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# **INTERNAL AUDIT, EVALUATION AND RISK MANAGEMENT**

## **Three-Year Risk-Based Plan (The Plan) 2004-2007**

Planning, Internal Audit and Evaluation Division  
Corporate Services Branch  
Final October 4, 2004

*(Approved by the Internal Audit & Evaluation Committee on September 30, 2004)*

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## **Context**

The tabling in March 2000 of “*Results for Canadians: Management Framework for the Government of Canada*” reinforced the Government commitment to continuous management improvement and accountability for results. *Results for Canadians* has been followed by the development of the *Integrated Risk Management Framework* and by new policies for *Internal Audit, Evaluation and Active Monitoring*.

The *Internal Audit Policy*, which took effect on April 1, 2001, requires departments and agencies to:

- have an effective, independent and objective internal audit function that is properly resourced to provide sufficient and timely assurance services on all aspects of its risk management strategy and practices, management control frameworks and practices, and information used for decision-making and reporting;
- incorporate internal audit results into their priority setting, planning and decision-making processes; and
- issue completed reports in a timely manner and make them accessible to the public with minimal formality in both official languages.

The *Evaluation Policy*, which took effect on April 1, 2001, requires departments and agencies to embed evaluation into their management practices to:

- help design policies, programs, and initiatives that clearly define expected results and that embody sound performance measurement, reporting and accountability provisions at their outset; and
- help assess in a rigorous and objective manner the results of government policies, programs and initiatives, including their impacts both intended and unintended, and alternative ways of achieving expected results.

The purpose of the *Integrated Risk Management Framework*, which took effect on April 1, 2001, is to:

- provide guidance to advance the use of a more corporate and systematic approach to risk management;
- contribute to building a risk-smart workforce and environment that allows for innovation and responsible risk-taking while ensuring legitimate precautions are taken to protect the public interest, maintain public trust, and ensure due diligence; and
- propose a set of risk management practices that departments can adopt, or adapt, to their specific circumstances and mandate.

The *Active Monitoring Policy*, which took effect on June 1, 2001, requires departments and agencies to:

- actively monitor their management practices and controls, and take early and effective remedial action in areas where significant deficiencies are encountered or improvements are needed; and
- inform TBS of significant management concerns in a timely manner.

## **I. INTRODUCTION**

The Planning, Internal Audit and Evaluation Division (referred to as “the Division”) of two permanent staff members was formalized in the fiscal year 1999-2000 through an appropriation approved by Treasury Board. The Commission also established an Internal Audit and Evaluation Committee in fiscal year 2002-03, chaired by the Secretary General.

The Division is in the process of developing and implementing the Commission’s Internal Audit and Evaluation policies in alignment with TBS policies. It is making progress in establishing effective processes to provide timely information on: significant issues of risk; controls or other issues related to management practices; and the implementation of appropriate management action plans. A critical element of this work is the development of a three-year risk-based plan.

## **II. INTERNAL AUDIT, EVALUATION and RISK MANAGEMENT THREE-YEAR RISK-BASED PLAN**

The Internal Audit and Evaluation Three-Year Risk-Based Plan (The Plan), categorizes and describes all planned and work in process of internal audits, evaluations, risk management and other projects for fiscal years 2004 - 2007. The Plan is intended to be flexible to meet changing and emerging issues and priorities. Changes to the approved plan will be processed through the Internal Audit and Evaluation (IA&E) Committee.

As integral components of the Commission’s overall management framework, internal audit and evaluation are well suited to provide analysis of emerging priorities on an ad hoc basis. Thus, they complement the systems that deliver regular, routine information. Their input is used to provide assurance to management that risks are adequately managed, and to improve the management, operation and cost-effectiveness of programs and accountability for results.

The Plan is linked to the Commission’s strategic and operational planning processes to ensure that the priority information needs of senior management are met, and that significant risks to the achievement of the Commission and/or governmental objectives are identified and addressed.

