



# **Internal Audit Charter**

**Canadian Nuclear Safety Commission**

**Office of Audit and Ethics**

**April 18, 2011**

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## Publication History

<b>Date</b>	<b>Version</b>
January 2008	First draft of the CNSC Internal Audit Charter
September 2009	Updated version tabled at CSNC Audit Committee
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## **INTRODUCTION**

The purpose of this Charter is to describe the CNSC internal audit function including mission, role of the audit function, governance, how independence and objectivity is maintained, authority under which it operates, and the responsibilities and duties of those involved in supporting the function.

The Treasury Board Policy on Internal Audit (the Policy), dated July 2009, and the CNSC Internal Audit Charter directly support and recognize the role and responsibilities of the President in his capacity as deputy head and accounting officer, as laid out in Part I.1 of the Financial Administration Act.

The Policy and related Directives, Standards and Guidelines requires that the Canadian Nuclear Safety Commission (CNSC) Audit Committee regularly review the CNSC's internal audit charter and to recommend it for approval by CNSC's President (the President).

## **MISSION STATEMENT**

The CNSC's Internal Audit (IA) mission is to provide objective and relevant assurance to the members of management in an effective discharge of their responsibilities. To this end Internal Audit will review the processes for risk management, internal control, and governance, and will furnish management with analysis, recommendations and information focused on advancing the goals and objectives of the organization.

The IA function accomplishes its mission by:

- Performing independent audits of systems controls for adequacy, effectiveness, and efficiency, guided by professional standards and using innovative approaches;
- Supporting management's efforts to achieve their objectives; and
- Maintaining a dynamic, team oriented environment that encourages personal and professional growth, and challenges and rewards our employees for excelling and reaching their full potential.

## **ROLE OF THE AUDIT FUNCTION**

The CNSC Internal Audit Charter reflects the Policy and should be read in conjunction with the Policy and its related Directives, Standards and Guidelines. The objective of the Policy is to support strong and accountable public sector management by ensuring effective internal auditing within departments and agencies across government. It is designed to ensure that internal audit and audit committees provide deputy heads with added assurance and advice, independent from line management, on risk management, control and governance processes.

- **Risk Management:** The internal audit function assists the CNSC by identifying and assessing significant exposures to risk and contributing to the improvement of risk management and control systems.
- **Control:** The internal audit function assists the CNSC in maintaining effective controls by assessing the effectiveness and efficiency of controls and by promoting continuous improvement.
- **Governance:** The Internal audit function assesses and makes appropriate recommendations for improving the governance process; the internal audit function assesses the design, implementation, and effectiveness of the CNSC's ethics-related objectives, programs and activities.

Internal audit adds value by assessing and making recommendations on the effectiveness of mechanisms in place to ensure that the Commission achieves its objectives and in a way that demonstrates informed, accountable decision-making with regard to ethics, compliance, risk, economy, and efficiency.

Additionally, within the sphere of its expertise, Internal Audit provides advisory consulting services on an exceptional basis to management in areas of risk and control. The advisory services are generally performed at the specific request of an engagement client. When performing advisory services, the OAE's internal auditors will maintain objectivity and not assume management responsibility.

#### **SCOPE OF THE AUDIT FUNCTION**

The internal audit function for the CNSC is located in the Office of Audit and Ethics (OAE). The work of the internal audit function covers those activities required to determine whether the risk management, control, and governance processes of the CNSC, as designed and represented by its senior management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Activities and actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- CNSC programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the CNSC's control processes; and
- Significant legislative or regulatory issues impacting the CNSC are recognized and addressed properly.

Internal audit will conduct selected assurance and advisory engagements of activities, as per the Annual Risk-based Audit Plan, that are judged to be higher risk or where the President and/or the Audit Committee requires added assurance and advice on risk management, control and governance processes.

The result of all audit engagements will be formally communicated within the CNSC to the management of the area audited, Management Committee, the President, and to the Audit Committee.

## **INDEPENDENCE**

To provide for the independence of the internal audit function, its personnel report to the CAE, who reports functionally to the President and administratively to the Commission Secretary, as described in the section, Reporting Structure, below. The Director of Internal Audit at CNSC is the CAE.

