



Office of **Audit & Evaluation**

Privy Council Office Departmental Audit Committee Charter

May 2021

1. Introduction

This Charter for the Privy Council Office (PCO) Audit Committee (the Committee) sets out the Committee's purpose, membership, operations and responsibilities. It has been updated to reflect requirements and expectations for departmental audit committees as described in the 2017 Treasury Board (TB) *Policy and Directive on Internal Audit*. It replaces the 2017 PCO Audit Committee Charter. The Charter is reviewed periodically by the Committee and reaffirmed by the Clerk.

Under the new Treasury Board Internal Audit Policy Suite¹, with PCO having a budget reference level of less than \$300M, the Clerk has exercised his discretionary authority to maintain a PCO internal audit function and an independent audit committee. This Charter is built upon provisions in the policy suite that apply to departments and agencies with a reference level of less than \$300M that have chosen to maintain their internal audit function and an independent audit committee.

2. Committee role

The Committee's role is to provide objective advice and recommendations to the Clerk of the Privy Council on the adequacy, integrity and quality of the department's risk management, control and governance frameworks and processes in place to achieve its mandate.

In addition to providing assurance on the integrity of financial controls, the Committee's role in recent years has expanded to providing advice on the robustness and relevance of frameworks and processes from a risk mitigation and results achievement perspective.

The Committee will perform its advisory role through a multi-pronged approach that includes the review of internal audit engagements, risk-based audit planning, evaluations, consulting assignments under the Office of Audit and Evaluation. In addition providing strategic reviews of key current and emerging issues from a risk, resources and results perspective.

¹ The Internal Audit Policy Suite includes the 2017 TB *Policy on Internal Audit* and *Directive on Internal Audit*, and Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF).

3. Committee membership

3.1 Composition

External Committee members must have demonstrated expertise in a discipline that would allow them to contribute to achieving the Committee's mandate as described in this Charter and in areas of the Committee's responsibilities as summarized in Section 6 below. As well, all external members of the Committee are to be familiar with financial reporting, or are to become familiar within the first year after appointment. At least one external member will be a financial expert who possesses a professional accounting designation. The Committee should contribute to reflecting Canada's diversity in terms of gender, official languages, Indigenous Canadians, minority groups and regional representation.

The Clerk shall appoint internal members at the deputy head level drawn from the ranks of PCO senior management with direct reporting relationships to the Clerk, excluding PCO's Chief Financial Officer (Assistant Deputy Minister, Corporate Services Branch) and Chief Audit Executive (Director, Office of Audit and Evaluation). It is normal practice for the Clerk to appoint the Deputy Clerk as a senior internal member.

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

3.2 Chair

An external member shall chair the Committee, unless an exception is granted by the Comptroller General of Canada.

3.3 Tenure and Terms of Office

An external member shall serve no more than two terms and up to a maximum of six years. A standard single full term of office is three years but must not exceed four years. However, to ensure continuity within the Committee, engagement of members can be staggered. The Clerk will determine the tenures of internal members.

3.4 Conflict of Interest

The Committee members shall be free of any real or perceived conflict of interest. Committee members will abide by the Treasury Board's *Terms and Conditions of Appointment for Audit Committee Members* and will make formal disclosures to this effect. Members must disclose all new activities, interests or appointments in order for

the department to assess whether it may impair, or be seen to impair, the member's ability to discharge his or her duties in an independent and objective manner. As per section 3.2 of the Terms and Conditions requires this be done at least annually and for the duration of the member's term.

If their situation changes in the interim, external members must disclose any such changes of conflicts of interests, real or perceived, to the department as quickly as possible. Prior to each meeting, Committee members should recuse themselves from discussions where there is potential or perceived conflict.

3.5 Orientation and DAC Training

External Committee members will, as required, receive orientation and training on the Committee's responsibilities and on the business of PCO.

4. Committee meetings

4.1 Frequency

The Committee will meet as often as required to complete its work as stipulated in the Risk-Based Assurance Plan (RBAP) and as requested by the Clerk. The actual frequency will be determined by consensus, based on discussions among the Chair, the Deputy Clerk (on behalf of the Clerk) and the Chief Audit Executive. The mandate of the Committee requires at least two meetings each year. These meetings may be conducted in-person or virtually as circumstances permit. The Committee's meeting schedule will be set in advance on a meeting-by-meeting basis so that departmental management and internal auditors can prepare the information and reports required to support the Committee's work.

4.2 Quorum

The quorum for a meeting shall be the majority of the members, including at least one internal and two external members. No alternates shall be permitted.

4.3 Attendance by Non-Members

PCO's Chief Financial Officer and Chief Audit Executive shall attend all Committee meetings. The Chair may request the attendance of other others, such as departmental officials, representatives of external assurance providers, Treasury Board Secretariat officials, or other individuals with specialized expertise to discuss matters of interest to the Committee.

4.4 Record of Decisions

A written record of decisions of each meeting shall be kept to provide a high-level summary of the discussion, the decisions taken and any action items resulting from Committee discussions and decisions.

4.5 In-camera Meetings

The Committee will schedule time to meet in-camera at each of its regular meetings including individual meetings with the Deputy Clerk (as a representative of the Clerk), PCO's Chief Financial Officer and Chief Audit Executive. In-camera meetings with other departmental officials or with representatives of external assurance providers will be held as the Committee determines appropriate.