## **III. PLANNING PROCESS**

The annual planning process is based on the Treasury Board Secretariat’s “*Risk-Based Internal Audit Priorities Toolset for Small Departments and Agencies*”, dated March 2003. Using this Toolset, the Division identifies sources of risks through the form of potential engagements, conducts a risk assessment for each potential engagement based on a series of assessment criteria and develops the internal audit priorities.

The internal audit priorities are identified in consultation with Executive Committee members. The Director, Corporate Services sends a call letter annually to Executive Committee members inviting them to provide their input to update the three-year plan. In summary, this consultation process

assists the Division in the identification and assessment of potential risks, and the establishment of the internal audit and evaluation priorities. The process ensures that the internal audit effort is directed where there is maximum benefit to the Commission.

#### **IV. FOCUS FOR INTERNAL AUDIT**

Internal Audit encompasses both audits and consulting services as defined in the Commission's Internal Audit Policy. The Division plans to conduct various types of audits which are categorized as follows:

##### **Audits**

###### **Management Audits**

Management audits are designed to provide senior management with assurances that (1) the organization's policies and procedures are being followed (compliance); (2) its assets are properly managed and safeguarded; (3) due diligence is maintained to achieve effectiveness, efficiency and economy in the utilization of all its resources; and (4) senior management has the appropriate information for decision-making.

###### **Financial Audits**

Financial audits consist of (a) audits of the financial control framework and (b) attest audits to ensure that financial information presented by the Commission is both appropriate and accurate, in accordance with the Financial Administration Act (FAA).

###### **Information Technology (IT) Audits**

IT audits are conducted for systems under development (also referred to as pre-implementation audits); major enhancements to existing IT systems; and post implementation audits to ensure that the system continues to operate as intended, and also to provide assurance to senior management on data integrity and system efficiency and effectiveness.

The purpose of the pre-implementation audit is to ensure that the information system will meet the needs of the users; internal controls and security elements will be incorporated and that the project is properly managed. The purpose of a post-implementation audit is to ensure that the internal controls and security elements are operating as designed and that users of the system have received the necessary training and are adequately supported on a daily basis (i.e. help desk).

## **Consulting Services**

Consulting services are defined in the Commission's Internal Audit Policy as advisory and related client services activities, the nature and scope of which are agreed upon with the client. These activities are designed to help guide senior management on improvements to the Commission's governance, risk management, and control processes while not assuming management responsibility. The Division may conduct various types of consulting services which are categorized as follows:

### **Accountability Assessments**

An accountability framework defines roles and responsibilities, resources, expected outcomes, performance measurement, feedback and penalty/rewards. This framework is a standard practice of a well-managed organization.

### **Provision of Counsel and Advice**

The Division may provide counsel or advise to senior management on a new policy or initiative. Such advisory services are provided because of the general management and control expertise that the Division possesses. When this occurs, it is understood that the decision-making process remains a management responsibility.

### **Facilitation and Process Design**

The Division may provide process design advisory services to senior management. When this occurs, however, in these cases it is understood that the decision-making process remains a management responsibility.

### **Training and Education**

The Division may provide training and education (i.e awareness sessions or workshops) on areas such as risk management, governance and internal control.

## **V. FOCUS FOR EVALUATION**

The Division provides timely information to senior management on the performance of the Commission's programs. The Division will conduct various types of evaluation which are categorized as follows:

### **Evaluation Frameworks including RMAFs**

There is a need to measure program performance at a strategic level which includes assessing the impacts and effectiveness of the Commission's policies, programs, initiatives and the

achievement of strategic goals. Comprehensive measurement of these corporate areas requires analytical approaches which are normally beyond the capabilities of existing performance measurement systems.

The evaluation framework provides the basis for an evaluation study of a policy, initiative or program. It outlines what the evaluation should include and describes the information to be collected prior to and during the evaluation. It also includes a discussion of the issues that should be addressed by the evaluation, and presents evaluation indicators to be used for measuring the effectiveness of implementation and impact of the policy / initiative / program.

