



Government of Canada
Privy Council Office

Gouvernement du Canada
Bureau du Conseil privé

PRIVY COUNCIL OFFICE AUDIT COMMITTEE CHARTER

July 2017



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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 on Internal Audit* and Directive on Internal Audit. It replaces the previous PCO Audit Committee Charter, and it will be reviewed periodically by the Committee and reaffirmed by the Clerk.

Under the new Treasury Board Internal Audit Policy Suite¹, with PCO having a 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 provides objective advice and recommendations to the Clerk regarding the sufficiency, quality and results of internal audit engagements related to the adequacy and functioning of PCO's risk management, control and governance frameworks and processes. To do this, the Committee uses a risk-based approach to review and provide advice on the core areas outlined in Section 6 below.

As a strategic resource to the Clerk and a key committee within PCO's overall governance structure, the Committee also provides advice and recommendations as may be requested by the Clerk. To facilitate this, the Committee has open lines of communication to the Clerk which can be used at the Committee's or Clerk's discretion. The Clerk and the Committee Chair will ensure that the Committee is not assigned any responsibilities which could compromise the Committee's independence and objectivity, or its ability to fulfil its responsibilities.

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).

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3. COMMITTEE MEMBERSHIP

3.1 Composition

The Committee shall be composed of three external members who are not currently in the federal public service, and two internal members from PCO senior management. The Clerk and the Comptroller General jointly select external Committee members for approval by the Treasury Board.

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, Audit and Evaluation Division).

Members are to be selected so that their collective skills, knowledge, and experience allow the Committee to competently and efficiently undertake its duties. All members shall be free of any real or perceived conflict of interest.

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 full term of office must not exceed four years. However, to ensure continuity within the Committee, engagement of members can be staggered, and a member's term of office may be less than four years. 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. This will be done at least annually and for the duration of the member's term.

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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 in person at least twice each year. The Committee understands it has the authority to convene more meetings as circumstances require. 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 departmental officials. The Chair may invite representatives from outside the PCO, such as external assurance providers or Treasury Board Secretariat officials, 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 in-person meetings including individual meetings with 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.

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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 fulfil 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 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 Audit and Evaluation Division 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 using a risk-guided focus and cycle are described below. However, the particular emphasis and priorities for the Committee will 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 and the government. 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.

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.

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6.2 Risk Management

The Committee will review and provide advice on PCO's risk management arrangements including its Enterprise Risk Profile.

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

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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 and reports prepared by the departmental evaluation function.

7. EXTERNAL PRACTICE INSPECTION

At least every five years, PCO's internal audit function must be subjected to a practice inspection by a qualified independent reviewer competent in the professional practice of internal auditing and the external assessment process. 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.

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9. Approval

Recommended by PCO's Chief Audit Executive

Date

Recommended by PCO's Audit Committee Chair

Date

Approved by the Clerk of the Privy Council

Date