

# **GOVERNMENT OF YUKON POLICY 1.13**

## **GENERAL ADMINISTRATION MANUAL**

### **VOLUME 1: CORPORATE POLICIES - GENERAL**

#### **TITLE: GOVERNMENT INTERNAL AUDIT SERVICES (GIAS)**

**EFFECTIVE: September 30, 2020**

## **1.0 INTRODUCTORY PROVISIONS**

### **1.1 Authority**

1.1.1 This policy is issued under the authority of Management Board meeting #20-31 and pursuant to Sections 4 and 9 of the Financial Administration Act (FAA).

1.1.2 Despite General Administration Manual Policy 1.1, the Audit Committee is responsible for approving and maintaining this policy.

### **1.2 Application**

1.2.1 This policy applies to all Yukon government (YG) departments as defined in Section 1 of the FAA.

### **1.3 Access to information**

1.3.1 The professional integrity of internal audit practices must be assured at all times including the ability of internal auditors to have full, free and unrestricted access to all government records (paper and electronic) systems, information, property and personnel.

1.3.2 The Access to Information and Protection of Privacy Act (ATIPP Act) provides that a public body may disclose personal information to the auditor general or any other prescribed person or body for audit purposes.

1.3.3 The director/CAE (Chief Audit Executive) is a prescribed person and the Government Internal Audit Services (GIAS) is a prescribed body for the purposes of the ATIPP Act.

## **1.4 Mission and general purpose of Internal Audit**

1.4.1 Internal Audit Mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

1.4.2 Internal audit purpose is:

1.4.2.1 Assurance audit services assist decision-makers in exercising oversight and control in respect of their organizations and in applying sound risk management.

1.4.2.2 Internal auditing adds value by assessing and contributing to the improvement of risk management, control, and governance processes. In doing so, it helps to ensure that the organization achieves its objectives efficiently and in a way that demonstrates informed, ethical and accountable decision-making.

1.4.2.3 Principally as an adjunct to the assurance role, and within their sphere of expertise, internal auditors may also provide consulting / advisory services to Yukon government.

## **1.5 Purposes of this policy**

1.5.1 The purposes of this policy are to

(a) contribute to the improvement of public sector management by ensuring the existence of a strong, credible, effective and sustainable internal audit function within YG;

(b) ensure that deputy ministers are effectively supported by a strong, credible internal auditing regime that contributes directly to sound risk management, control and governance independent from line management; and

(c) ensure that deputy ministers are provided with independent assurance by internal audit and advice from the audit committee regarding the effectiveness of risk management, control and governance processes.

## **1.6 Periodic review and assessment**

1.6.1 This policy will be reviewed by the audit committee with advice from GIAS every five years at a minimum, in order to ensure that the provisions of this policy remain relevant and effective.

1.6.2 The audit committee may make recommendations to Management Board in relation to amendments to this policy.

## **2.0 ROLES AND RESPONSIBILITIES**

### **2.1 Role of Management Board in relation to the audit committee:**

- (a) establishing and maintaining an independent and objective audit committee where members are selected to ensure that their collective skills, knowledge and experience allow the committee to carry out its duties competently and effectively, including the capacity to challenge and effectively assess their key areas of responsibility;
- (b) ensuring that the audit committee is not assigned any responsibilities which could compromise the independence and objectivity of the committee or the committee's ability to fulfill its responsibilities as set out in this Policy;
- (c) setting priorities for the audit committee, providing strategic direction to the audit committee, ensuring that the audit committee's roles and responsibilities set out in this policy are fulfilled in an effective manner.

### **2.2 Role of Audit Committee (see Internal Audit guidelines, section 2)**

2.3 The director ensures that all activities of GIAS are carried out in compliance with the Institute of Internal Auditors (IIA) Standards. The director fulfills the responsibilities of the Chief Audit Executive (CAE). (For more information about the role and responsibilities of the director/CAE and internal auditors, see Internal Audit guidelines sections 3 and 4).

### **2.4 Responsibilities of Deputy Ministers (see Internal Audit guidelines, section 5).**

### **2.5 Response to Office of the Auditor General (OAG) YG reports (see Internal Audit guidelines, section 6)**

## **3.0 REPEAL OF PREVIOUS POLICY**

3.1 The previous policy 1.13 entitled Internal Audit Services and Activities dated April 1<sup>st</sup>, 2016 is repealed.