The Risk-Based Audit Framework (RBAF) is a management process/tool that explains how risk concepts are integrated into the strategies and approaches used for managing programs that are funded through transfer payments. The RBAF provides:

- background and profile information on the transfer payment program including the key inherent risk areas (internal and external) that the program faces;
- an explicit understanding of the specific risks which may influence the achievement of the transfer payment program objectives;
- a description of existing measures and proposed incremental strategies for managing specific risks; and
- an explanation of monitoring, recipient auditing, internal auditing, and reporting practices and procedures.

### **Evaluation Studies**

The Evaluation Study addresses the implementation process and impacts of the policy / initiative / program, based on the evaluation framework.

### **Survey**

A survey is a data collection method that involves a planned effort to collect needed data from a sample of the relevant population and is normally a component of an evaluation study. The relevant population consists of people or entities affected by the program.

## **VI. FOCUS FOR RISK MANAGEMENT**

Risk Management is now recognized as a new service. It has always been part of the traditional management audit, however, increasing emphasis on empowerment, or shifting of more decision-making roles to a lower level or broader base, have meant that detailed monitoring is no longer feasible in all cases.

In April 2001, Treasury Board of Canada published the “Integrated Risk Management Framework” document. This document provides a comprehensive approach to better integrate risk management into strategic decision-making, and is designed to advance the development and implementation of modern management practices and support innovative management approaches throughout the federal public service.

The Division intends to develop and maintain the Commission’s Risk Management Policy and Framework. Once the policy and framework are in place, workshops will be held to develop the Commission’s Risk Profile (Risk Factors/Indicators) and to promote risk management within the Commission.

## **VII. OTHER PROJECTS**

Occasionally, the Division is requested to manage or champion projects beyond the scope of planning, internal audit or evaluation. The extent to which unanticipated projects are assigned to the Division may impact on its capacity to fully meet the planned activities in this Plan.

The Division brings to the attention of the Commission’s senior management expectations and initiatives of central agencies, particularly the Treasury Board Secretariat, on a number of management fronts, and will propose approaches in line with the Commission’s resource base and mandate. Examples include:

*Active Monitoring Policy:* On June 2001, the Government released The Active Monitoring Policy which requires departments and agencies to actively monitor their management practices and controls and take any appropriate corrective actions, as required. The Commission will need to address this issue.

*Management Accountability Framework (MAF) Action Plan:* The modernization of comptrollership emphasizes integrated financial and non-financial performance information, vigorous stewardship of resources, sound risk-management, and open reporting of results. The Commission started the implementation of MAF Action Plan in fiscal year 2004-05.

*Performance Management:* This Government initiative is one of the main elements of Modern Comptrollership and MAF. The Commission plans to develop a Commission-wide performance management framework during fiscal year 2004-05.

## **VIII. RESULTS OF PROJECT ASSESSMENT**

The Division carried out a risk assessment exercise based on TBS “*Risk-Based Internal Audit Priorities Toolset for Small Departments and Agencies*”, dated March 2003. The results of this exercise are included in an attached document entitled “*Internal Audit and Evaluation Priorities - Risk Assessment Exercise*”, Revised on June 30, 2004. Based on this risk assessment exercise, any of the following projects are recommended for consideration for fiscal year 2004-05 and subsequent



years depending on availability of the Division's resources.

***Please note that the projects undertaken by the Planning, Internal Audit and Evaluation Division depend on several factors such as the resources available to the Division, the emerging issues and priorities of the Commission and the Government, and the complexity of the project.***

**a) Internal Audits**

**Assurance Services**

Financial Audit

Management Audit Legal Services

Management Audit of Operations Sector (including Investigations Branch and Regional Offices)