5. Committee operations

5.1 Access by the Committee

The Committee has direct access to the Clerk and will meet with the Clerk to discuss the Committee's Annual Report and any significant concerns that may be raised therein or that may otherwise arise. The Committee also has direct access to the Deputy Clerk as the senior internal member of the Committee and may, if the situation so demands, communicate its views to the Clerk through the Deputy Clerk.

The Committee will have unfettered access to the Chief Audit Executive and Chief Financial Officer, and through them, to other departmental employees and to all the information and documentation (subject to applicable legislation) as may be required to fulfill its responsibilities.

5.2 Plan for Committee Activity

The Chair, in consultation with the other Committee members, will prepare a plan for recommendation to the Clerk to ensure that the Committee's annual and ongoing responsibilities are scheduled and fully addressed. This plan will be updated annually, presented to the Committee for its endorsement and provided to the Clerk for acceptance.

5.3 Support to the Committee

The Committee will be provided with the secretariat support, as described below, and financial resources, as described in the Terms and Conditions of Appointment for Audit Committee Members, necessary to carry out its role, responsibilities and duties. If

necessary, the Committee has the authority to retain independent advice and assistance.

PCO's Office of Audit and Evaluation will provide secretariat support to the operation of the Committee, including:

- I. preparing all notices and agendas of meetings;
- II. coordinating presentations and distributing reports and related documents prepared for the Committee's information or consideration;
- III. preparing and distributing meeting records of decisions; and
- IV. performing other duties as may be requested or assigned.

6. Committee responsibilities

The key areas of responsibility that shall be addressed by the Committee are described below. The actual choice of subjects among these areas, and the frequency of their discussion, shall be set by the Clerk in consultation with the Committee and in consideration of the departmental mandate, objectives and priorities, as well as the corresponding risks affecting PCO. It should be noted that review responsibilities of the Committee may be accomplished in several ways, including: the review of documents; presentations by subject matter experts; and, discussions with PCO officials.

The Committee's work includes audits, evaluations, reviews, consultations and any other means deemed appropriate by its members.

6.1 Values and Ethics

The Committee will review and provide advice on PCO's systems and practices established to monitor compliance with laws, regulations, policies and standards of ethical conduct and identify and deal with any legal or ethical violations. This may include the procedures and feedback mechanisms established to monitor conformance with its code of conduct and ethics policies, as well as how its processes encourage and maintain high ethical standards.

6.2 Risk Management

The Committee will review and provide advice on PCO's risk management arrangements including its Enterprise Risk Profile. This will include regular reviews and updates to the RBAP, Enterprise Risk Profile, regular discussions on emerging risks and the relevance and renewal of risk mitigation measures.

6.3 Management Control Framework

The Committee will review and provide advice on PCO's internal control arrangements, and be informed of significant issues relevant to the Committee's mandate and relating to the effectiveness of those arrangements that may arise from work performed by others who provide assurances to senior management and the Clerk.

6.4 Internal Audit Function

The Committee shall:

- (i) recommend, and periodically review, PCO's Internal Audit Charter for the approval of the Clerk;
- (ii) provide advice to the Clerk on the sufficiency of resources of the internal audit function;
- (iii) review and recommend for approval the multi-year risk-based internal audit plan;
- (iv) monitor and assess the performance of the internal audit function;
- (v) provide advice to the Clerk on the recruitment and appointment, as well as on the performance of, the Chief Audit Executive;
- (vi) review and recommend for approval internal audit reports and corresponding management action plans to address recommendations;
- (vii) review regular reports on progress against the risk-based internal audit plan; and
- (viii) be made 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.

6.5 External Assurance Providers

The Committee shall be informed and, as appropriate, advise the Clerk on:

- (i) all audit work relating to the department to be undertaken by external assurance providers, including management's responses; and
- (ii) audit-related issues and priorities raised by external assurance providers.

6.6 Follow-up on Management Action Plans

The Committee shall review regular reports on progress implementing approved management action plans resulting from prior internal audit recommendations as well as management action plans resulting from the work of external assurance providers related to PCO as a department.

6.7 Financial Statements and Public Accounts Reporting

The Committee shall review and provide advice to the Clerk on the key financial management reports and disclosures of the department, including quarterly financial reports, annual financial statements and public accounts.

The Committee will review the annual Statement of Management Responsibility Including Internal Control over Financial Reporting and provide advice to the Clerk on the risk-based assessment plans and associated results related to the effectiveness of the departmental system of Internal Control over Financial Reporting.

6.8 Accountability Reporting

The Committee will receive, review and provide advice and comments on PCO's Departmental Performance Report, the Departmental Plan, and any other significant accountability reports. These reports provide context for the Committee's deliberations and its advice to the Clerk. The Committee may also receive information copies of plans

7. External practice inspection

The Institute of Internal Auditors' International Professional Practices Framework requires that an external assessment of the internal audit function be conducted at least every five (5) years. The assessment must be performed by a qualified independent assessor or assessment team from outside the organization. The Committee and its individual members will be available for consultations before and during these practice inspections. The Committee will receive and review the practice inspection results along with any action plan that is established to address required or desired improvements

8. Accountability reporting by the committee

The independent members of the Committee will prepare and submit an annual report the Clerk that will provide an overview of results achieved, highlight any issues of concern to the Committee and propose priorities for the next year.

9. Approvals

Original signed by Abdillahi Roble
Recommended by PCO’s Chief Audit Executive

June 7, 2021
Date

Original signed by Munir Shiekh
Recommended by PCO’s Audit Committee Chair

June 7, 2021
Date

Original signed by Janice Charette
Approved by the Interim Clerk of the Privy Council

June 14, 2021
Date