# **INTERNAL AUDIT GUIDELINES**

## **1.0 PURPOSE OF THE GUIDELINES**

These Guidelines provide operational information to assist in the interpretation and implementation of the Government Internal Audit Services Policy organized as follows:

2.0 Audit Committee Charter;

3.0 Internal Audit Charter;

4.1 Code of ethics for internal auditors;

5.1 Responsibilities of deputy ministers;

6.1 Process for responding to an Office of the Auditor General (OAG) report.

## **2.0 AUDIT COMMITTEE CHARTER**

### **2.1 Establishment and composition of the audit committee**

2.1.1 The audit committee is hereby established and is comprised of the following members

(a) the deputy minister, Executive Council Office, who serves as the Chair;

(b) the deputy minister, Finance, in the absence of the Chair will take on the role of the Chair; and

(c) four other members appointed by Management Board for a three year term, who shall serve as members at large.

2.1.2 Members at large of the audit committee appointed under 2.1.1(c) may be reappointed for one consecutive three year term.

2.1.3 Members at large of the audit committee must not delegate their authority or ask someone to replace them at audit committee meetings.

## **2.2 General responsibilities of the audit committee**

### **2.2.1 The audit committee is responsible for:**

- (a) maintaining an understanding of internal audit standards and best practices;
- (b) making recommendations on consensus basis. If necessary, a vote will be taken. In the case of a tie vote, the Chair or designate will vote;
- (c) approving the multi-year and or annual risk-based audit plan / Government Internal Audit services' (GIAS) annual plan and all substantive changes to the plans;
- (d) advising MB regarding Government Internal Audit Services' budget and resources needed;
- (e) reviewing the performance and activities of GIAS relative to the plans;
- (f) reviewing and approving audit work presented by the director/CAE including
  - (i) audit terms of reference; and
  - (ii) draft audit reports;
- (g) recommending the appointment, removal or replacement of the director/CAE;
- (h) meeting with the Office of the Auditor General (OAG), as requested;
- (i) reviewing YG's Management Response to OAG Performance Audit Reports;
- (j) reporting annually, or more frequently if requested, to Management Board; and
- (k) supporting and promoting an effective, independent audit function.

## **2.3 Operational responsibilities of the audit committee**

### **2.3.1 The audit committee is responsible for**

- (a) ensuring that the internal audit function operates in accordance with this Policy;
- (b) ensuring that a quality assurance assessment of the internal audit function is conducted at least every five years, by a qualified independent reviewer;

(c) ensuring that management action plans prepared by a department adequately address the recommendations arising from an internal audit report and that actions are assigned and implemented in a timely manner;

(d) ensuring that a completed internal audit report, including management action plans and follow-up on recommendations, are approved in a timely manner and the internal audit report made accessible to the public with minimal formality (e.g. by posting on the YG website);

(e) arranging briefings of Management Board on significant matters arising from the work of GIAS and the audit committee; and

## **2.4 Monitoring and reporting by the audit committee**

2.4.1 The audit committee is responsible for submitting directly the following documents to Management Board and DMRC:

(a) the multi-year risk-based audit plan/the GIAS annual plan;

(b) copies of all completed internal audit reports and horizontal reviews presented to AC;

(c) copies of all management letters resulting from audits and horizontal reviews;

(d) the GIAS annual report;

(e) quality assurance reports; and

(f) follow-up reports of the implementation of recommendations from internal audit and horizontal review reports; and

(g) other reports or information as required.

## **2.5 Meetings of the audit committee**

2.5.1 The audit committee must meet at least four times per fiscal year.

2.5.2 All audit committee members are expected to attend each meeting.

2.5.3 A quorum is three audit committee members including the Chair.

2.5.4 The Audit Committee can invite non-members to attend meetings, as deemed necessary.

2.5.5 GIAS will serve as Secretariat to the Committee.

## **2.6 Responsibilities of the chair of the audit committee**

2.6.1 The chair of the audit committee is responsible for

- (a) ensuring that the audit committee receives all of the information and documentation necessary to fulfill its responsibilities;
- (b) ensuring that the director/CAE
  - (i) is not assigned any management or operational responsibilities which may compromise the independence and objectivity of the CAE in respect of their internal audit responsibilities;
  - (ii) has access to the audit committee; and
  - (iii) has unimpaired ability to carry out their responsibilities, including reporting findings to the deputy minister of Executive Council Office, to the audit committee and, as appropriate, to Management Board;
- (c) approving the agenda; and
- (d) making the final decision when the members cannot reach consensus and if there is a tie vote, the chair or designate will vote.

