



IDRC · CRDI

International Development Research Centre
Centre de recherches pour le développement international

INTERNAL AUDIT CHARTER

Approved by the Board of Governors
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International Development Research Centre
Ottawa, Canada

INTERNATIONAL DEVELOPMENT RESEARCH CENTRE INTERNAL AUDIT CHARTER

This Charter defines the purpose; authority and independence; responsibilities; scope of work and professional standards for internal audit at the International Development Research Centre (IDRC).

1. Purpose:

The purpose of the Internal Audit function is to strengthen IDRC's ability to create, protect and sustain value by providing the Board of Governors, through the Finance and Audit Committee, and management with risk-based, independent and objective assurance, advice, insight, and foresight. This is accomplished by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes which supports management's efforts in the achievement of IDRC's mission and strategic objectives, enhances decision-making and oversight, and strengthens overall reputation and credibility with stakeholders.

2. Authority and Independence:

Section 131(3) of the *Financial Administration Act (FAA)* requires Crown corporations such as IDRC to conduct internal audits to assess that the corporation's accounts and records, financial and management controls, information systems and management practices provide reasonable assurance that:

- The assets of the corporation are safeguarded and controlled;
- Transactions are in accordance with the applicable parts of the *FAA* and the regulations, the charter and by-laws of the corporation and any directive given to the corporation; and,
- The financial, human and physical resources of the corporation are managed economically and efficiently, and the operations are carried out effectively.

IDRC's Board of Governors approves the Internal Audit Charter. The Board of Governors, through the *Board Charter*, authorizes the Finance and Audit Committee to oversee IDRC's Internal Audit function.

Responsibilities of the Finance and Audit Committee include the following:

- Periodic review and recommendation of the Internal Audit Charter for Board approval;
- Approval of the Internal Audit Plan;
- Review of activity, reports and performance against plans;
- Inquiry to determine whether any scope or resource limitations exist; and,
- Review and approval of recommendations regarding the appointment, reassignment, or dismissal of the Chief Audit Executive.

To provide for the independence of the Internal Audit function, the Chief Audit Executive reports functionally to the Finance and Audit Committee and administratively to the President of IDRC for internal audit activity.

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Responsibilities of the President include the following:

- Support the Internal Audit function in carrying out its responsibilities;
- Review the performance of the Internal Audit function; and,
- Assess the performance and recommend the appointment, reassignment, or dismissal of the Chief Audit Executive to the Finance and Audit Committee.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established in consultation with the President and the Chair of the Finance and Audit Committee to limit impairments to independence. Currently, the Chief Audit Executive is the Senior Officer for Disclosure, pursuant to the *Public Servants Disclosure Protection Act*. Therefore, internal audit activities related to this area are outsourced to maintain objectivity. Further, the Chief Audit Executive does participate as a member in management committees; however, the Chief Audit Executive does not assume any operational authority or responsibility in these contexts.

The Chief Audit Executive will ensure that the Internal Audit function remains free of conditions that threaten the ability of the function to carry out its activities in an unbiased manner. If independence or objectivity is impaired in fact or appearance, the Chief Audit Executive will disclose the details of the impairment to the President and the Finance and Audit Committee.

The Chief Audit Executive has unimpaired ability to carry out their responsibilities including reporting and access to the President and the Finance and Audit Committee Chairperson; attending all Finance and Audit Committee meetings and relevant portions of Board meetings; and meeting in-camera with the Finance and Audit Committee without management present.

For the purpose of carrying out the risk-based Internal Audit Plan or other engagements, the Chief Audit Executive is authorized full, free, and unrestricted access to all Centre records, reports, databases, workplaces, property and personnel and the right to obtain information and explanations from Centre employees and contractors.

