

**OFFICE OF THE INFORMATION COMMISSIONER
OF CANADA**

INTERNAL AUDIT COMMITTEE

CHARTER

May 24, 2007

Office of the Information Commissioner of Canada Internal Audit Committee Charter

1 Introduction

The new *Policy on Internal Audit* (Policy) and the *Directive on Departmental Audit Committees* (Directive) came into effect on April 1, 2006.

The objective of the policy is to strengthen public sector accountability, risk management, resource stewardship and good governance by reorganizing and bolstering internal audit on a government-wide basis.

The Policy requires that the Information Commissioner (Commissioner) establish an independent departmental Audit Committee (Committee) that includes a majority of external members who are not in the federal public service.

The Directive requires that the Commissioner approve the Audit Committee Charter (Charter) which documents the role, responsibilities and operations of the Committee. The Committee is responsible for reviewing the Charter periodically and having it reaffirmed by the Commissioner.

The Committee is an essential component of the department's governance structure and a critical aspect of a strong and credible internal audit regime.

2 Role

The Committee ensures that the Commissioner has independent and objective advice, guidance and assurance on the adequacy of department's risk management, control and accountability processes. To be able to do this, the Committee must exercise active oversight of core areas of departmental control and accountability in an integrated and systematic way.

3 Responsibilities

The Committee shall address the following eight key areas of responsibility:

1. Values and ethics;
2. Risk management;
3. Management control framework;
4. Internal audit function;
5. Office of the Auditor General and central agencies;
6. Follow-up on management action plans;
7. Financial statements and Public Accounts reporting; and
8. Risk and accountability reporting.

3.1 Values and Ethics

The Committee shall review, at least annually, the arrangements established by management to exemplify and promote public service values and to ensure compliance with laws, regulations, policies, and standards of ethical conduct.

3.2 Risk Management

The Committee shall review, at least annually, the corporate risk profile and the departmental risk management arrangements.

3.3 Management Control Framework

The Committee shall review, at least annually, the departmental internal control arrangements, including the adequacy of management-led audits.

3.4 Internal Audit Function

The Committee shall:

1. Recommend, and review regularly, the departmental internal audit charter for approval by the Commissioner;
2. Review regularly the adequacy of resources of the internal audit function;
3. Review and recommend for approval the risk assessment and the internal audit plan prepared by the Chief Audit Executive (CAE);
4. Review regularly the performance of the internal audit function;
5. Advise the Commissioner on the appointment and performance appraisal of the CAE;
6. Receive and recommend for approval internal auditing reports and management action plans to address recommendations; and
7. Be aware of audit engagements or tasks that do not result in a report to the Committee, and be informed of all matters of significance arising from such work.

3.5 Office of the Auditor General and Central Agencies

The Committee shall:

1. Ensure that management has adequate arrangements to support the Office of the Auditor General (OAG) and central agencies in doing audit work in the department;
2. Be fully briefed on all audit work relating to the department to be undertaken by the OAG, other agents of Parliament or central agencies;
3. Review the audit reports of the OAG and central agencies that have departmental or government-wide implications and recommend for approval departmental responses and action plans;
4. Meet periodically with the OAG and seek its comments and advice on matters of departmental risk, control and governance;
5. Be briefed on audit-related issues and priorities raised by central agencies and advise the Commissioner on required action; and
6. Be briefed on, and advise the Commissioner on, the impact of government-wide initiatives to improve management practices.

3.6 Follow-up on Management Action Plans

The Committee shall:

1. Ensure that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits, the OAG, or other sources;
2. Receive periodically reports from management on actions taken; and
3. Receive periodically reports from the CAE on whether management's action plans have been implemented and whether actions taken have been effective.

3.7 Financial Statements and Public Accounts reporting

The Committee shall review:

1. The departmental financial statements with management and all significant accounting estimates and judgments therein and recommend to the Commissioner whether they should be accepted.

When the department's financial statements are audited, the Committee shall review:

1. The audited financial statements with the external auditor and senior management, discuss any significant adjustments to the statements required as a result of the audit and any difficulties or disputes with management encountered in the course of the audit;
2. Management letters arising from the external audit of the department's financial statements or the Public Accounts;
3. The auditor's findings and recommendations relating to the internal controls in place for financial statement reporting; and
4. The performance of the external auditor.

3.8 Risk and accountability reporting

To ensure that, to the best of its knowledge, there are no material misstatements or omissions, the Committee shall review the departmental:

1. Corporate Risk Profile;
2. Estimates Part II - The Main Estimates;
3. Estimates Part III - Departmental Expenditure Plans - Report on Plans and Priorities;
4. Estimates Part III - Departmental Expenditure Plans - Performance Report; and
5. Other significant accountability reports.

4 Committee Members

4.1 Composition

The Committee is comprised of three independent external members who are not in the federal public service.

4.2 Selection

Members are selected so that their collective skills, knowledge and experience will allow the Committee to competently and efficiently undertake its duties.

Members must be free of any real or perceived conflict of interest.

The Commissioner may consider candidates proposed by the Comptroller General of Canada. Committee members are appointed by the Commissioner.

4.3 Term

The Commissioner engages Committee members for a term of up to four years.

Members may serve a maximum of two terms.

Transition and Continuity: consideration will be given to the engagement of members for terms that overlap to ensure continuity within the Committee.