## **3.0 INTERNAL AUDIT CHARTER**

### **3.1 Internal audit mandatory guidance and standards**

3.1.1 The Institute of Internal Auditors (IIA) establishes the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the definition of Internal Auditing). GIAS may also, as it deems appropriate to each specific audit, apply additional standards set out by various professional auditing associations such as the Canadian Institute of Chartered Professional Accountants, Certified Forensic Investigators/Fraud Examiners of Canada, and the Information Systems Audit and Control Association, and any other applicable regulations. The Canadian Audit and Accountability Foundation provides resources and tools for accountability to work properly and support Performance Audit.

## **3.2 Scope of work**

3.2.1 GIAS provides the following types of services and activities

- (a) reviewing and appraising the soundness of risk management, internal controls, governance, and the reliability and integrity of financial, managerial, and operating data, as well as the economy and efficiency of resources;
- (b) ascertaining compliance with the organization's policies, procedures, and legislation;
- (c) evaluating asset safeguards and accountability; and
- (d) reviewing operations or programs to assess whether they are being carried out as planned and whether results are consistent with established objectives.

## **3.3 Role of Deputy Minister Review Committee (DMRC)**

3.3.1 Prior to audit committee approval, the GIAS annual plan will be presented to DMs for input.

## **3.4 General responsibilities of the director**

3.4.1 The director ensures that all activities of GIAS are carried out in compliance with the IIA *Standards*. The director fulfills the responsibilities of the Chief Audit Executive.

### **3.4.2 Independence and objectivity**

3.4.2.1 The chief audit executive will ensure that the internal audit (Government Internal Audit Services Branch) remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the chief audit executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

3.4.3 Reporting functionally to the audit committee and administratively to the deputy minister of Executive Council Office, the director has authority under section 9 of the FAA to audit



- (a) public money, trust money, and public property that are the responsibility of any department or public officer;
- (b) the accounts and financial transactions of any department;
- (c) securities belonging to the government;
- (d) systems of financial management, control, and reporting in the government;
- (e) the organization, management, and operations of any department; and
- (f) the compliance of any department with legislation and the directives of the Management Board.

3.4.3 Under the direction of the director, GIAS may also provide consulting services / advisory services to departments.

### **3.5 Operational responsibilities of the director**

3.5.1 The director is responsible for

- (a) providing leadership to GIAS and putting in place measures to support the capacity, proficiency and sustainability of the internal audit function;
- (b) determining how to use the *IIA Standards* for internal auditing in YG and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity including its evaluation of conformance to *IIA Standards*;
- (c) providing advice, guidance and support on the application of the internal audit Policy, including these guidelines;
- (d) supporting the operation of the audit committee and providing guidance on audit committee practices;
- (e) identifying and communicating to the audit committee, internal audits to be considered for inclusion in the GIAS annual plan;
- (f) leading internal audit engagements that address government-wide sectoral or thematic risks or issues identified in the GIAS annual plan;
- (g) ensuring that the deputy minister of the department being audited signs off on the audit terms of reference, the management response and follow-up of outstanding recommendations before presenting them to the audit committee;

- (h) maintaining an active liaison with the deputy minister of the Executive Council Office and departmental deputy ministers on significant issues of risk, control or management practices in departments, particularly in determining that effective and timely action is taken where there are serious issues to be resolved;
- (i) validating the corrective action taken in response to audit recommendations; and
- (j) coordinating audit efforts with the Office of the Auditor General to avoid duplication.

### **3.6 Audit reporting by the director**

3.6.1 The director must report to the audit committee as to whether audit activities have

- (a) been directed toward highest exposures to risk;
- (b) increased efficiency, economy, and effectiveness of operations; and
- (c) enabled the achievement of YG objectives and priorities.