## **Reporting Structure**

### **1. Functional Reporting**

Functional reporting provides the ultimate source of independence and authority. It means that the President would:

- Approve the overall charter of the internal audit function.
- Approve the Risk-Based Audit Plan.
- Receive communication from the CAE on the results of the internal audit activities or other matters that the Head of the function determines are necessary, including private meetings with the CAE without management present.
- Approve the allocation of adequate resources for the internal audit function.
- Approve internal audit reports and management responses and action plans to address audit recommendations.
- Approve all decisions regarding the appointment or removal of the CAE.
- Approve the annual performance evaluation, compensation and salary adjustment of the CAE.
- Make appropriate inquiries of management and the CAE to determine whether there is scope or budgetary limitations that impede the ability of the internal audit function to execute its responsibilities.

### **2. Administrative Reporting**

Administrative reporting facilitates the day-to-day operations of the internal audit function. It includes:

- Budgeting;
- Accommodation;
- Human resource administration, including personnel evaluations and compensation (excluding the CAE);
- Liaison with other CNSC functions;
- Administration of the organization's internal policies and procedures; and
- Discussions, suggestions, recommendations on audit related projects (on-going and planned).

To ensure objectivity and independence, any audits of functions for which the CAE has responsibility (such as values and ethics) will be performed by either an external auditor or by a contracted third party.

### **OBJECTIVITY AND IMPARTIALITY**

OAE ensures that internal auditors are objective and impartial in performing their work. Therefore, internal audit staffs will not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise.

To maintain impartiality, the internal audit function will not be involved in the CNSC's operations, or in selecting, implementing or managing risk management, control or governance processes. However, internal auditors may provide recommendations for strengthening these processes and advice and opinions on specific matters related to risk management, control or governance processes, as requested by management.

The CAE and staff of the internal audit function are not authorized to:

- Perform any operational duties for the CNSC
- Initiate or approve accounting transactions external to the internal audit function.

### **AUTHORITY**

The President authorizes the CAE and staff of the internal audit function to:

- Have unrestricted access to all functions, records, property and personnel and have the right to obtain information from CNSC employees and contractors, subject to applicable legislation;
- Have full and free access to the CNSC Audit Committee and to the Committee Chair;
- Allocate resources, determine scopes of work and apply the techniques required to accomplish audit objectives;
- Obtain the necessary assistance of personnel in units of the department where they perform audits, as well as other specialized services from within or outside the department; and
- Have unimpaired ability to carry out their responsibilities, including reporting findings to the President, to the Audit Committee and, as appropriate, to the Comptroller General.

### **RESPONSIBILITY**

In compliance with the TB Policy on Internal Audit, responsibilities related to the internal audit function for the CNSC President; the CAE, CNSC Management and the CNSC Audit Committee are described below:

## **1. President and Chief Executive Officer**

The President of the CNSC is responsible for establishing an independent internal audit function that is appropriately resourced and that operates in accordance with the government's Policy on Internal Audit and professional internal auditing standards; and establishing an independent audit committee that includes a majority of external members who have been recruited from outside the federal public administration.

The President is responsible for putting in place effective procedures to ensure systematic monitoring and assurance regarding the soundness of risk management, control and accountability processes with the Commission. The internal audit function is an important means to assist the President as Accounting Officer to discharge his/her responsibilities.

## **2. Chief Audit Executive (CAE)**

The CAE, in the discharge of his or her duties, shall be accountable to the President for:

- Establishing audit plans and performing risk-based internal audits necessary to provide an independent annual assurance report to the deputy head on the adequacy and effectiveness of risk management, control and governance processes within the Commission;
- Reporting significant issues related to the processes for controlling the activities of the the Commission, including potential improvements to those processes and provide information concerning such issues through resolution, and;
- Providing information periodically on the status and results of the annual audit plan and the sufficiency of internal audit resources.

The CAE is accountable for the provision of a professional internal audit service that functions in accordance with Treasury Board Secretariat's (TBS) directives and guidelines.

