAC and CIAS charters for IAC review and approval;
- n. Ensure that CIAS is operating in accordance with the Internal Audit Charter;
- o. Promote the importance of the work of CIAS within the government;

5.2 Monitoring and Reporting

- a. Monitor and report to the IAC on the effectiveness of the government'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 quarterly to the IAC.
- f. Report to the IAC significant issues and trends related to audit engagements conducted, including potential improvements to processes.

5.3 CIAS Relationship with Auditor General

The CIA will coordinate audit work with the OAG. Duplication 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 quarterly updates on the progress of the audit plan.
- c. After discussion with the Chair and notification to 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 Ministry or ABC.
- e. Requesting OAG working papers, i.e. control environment and systems documentation and risk analysis.

5.4 Scope of Audit Work

The CIAS conducts independent and objective consulting and assurance activities designed to add value and improve Government operations. The scope of audit work is to determine whether the government's network of governance, risk management, and control processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- a. Risks are appropriately identified and managed.
- b. Interaction with the various governance groups occurs as needed.
- c. Create and maintain successful working relationships with DMs, internal government councils and others that are crucial to meeting the CIAS mandate.
- d. Significant financial, managerial and operating information is accurate, reliable and timely and to identify, measure, classify and report such information.

- e. Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- f. Interactions and arrangements with third parties, including contractors and joint ventures, are in compliance with policies, standards, procedures, and applicable laws and regulations.
- g. Resources are acquired economically, used efficiently and adequately protected.
- h. Programs, plans and objectives are achieved.
- i. Quality and continuous improvement are fostered in the government's control process.
- j. Legislative or regulatory issues impacting the government are recognized and addressed appropriately.
- k. Information technology services are adequately controlled and protected by ensuring proper documentation, backup, access, cross training, controls and security; and,
- l. Safeguarding of assets.

Additional advisory services may be provided where consistent with the mission of CIAS. Such advisory services will generally be related to assessing the impact of changes being considered or implemented in the government's risk management, control, and governance processes.

Opportunities for improving management control may be identified during audits. They will be communicated to the appropriate level of management.

5.5 Audit Focus

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 Internal Audit Committee ("IAC") or any DM or head of an ABC.

5.6 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; and
- d. The preparation and delivery or coordination of member orientation.

6. Standards of Internal Auditing

- a. The internal audit profession is covered by the International Professional Practices Framework of The Institute of Internal Auditors. This Framework includes mandatory elements consisting of the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*. CIAS will meet or exceed these mandatory requirements of the profession; and
- b. All auditors will comply with the Supplementary Code of Conduct for Auditors.

The CIA will annually discuss with the IAC the results of the internal audit quality assurance improvement program by which the CIA assures effective operation of the internal audit activities.

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 Deputy Minister 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 Ministry 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 a copy to the DM of the Ministry responsible for the ABC and Chair of the Audit Committee of the ABC.

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.

7.3 Rating of Audit Results

Reports will distinguish between key recommendations and suggestions for improvement.

7.4 Management Response

The Ministry 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.



Dan Stadlwieser
Chief Internal Auditor



Richard Dicerni
Chair, Internal Audit Committee

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