

# **GOVERNMENT OF ALBERTA INTERNAL AUDIT CHARTER**

## **Purpose**

The purpose of the Office of the Chief Internal Auditor (the “Office”) is to provide assurance and advisory services:

- regarding the systems, processes and controls used to identify and mitigate risks and identify and implement improvements
- to the Government of Alberta including all of the Ministries and ABCs

The Office will assist management and employees in the effective discharge of their responsibilities by furnishing them with analyses, appraisals, recommendations, and pertinent comments concerning the activities or matters reviewed. The Office will be focused on risks across the government of Alberta and its ministries in order to identify and recommend improvements to risk mitigation processes designed to prevent such things as failed initiatives, financial mismanagement or reputation damage.

As indicated above the Office is an internal audit function designed to assist management in the discharge of its management responsibilities and reports internally to management through the internal audit committee. In this respect it differs from the Auditors General’s Office, which has an external reporting mandate. The internal audit mandate is set by this charter and the Auditor’s General’s mandate is set by the Auditor General Act. The work of the internal and external auditors may overlap. Assessing the effectiveness of internal controls is one major area where such overlap could occur. In order to reduce any duplication of audit work, exchange of audit planning and audit results will be necessary. Duplication can be mitigated when the external auditor can benefit by placing reliance on the work of the internal auditor and therefore is able to reduce the extent of external audit procedures.

## **Authority, Responsibilities and Independence**

The authority and responsibilities of the Office are established by the Deputy Minister - Executive Council (the “DMEC”) on the advice of the Audit Committee. The Chief Internal Auditor (CIA) reports to the DMEC and has full and independent access to the Audit Committee. The approval of the Audit Committee is required for the removal or replacement of the CIA.

Since the Office has complete independence with respect to the units selected for audit and the audit scope, it is not subject to restrictions in its work by operating units or their management. However, the Audit Committee provides general direction as to the nature of the audits to be conducted. The Audit Committee, any Deputy Minister, and the Auditor General may request the Office to carry-out special reviews or audits. In the event that the Office’s existing priorities preclude the undertaking of a requested special review or audit within a reasonable period of time, the parties involved and the DMEC will be notified. All activities of the Government and its ministries may be subject to audit periodically by the Office.

The Office has unrestricted access to all records, information, properties, functions and personnel necessary to effectively discharge its responsibilities. Professional and government standards for confidentiality will be maintained.

The objectivity and independence of the Office will be enhanced through the CIA's access to the DMEC and the Audit Committee.

The Office shall adopt the IIA's Standards for the Professional Practice of Internal Auditing and the Office's staff shall subscribe to a professional code of ethics and standard of neutrality and objectivity.

In performing its functions, the Office shall have no direct responsibility or authority over any of the activities reviewed. Staff of the Office shall not engage in any audit activity that would constitute an audit of work that they were previously responsible for or could reasonably be construed to compromise their independence and objectivity.

The Office's objectivity is not adversely affected, however, by recommending controls to be applied in developing systems and procedures, or by evaluating existing or planned financial and operating systems and related procedures and making recommendations for modification and improvements thereto in order to improve controls and/or enhance operational effectiveness.

### **Scope of Work**

The internal audit work shall be planned. The annual plan shall be presented to the audit committee.

The work of the Office may include:

- Audits of programs and functions to help improve efficiency and ensure governance, management and control systems are operating effectively.
- Audits that evaluate the controls over revenues, expenditures, assets and liabilities designed to optimize the economical and efficient use of resources and effectiveness of operations.
- Assessments of whether current controls are adequate to manage identified risks and provide assurance on the adequacy and effectiveness of risk management practices.
- Compliance audits which examine adherence to any policy, contractual, regulatory and legislative requirements.
- Reviews of existing or new information systems to assess the quality of controls and the relevance and reliability of the systems output.
- Investigative assignments to assess any allegations of wrongdoing or breaches of government standards of conduct.
- Advisory services, participating in significant initiatives and priorities, providing solutions to financial and business control issues.
- Special audit projects, reviews or investigations at the request of the Chair of the Internal Audit Committee or any Deputy Minister.
- Review the responses of management to audit recommendations

- Liaising with the Auditor General's Office to facilitate the AG's Office reliance on work of the CIA and thereby reducing the extent of work required by the AG's Office.

Audit plans for each ministry or ABC shall be prepared and presented to the Deputy or Audit Committee of an ABC.

### **Reporting on Audits**

The Office has a responsibility to inform and advise management and the DMEC as to significant deficiencies or other substantive issues noted in the course of its activities.

For Cross-government audit engagements, the Office will, following the completion of each audit engagement, issue a report to the Chair of the Audit Committee with copies to the members of the Audit Committee. The report:

- need not include any insignificant findings
- if it contains matters which need attention shall request a written response within a reasonable time period.

For Ministry audits the Office will, following the completion of each audit engagement, issue a report to the Deputy (for an ABC audit the report will be issued to the audit committee chair and copied to the CEO and Deputy). The report:

- need not include any insignificant findings
- if it contains matters which need attention shall request a written response within a reasonable time period.
- The DMEC will be copied on ministry or ABC audit reports.

The Ministry or ABC may respond to the audit report separately or have its response(s) incorporated into the audit report.

Each ministry will provide the Office's reports to the Auditor General's Office (the "AG") for the purpose of the AG's reliance on the work of the internal auditor. The Ministry may invite staff of the Office to participate in meetings with the AG's Office and in providing support for the work of the AG's Office. The Auditor General's Office may review the internal audit reports and working papers in order to place reliance on the work of the Office. The Office will co-operate with, and will make its working papers available to the AG upon such request.

APPROVED:

Signature \_\_\_\_\_ Date \_\_\_\_\_  
Chairman of the Audit Committee and Deputy Minister – Executive Council