3. Responsibilities:

The Chief Audit Executive has responsibility for:

- Developing and periodically updating the Internal Audit Charter and Internal Audit Strategy and reviewing it with Centre management, the President and the Finance and Audit Committee;
- Establishing appropriate policies, procedures and audit methodologies to ensure the Internal Audit function operates in compliance with the Professional Standards (outlined in Section 5 below) and supports the achievement of the Internal Audit Plan and Internal Audit Strategy;

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- Developing risk-based internal audit plans, based on consultation with management and the Finance and Audit Committee, and presenting the Plan to the Finance and Audit Committee for approval;
- Coordinating internal audit activities and plans with the Office of the Auditor General and Centre business activities to minimize duplication of efforts and support efficient use of resources;
- Ensuring that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved Internal Audit Plan, including the use of external suppliers, as deemed appropriate;
- Ensuring the timely completion of internal audit engagements that include management responses and providing these reports to Centre management, the President and the Finance and Audit Committee;
- Managing a follow-up process to ensure that management responses have been effectively implemented and reporting progress on implementation to Centre management, the President and the Finance and Audit Committee;
- Performing advisory services to add value and improve governance, risk management and control processes supporting operational efficiency and effectiveness, prioritized using a risk-based approach;
- As requested, assisting in the investigation of any suspected fraudulent activities within IDRC;
- Safeguarding all information obtained in the audit process according to the strictest confidentiality and in accordance with Centre policy and applicable legislation;
- Establishing and maintaining a Quality Assurance Improvement Program (QAIP) to support and assess the Internal Audit function's adherence to the Professional Standards, quality of internal audit activities and make appropriate and continuous improvements to policy and practices. The QAIP includes the following activities:
 - Internal assessments - The results of the QAIP internal assessments are reported annually to the Finance and Audit Committee and include a self-assessment against established performance indicators and a statement on the Internal Audit function's conformance with the Professional Standards.
 - External assessments - At least every five years, the function is assessed concerning its conformance with the Professional Standards reflected in this Charter by a qualified, independent, external reviewer.
- Communicating unacceptable levels of risk, identified in the course of IA engagements, to management and the President and, if not resolved, to the Finance and Audit Committee;
- Observing, and annually confirming conformance to the Finance and Audit Committee with, the Institute of Internal Auditors' Global Internal Audit Standards and applying and upholding the principles of integrity, objectivity, confidentiality, due professional care and competency, and IDRC's *Code of Conduct* and the *Values and Ethics Code for the Public Sector*;

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- Confirming annually to the Finance and Audit Committee the organizational independence of the Internal Audit function; and,
- Informing management and the Finance and Audit Committee of emerging trends and successful practices in internal auditing.

4. Scope of Work:

The entire operations of IDRC, including all corporate, programming and operational units and locations of work, are considered in the risk-based internal audit planning process. The scope of work of the Internal Audit function includes, but is not limited to, the objective examination of evidence for the purpose of providing independent assessments of whether IDRC's network of risk management strategies and processes; control frameworks, systems and practices; and governance and reporting processes are adequate and functioning in a manner to ensure:

- Reasonable assurance that programs, plans and objectives will be achieved;
- Quality and continuous improvement are fostered within IDRC;
- Risks are appropriately identified and managed;
- Resources are managed efficiently and effectively and are adequately safeguarded;
- Information for decision making is accurate, relevant and timely; and,
- Activities and actions are in compliance with applicable legislation and regulations, policies, standards and procedures.

In the scope of this work, the Chief Audit Executive will communicate to management and the Finance and Audit Committee opportunities for improving controls, risk management and governance processes identified in the course of the audit and advisory engagements.

The scope of the work of the Internal Audit function does not include providing assurance services to outside parties.

5. Professional Standards:

IDRC's Internal Audit function operates in compliance with The Institute of Internal Auditors' mandatory elements of the International Professional Practices Framework (Global Internal Audit Standards and Topical Requirements) . It also operates in compliance with the Treasury Board of Canada's *Policy on Internal Audit* and *Directive on Internal Audit*, subject to IDRC's governance arrangements, statutory mandate, legislated status and risk profile.