3.6.2 The director must report the results of audits made by the internal auditors and their resulting opinions and recommendations to management personnel of sufficient authority to ensure that appropriate action is taken with respect to any deficiency noted.

3.6.3 The director must report on audit projects to the audit committee by providing

- (a) an audit terms of reference;
- (b) draft audit reports; and
- (c) key preliminary findings.

3.6.4 The audit committee must review and either accepts the audit terms of reference and draft audit reports as submitted or recommend changes.

3.6.5 The audit committee approves audit documents (as per section 2.2.1 b) and d)), with or without conditions.

3.6.6 Once, the draft audit report is approved by the audit committee it becomes the final audit report / completed audit report that is communicated to the public (e.g. by posting on the YG website).

### **3.7 Audit responses**

3.7.1 The need for a written response to a draft audit report will be specifically indicated in the report.

3.7.2 If the director finds that the management response to an audit recommendation is incomplete, management of the function being audited will be consulted in order to reach a mutually agreeable resolution. If an agreement is not reached, the status of unresolved items will be reported to the audit committee.

### **3.8 Follow-up**

3.8.1 The director must validate the corrective action taken by management to respond to audit/horizontal review recommendations. If a management response to a particular recommendation is deemed to be adequate, the director will recommend to the audit committee that the corresponding recommendation be closed. If progress is not satisfactory, the recommendation remains in force, and the director will invite the responsible manager to discuss the matter with the audit committee.

### **3.9 External auditors**

3.9.1 The director must coordinate audit efforts with the OAG.

3.9.2 The director must work in collaboration with the OAG to ensure proper audit coverage of YG operations as referred to in section 9 of the FAA and eliminate potential duplication of audit activities.

3.9.3 In circumstances where external auditors perform work under contract to GIAS, the director is responsible for managing the work performed in order to ensure value for money.

## **4.0 INTERNAL AUDIT**

### **4.1 Code of ethics for internal audit**

4.1.1 Government Internal Audit Service Branch is expected to apply and uphold the following principles:

(a) Integrity - The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

(b) Independence and Objectivity – Internal audit activity is free from interference by any element within the YG , including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of necessary independence and objectivity.

- Internal auditors are independent of the activities they audit and of the management directly responsible for the activities they audit. Internal auditors provide advice but do not implement internal controls, install procedures or systems, prepare records, or engage in any line activity that would compromise independence and objectivity.

- Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make an unbiased and balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

(c) Confidentiality - Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

(d) Competency - Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

## **5.0 DEPUTY MINISTERS**

### **5.1 Responsibilities of deputy ministers**

5.1.1 Each deputy minister is responsible for

(a) ensuring that, for the purposes of carrying out responsibilities under the FAA and this policy, the director and internal auditors of GIAS have complete and unrestricted access to all YG records (paper and electronic), databases, workplaces, systems, information, property and personnel including contractors;

(b) ensuring that the appropriate representatives of their management are made available to support the planning, conduct, reporting and follow-up of internal audits led by GIAS;

(c) reviewing and validating findings arising from an internal audit/horizontal review report, and approving the management action plan prepared by their department to ensure that it completely addresses the recommendations, on a timely basis; and

(d) reviewing and approving updates on the implementation status of their management action plan in response to audit/horizontal review recommendations.

## **6.0 RESPONSES TO OFFICE OF THE AUDITOR GENERAL (OAG) YG REPORTS**

### **6.1 Process for responding to an OAG report**

6.1.1 When a department receives a draft performance audit report from the OAG, the department prepares and then forwards its draft responses to GIAS.

6.1.2 GIAS provides the draft response to the audit committee for its review and the audit committee either

(a) supports them as submitted; or

(b) provides comments.

6.1.3 The department considers audit committee comments, submits its responses to the OAG, and forwards a copy to GIAS and audit committee members.

## **7.0 PERIODIC REVIEW, ASSESSMENT AND APPROVAL**

### **7.1 Periodic review and assessment**

7.1.1 These guidelines will be reviewed by the audit committee with the advice of GIAS every five years at a minimum, in order to ensure that the provisions of these guidelines remain relevant and effective.

### **7.2 Approval**

7.2.1 The audit committee is responsible for approving these guidelines and any amendments, and for informing Management Board.