Management Audit Policy and Employment Equity Branch

Procurement and Contracting

**Consulting Services**

Information Management

Human Resources Classification Framework & other related issues

Inventory of CHRC's Policies, Procedures, and Systems

**b) Evaluation**

RMAF for the Commission

Human Rights Complaint Process Evaluation Framework including RMAF

Human Rights Complaint Process Evaluation Study

Human Rights Complaint Process Client Survey

ADRS Program Evaluation Framework

ADRS Program Evaluation Study

Discrimination Prevention Program Evaluation Framework

Discrimination Prevention Program Evaluation Study

**c) Risk Management**

Risk Management Policy

Risk Management Framework

Risk Management Workshops

## **IX. FORMAT OF THE PLAN**

The body of the Plan contains four (4) columns. The purpose of each of these columns is as follows:

**Title:** The proposed title of the audit, evaluation or other project at the time that The Plan is approved.

**Objective:** The objective describes the proposed purpose of conducting the audit, evaluation or other project. As audits and evaluations begin, these objective statements serve as a starting point in developing the Assignment Planning Memorandum or Terms of Reference (TOR).

**Auditee:** The auditee is the Branch that will be the main focus of the audit and evaluation engagements.

**Status:** The status of the audit, evaluation or other project at the time that the plan is approved. There are two (2) types of status: Work in Process (WIP), and Planned.

A summary of the Plan is also presented in the following section.

## **X. WHO TO CONTACT FOR ADDITIONAL INFORMATION**

Commission managers requiring the assistance of Planning, Internal Audit and Evaluation Division or needing more information should contact:

Joe Anton, Chief  
Planning, Internal Audit and Evaluation Division  
Telephone: (613) 943-9049

Managers can also contact Ms. Stella Deacon, Director, Corporate Services, Audit and Evaluation Branch at 943-9033.

**Summary of Internal Audit, Evaluation and Other Projects - Three-Year Risk-Based Plan**

<b>Client</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>
<b>Secretary General (EC)</b>	Risk Management Policy and Framework  Risk Management Profile  Internal Audit Training and Education (awareness sessions)  RMAF for the Commission	Risk Management Committee  Risk Management awareness sessions and workshops	Risk Management awareness sessions and workshops
<b>Corporate Services Branch</b>	Financial Audit  Inventory of CHRC's policies, procedures & systems  Human Resources Classification Framework	Inventory of CHRC's policies, procedures & systems	Procurement and Contracting  Inventory of CHRC's policies, procedures & systems
<b>Legal Services Branch</b>	Management Audit		
<b>Policy and Employment Equity Branch</b>		Management Audit	
<b>Operations Sector</b>	Management Audit (Note 1)  Human Rights Complaints Process Evaluation Framework  Human Rights Complaints Process Evaluation Study (Note 1)  Discrimination Prevention Program Evaluation Framework (Note 2)  ITI Project - Pre-implementation Audit	Human Rights Complaints Process - Client Survey  Management Audit  Discrimination Prevention Program Evaluation Study  Human Rights Complaints Process Evaluation Study	
<b>ADRS Branch</b>		ADRS Program Evaluation Framework	ADRS Program Evaluation Study
<b>Communications Branch</b>			Communications Program Framework and Evaluation Study

**Note 1** Preparatory tasks (i.e. statement of work; contracting) to be undertaken in 2004-2005. Field work tasks (planning, examination, reporting) will be undertaken in fiscal year 2005-2006.

**Note 2** To be undertaken in 2004-2005 should resources become available. Otherwise, it will be part of the Plan for fiscal 2005-2006.

**Detailed Plan - Internal Audits  
Year One - 2004/2005**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Financial Audit	To assess the accuracy, completeness, timeliness, reliability of financial information use for decision-making	Corporate Services	Finalization
Management Audit	To assess the effectiveness and efficiency of Legal Services relating to its policies and procedures, systems, assets, and use of human, physical and financial resources.	Legal Services	Finalization
Management Audit	To assess the effectiveness and efficiency of the Operations Sector including Investigations Branch and Regional Offices relating to its policies and procedures, systems, assets, and use of human, physical and financial resources.	Operations Sector	Planned
Inventory of CHRC's policies, procedures and systems (Consulting Service)	To survey all the Branches and update the inventory of the Commission's policies, procedures and systems	Corporate Services	Planned
Human Resources Classification Framework (Consulting Services)	To provide consulting help and advice to Human Resources on the development of the classification framework.	Corporate Services	Planned
Internal Audit Training and Education awareness sessions (Consulting Services)		Secretary General	Planned