4.4 Profile

All members must be familiar with private or public sector financial reporting or undertake to become familiar within the first year after appointment.

At least one member must be a financial expert who possesses:

1. An understanding of generally accepted accounting principles and financial statements;
2. Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the department's financial statements, or experience actively supervising one or more persons engaged in such activities;
3. An understanding of internal controls and procedures for financial reporting; and
4. An understanding of audit committee functions.

4.5 Induction

The role of the Committee can only be fulfilled if its members are well informed. Members will receive formal orientation and training on the Committee's role, responsibilities and objectives, which may be provided through the Canada School of Public Service. External members will be briefed on departmental business as needed. A process of continuous briefings and information on emerging issues and risks will be put in place.

5 Committee Meetings

5.1 Chair

The Committee elects one of the three members to be the chair the Committee.

The Chair calls meetings, sets the meeting agenda and manages the meetings.

The Chair also establishes effective relationships with management and, as applicable to the business of the Committee, external stakeholders.

5.2 Frequency

The Committee will meet at least four times a year.

The Committee meeting schedule will normally be set out one year in advance so that departmental management and Internal Audit Services can prepare the information and reports required to support the Committee's work.

Rescheduling of Committee meetings will be by exception only.

The Chair will call a meeting if requested to do so by the Commissioner or a Committee member.

5.3 Preparation and attendance by members

To enhance the effectiveness of meetings, each member will:

1. Devote the time needed to prepare for and participate in each meeting by reading the reports and background materials provided for the meeting; and
2. Maintain an excellent meeting attendance record.
(The target is 100% attendance. Anything less than 75%, without extenuating circumstances, will create considerable concern.)

5.4 Quorum

The quorum for a meeting shall be the majority of the members.

Alternates are not permitted.

5.5 Attendance by Non-members

Non-members present at Committee meetings are there as observers, resource persons or in a professional capacity.

The Chief Audit Executive (CAE) will attend all meetings.

The Senior Financial Officer (SFO) will attend all meetings.

The Chair may request the attendance of other departmental officials.

The Chair shall, as necessary, ask a senior representative of the OAG to attend the meeting to discuss the OAG's plans, findings and other matters of mutual concern.

The Chair may, as necessary, ask Treasury Board Secretariat officials to attend the meeting.

5.6 In-camera Meetings

As part of each meeting, the Committee will meet individually in-camera with each of the following:

- The Chief Audit Executive;
- The Senior Financial Officer;
- Other departmental officials the Committee may determine;
- The senior representative of the OAG, when in attendance; and
- Treasury Board Secretariat officials, when in attendance.

5.7 Minutes

Minutes of each meeting shall be kept and shall contain a record of the persons present. The minutes provide a record of decisions taken and a high-level summary of the discussion, providing insight on the topics and sub-topics discussed.

6 Committee Operations

6.1 Committee Work Plan

The Chair will prepare a Committee Work Plan to ensure that the annual and ongoing responsibilities are scheduled and fully addressed. Following its approval by the Committee, the Chair will see to its fulfilment.

6.2 Commissioner Briefings

Periodically, the Committee will brief the Commissioner on significant items arising from the work of the Committee and its assurance findings.

6.3 Commissioner In-camera Meeting

Annually, the Commissioner will meet the Committee in-camera for assurance regarding risk management, control, audit systems and governance processes.

6.4 Access by/to the Committee

The Committee has unfettered access to the Chief Audit Executive, Senior Financial Officer and other departmental employees and documentation (subject to applicable legislation) as may be required to fulfill its responsibilities.

The Chief Audit Executive and Senior Financial Officer have unfettered access to the Committee and Chair.

6.5 Committee Support

The Committee will be provided with the resources necessary to carry out its role, responsibilities and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its terms of reference, the Committee has the authority to retain independent advice and assistance.

Secretariat support to the operation of the Committee shall be provided by the Internal Audit Services. This includes:

1. The timely preparation of all notices and agendas of meetings;
2. Coordination of presentations and distribution of reports and/or related documents that are prepared for the Committee's information or consideration;
3. The timely preparation and distribution of minutes of meeting proceedings; and
4. Performance of other duties as may be assigned.

6.6 Committee Annual Report

The Committee shall prepare an annual report to the Commissioner that shall:

1. Summarize the Committee's activities undertaken and the results of its reviews;
2. Provide the Committee's assessment of the department's system of internal controls;
3. Document any significant concerns the Committee may have in relation to the department's risk management, controls and accountability processes;
4. Provide the Committee's assessment of the capacity and performance of the internal audit function;
5. Provide, as needed, recommendations for the improvement of risk management, controls and accountability processes, including recommendations for the improvement of the departmental internal audit function; and
6. Provide such other information or documentation that the Committee deems important to best convey a fair and complete picture of its activity and results and the context within which this ought to be viewed.

The annual report will be made public to the extent permitted by law, without undue delay.

7 Assessment of Committee Performance

7.1 Committee Self-assessment

The Committee will periodically self-assess its performance as part of a process of continuous improvement in the Committee's execution of its responsibilities.

7.2 External Practice Inspection

At least every four years, the performance of the Committee will be subject to an external assessment.

8 Approval of Charter

I have reviewed the Internal Audit Committee Charter and recommend its approval:

Suzanne Legault
Assistant Information Commissioner

Date

I have reviewed the Internal Audit Committee Charter and approve it:

Robert Marleau
Information Commissioner

Date