

## INTERNAL AUDIT CHARTER

### INTRODUCTION

Internal auditing is an independent, objective assurance, and consulting activity that is guided by a philosophy of adding value to improve the operations of the Regional Municipality of Wood Buffalo (RMWB). It assists the RMWB accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control.

### ROLE

The internal audit activity is established by Council. The internal audit activity's responsibilities are defined or endorsed by Council as part of their oversight role.

### PROFESSIONALISM

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes core principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the RMWB relevant policies and procedures and the internal audit activity's standard operating procedures manual.

### AUTHORITY

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of the RMWB records, physical properties, and personnel relevant to carrying out any engagement. All employees are required to assist the internal audit activity in fulfilling its roles and responsibilities when required. The internal audit activity will also have free and unrestricted access to Council.

## **ORGANIZATION**

The Municipality houses the internal audit function within the Financial Services Department. There is currently one internal auditor employed by the Municipality supplemented by an internal audit contractor, MNP LLP. The Director of Financial Services proposes the internal audit plan to the Chief Financial Officer for consideration.

Council will:

1. Approve the internal audit charter.
2. Approve the risk-based internal audit plan.
3. Receive communications from the Director of Financial Services regarding performance relative to the internal audit plan and other internal audit matters.
4. Make appropriate inquiries of management and the Director of Financial Services to determine whether there is inappropriate scope or resource limitations.

The Internal Auditor will communicate and interact directly with Council, where required, including in executive sessions and between Council meetings as appropriate.

## **INDEPENDENCE AND OBJECTIVITY**

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgement.

The internal audit activity will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information. Internal auditors will make a balanced assessment of all the relevant circumstances and be free from their own interest or by others in forming judgements.

The Director of Financial Services will confirm to Council, at least annually, the organizational independence of the internal audit activity.

## **RESPONSIBILITY**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out

assigned responsibilities to achieve the organization's stated goals and objectives. This includes:

1. Performance Audits: Independent objective review and evaluation of Municipal operations, programs, processes and systems, such as:
  - .1 Compliance Audits – Review the systems established to ensure compliance with policies, plans, procedures, ethical, best practices, contracts, laws and regulations.
  - .2 Operational Audits – Review operations, services, processes and systems to determine whether they are effective and working as intended. Operational audits may include value-for-money assessments.
  - .3 Follow-up Audits – Review the effectiveness of the corrective action recommended in audits.
2. Financial Audits
3. Consulting Services – Requests received directly from departments within the RMWB when an independent and objective assurance opinion is required. These requests are undertaken at the discretion of the audit function.

The internal audit activity will determine the appropriate methodologies, project scope, and service delivery options necessary to carry out the above responsibilities.

## **INTERNAL AUDIT PLAN**

Annually, the Director of Financial Services will submit to the Senior Leadership Team and Council an internal audit plan for review and approval. The internal audit plan will consist of a work schedule for the next calendar year. The Director of Financial Services will communicate the impact of resource limitations and significant interim changes to the Senior Leadership Team and Council.

The internal audit plan will be developed based on a prioritization of the Audit Universe using a risk-based methodology, including input of the Senior Leadership Team and Council. The Director of Financial Services will review and adjust the plan, as necessary, in response to changes in the organization's business, risk, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Senior Leadership Team and Council through periodic activity reports.

## **REPORTING AND MONITORING**

A written report will be prepared and issued by the Internal Auditor or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to Council.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included with the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Director of Financial Services will periodically report to the Senior Leadership Team and Council on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Senior Leadership Team and Council.

## **INTERNAL AUDIT PERFORMANCE**

The internal audit activity will undergo periodic review of internal audit performance. The review will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The Director of Financial Services will communicate to the Senior Leadership Team and Council on the internal audit activity's performance, including results of ongoing internal assessments and external assessments conducted at least every five years.

## INTERNAL AUDIT CHARTER

Approved this \_\_\_\_\_ day of \_\_\_\_\_, 2018.

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Director of Financial Services

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Chief Administrative Officer

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Chief Financial Officer