**Detailed Plan - Internal Audits  
Year Two - 2005/2006**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Management Audit	To assess the effectiveness and efficiency of Policy and Employment Equity Branch relating to its policies and procedures, systems, assets, and use of human, physical and financial resources.	Policy and Employment Equity Branch	Planned
Inventory of CHRC's policies, procedures and systems (Consulting Service)	To survey all the Branches and update the inventory of the Commission's policies, procedures and systems	Corporate Services	Planned
Management Audit	To assess the effectiveness and efficiency of the Operations Sector including Investigations Branch and Regional Offices relating to its policies and procedures, systems, assets, and use of human, physical and financial resources.	Operations Sector	Planned

**Detailed Plan - Internal Audits  
Year Three - 2006/2007**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Procurement and Contracting	To assess whether the procurement policies, guidelines and practices are in compliance with the Commission and TBS policies on procurement and contracting and to assess the adequacy and effectiveness of the Procurement Division in delivering services to the Commission	Corporate Services	Planned
Inventory of CHRC's policies, procedures and systems(Consulting Service)	To survey all the Branches and update the inventory of the Commission's policies, procedures and systems	Corporate Services	Planned

**Detailed Plan - Risk Management  
Year One - 2004/2005**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Risk Management Policy	<p>Research and develop a draft Risk Management Policy. Distribute the Draft to EC members for discussions and comments.</p> <p>Have the Risk Management Policy approved by EC members. Distribute to CHRC's staff.</p>	Secretary General	Planned
Risk Management Framework and CHRC's Risk Profile	Develop the Risk Management Framework which will include the development of the Commission Risk Profile (i.e methodology and approach (risk factors/indicators) for identifying the Commission's Risk Profile)	Secretary General / Branches	Planned

**Detailed Plan - Risk Management  
Year Two - 2005/2006**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Risk Management Committee	Develop the Terms of Reference (TOR) for the CHRC's Risk Management Committee.	Secretary General	Planned
Risk Management Awareness Sessions and Workshops	Hold workshops across CHRC	Secretary General/ Branches	Planned

**Detailed Plan - Risk Management  
Year Three - 2006/2007**

Title	Objective	Client	Status
Risk Management Awareness Sessions and Workshops	Hold workshops across CHRC	Secretary General	Planned

**Detailed Plan - Evaluations  
Year One - 2004/2005**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Human Rights Complaints Process Evaluation Framework	To establish an Evaluation Framework including an RMAF	Operations Sector and ADRS Branch	Ongoing
Human Rights Complaints Process Evaluation study	To conduct an Evaluation study	Operations Sector and ADRS Branch	Planned
Discrimination Prevention Program Evaluation Framework	To establish an Evaluation Framework including an RMAF	Operations Sector	Planned
RMAF for the Commission	To develop an RMAF for the Commission	Secretary General	Planned



**Detailed Plan - Evaluations  
Year Two - 2005/2006**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
Human Rights Complaints Process	To conduct a client Survey	Operations Sector	Planned
ADRS Program Evaluation Framework	To establish an Evaluation Framework including an RMAF	ADRS Branch	Planned
Discrimination Prevention Program Evaluation Study	To conduct an Evaluation study	Operations Sector	Planned
Communications Program Evaluation Framework	To establish an Evaluation Framework including an RMAF	Communications Branch	Planned
Human Rights Complaints Process Evaluation Study	To conduct an Evaluation Study	Operations Sector and ADRS Branch	Planned

**Detailed Plan - Evaluations  
Year Three - 2006/2007**

<b>Title</b>	<b>Objective</b>	<b>Client</b>	<b>Status</b>
ADRS Program Evaluation Study	To conduct an Evaluation Study	ADRS Branch	Planned
Communications Program Evaluation Study	To conduct an Evaluation study	Communications Branch	Planned