More specifically, the CAE is responsible for:

- Developing a flexible annual audit plan using appropriate risk-based methodology; the plan is to:
  - Include any risks or control concerns identified by management or external auditors;
  - Include, where appropriate, internal audits identified by the Comptroller General as part of government-wide coverage, including fundamental controls and selected horizontal audits;
  - Identify and consider the expectations of senior management, the audit committee, and other stakeholders for internal audit opinions and other audit conclusions;
  - Be focused primarily on the provision of assurance services with other services provided on an exception basis;
  - Be submitted to the Audit Committee for review and recommendation and submitted to the President for approval;
- Communicating the plan of engagements and resource requirements for the internal audit function, including significant interim changes and impact of resource limitations to the President and the Audit Committee;

- Ensuring the internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan;
- Ensuring the timely completion of internal audit engagements and that reports are provided to the Audit Committee with a minimum of delay;
- Maintaining a professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this charter, as well as opportunities for sufficient training and development to maintain and develop their internal auditing competence;
- Establishing appropriate policies and procedures to guide the internal audit function;
- Developing and maintaining a quality assurance and improvement program;
- Ensuring that, in collaboration with the Audit Committee, a practice inspection or other external review of the internal audit function is conducted at least every four years by a qualified, independent reviewer or external review team and that the results of this external assessment are communicated to the President and the Audit Committee;
- Issuing periodic reports to the Audit Committee and management summarizing results of audit activities;
- Keeping the Audit Committee informed of emerging trends and successful practices in internal auditing;
- Coordinating internal auditing activities and plans with other internal and external providers of assurance and consulting activities to ensure suitable coverage and minimize duplication of effort.
- Ensuring that completed internal audit reports are issued in a timely manner and made accessible to the public with minimal formality; posted on CNSC's website in both official languages.
- Ensuring that internal audit staff have sufficient knowledge to identify the indicators of fraud, but is not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

## **CNSC MANAGEMENT**

CNSC Management is responsible for providing internal audit officers with timely access to information and personnel as needed for the performance of their duties; preparing management responses and action plans to address the recommendations and findings arising from internal audits; and ensuring that the action plans are effectively implemented.

Plans and strategies for external communications related to published audit reports are the responsibility of CNSC Management

## **AUDIT COMMITTEE**

CNSC's Audit Committee is advisory to the President. The Audit Committee provides objective advice and recommendations to the President regarding the sufficiency, quality, and results of assurance on the adequacy and functioning of the Commission's risk management, control and governance frameworks, and processes (including accountability and auditing systems). In order to give this support to the President, the audit committee exercises oversight of core areas of departmental management, control, and accountability, including reporting.

**STANDARDS OF AUDIT PRACTICE**

The internal audit function will be guided by the Government of Canada's Policy on Internal Audit and standards. The CNSC's internal audit function will meet the International Professional Practices Framework published by Internal Audit of the Institute of Internal Auditors (IIA), and adopt and comply with the Code of Ethics of the IIA.


**RELATED POLICIES AND REFERENCES**

- Treasury Board of Canada Secretariat: Policy on Internal Audit 2009
- The Institute of Internal Auditors: The Professional Practices Framework

**Reviewed and Recommended for approval:**

  
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Mr. James Brophy  
Chair of the CNSC Audit Committee

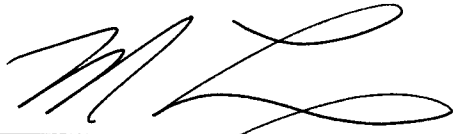
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Mr. Jean-Pierre Soublière  
CNSC Audit Committee member

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Mrs. Barbara Bloor  
CNSC Audit Committee member

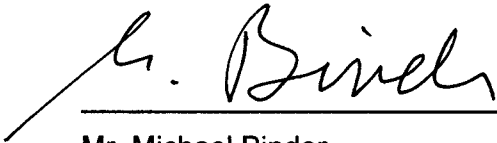
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Mr. Marc Leblanc  
Commission Secretary and Audit Committee member

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Date

**Approved by:**



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Mr. Michael Binder  
President and Chief Executive Officer  
of the CNSC and CNSC Audit Committee member

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Date

