



At a Glance

Risk-based Audit Plan, Fiscal year 2020 to 2021

About the Risk-based Audit Plan

The Audit and Evaluation Branch (AEB) prepared the ECCC Risk-based audit plan (RBAP) for the Deputy Ministers, in keeping with the Treasury Board [Policy on Internal Audit](#).

COVID-19 Considerations

Given the COVID-19 pandemic and continued global uncertainty, the ECCC RBAP presents a one-year plan, focusing on the audit engagements planned for fiscal year 2020 to 2021. In this way, internal audit can support the allocation of audit resources to those areas that represent the most significant risks to the achievement of ECCC's objectives during these unprecedented times. Over the course of the year, the AEB will review the plan and adjust it as needed to meet evolving priorities in the Department.

ECCC's Departmental Audit Committee reviewed the RBAP at its June 17, 2020 meeting and recommended the plan to the Deputy Ministers for approval. The Deputy Minister and the Associate Deputy Minister approved the RBAP on August 3, 2020.

The primary objective of ECCC's internal audit function is to provide the Deputy Ministers with independent assurance on whether departmental activities are managed in a way that demonstrates responsible stewardship to Canadians. The internal audit function brings a systematic, disciplined approach to assessing and improving the effectiveness of the Department's risk management, control and governance processes. However, internal audit at ECCC must also be able to provide credible, useful and timely information and advice for decision making that takes into consideration the Department's objectives and risk tolerance.

That said, the COVID-19 pandemic has launched the Department into uncharted waters. Internal audit can play an important role by providing independent assurance as the Department changes the way work is performed to support the delivery of ECCC's mandate. As a strategic partner for senior management, internal audit can help to foster organizational learning and continuous improvement. It can also be a valuable catalyst for organizational



change, leveraging audit findings to help develop best practices and forward-looking solutions that benefit all of ECCC.

Project selection for the 2020 to 2021 plan

Internal audit takes risks into account, to identify or to help determine potential projects. To develop the plan, entities from the audit universe were subjected to a risk-ranking exercise designed to identify potential high-value audit engagements, based on priority and significance.

The independent risk analysis conducted by the AEB included the following considerations:

- an initial review based on the AEB's knowledge of ECCC's programs and priorities and information from corporate documents and other key sources
- other related risk assessments such as the OCG's risk-based internal audit plan
- materiality and inherent risks associated with an entity
- similar risks and projects identified by key partner departments, particularly other science-based departments and agencies
- consideration of past internal audit, external audit and evaluation coverage
- results of the consultations with senior management, DAC, the Deputy Minister and the Associate Deputy Minister
- guidance and best practices for internal audit in the COVID-19 context and the emerging risks related to COVID-19 identified by the OCG

In assigning an overall priority rating to proposed audit or review projects, risks were considered according to the likelihood of occurrence and the potential impact of an occurrence. Where both were rated as high, the overall risk rating and audit priority ranking was high. Although either the likelihood or the impact may be rated as only moderate, if the corresponding impact or likelihood is high, the overall risk rating and audit priority ranking may in certain cases also be classified as high.

External assurance providers

The Department is also subject to audits by external assurance providers. The Office of the Auditor General annually conducts an audit of Public Accounts and is conducting an Audit of Investing in Canada Plan in fiscal year 2020 to 2021. As well, the Commissioner of the Environment and Sustainable Development has planned four audits to take place during fiscal year 2020 to 2021. The Public Service Commission will be tabling two audits during that time, while the Office of the Comptroller General will be undertaking one audit.

The present RBAP takes into account the coverage and frequency of planned external audit engagements. They are factored into the identification of risks and the selection of projects. Wherever possible, the AEB will leverage external audits to optimize the coverage and timing of its own planned audits and minimize duplication.

Follow-up process for past audit recommendations

The AEB is required by Treasury Board policies to regularly monitor and report on the implementation of management actions and commitments made in response to evaluations and internal and external audit recommendations. The follow-up process allows management to provide, on an ongoing basis, evidence of actions taken and deliverables completed in response to the audit recommendations. The audit team is responsible for validating the implementation of actions and completion of audit deliverables. The Chief Audit Executive reports to the Deputy Ministers, DAC and the Performance Measurement, Evaluation and Results Committee (PMERC) on progress in implementing management actions to address recommendations. Any significant delays or changes to action plans and planned deliverables, as well as any associated risks, are flagged. The quarterly follow-up reports are approved by the Deputy Ministers.

Quality assurance and improvement program

The AEB Quality assurance and improvement program (QAIP) is in place and DAC is regularly briefed on its status.

The primary objective of a QAIP is to promote continuous improvement. It is an ongoing and periodic assessment of the entire spectrum of audit and consulting work performed by the internal audit function. It includes both internal and external assessments.

In compliance with the Treasury Board of Canada's policies and the Institute of Internal Auditors' International Professional Practices Framework, an external assessment of the audit function must be performed every five years. The last external assessment of the ECCC audit function was completed in March 2019, where the audit function received a global rating of "generally conforms".

ECCC planned internal audit engagements, by date of tabling to the Departmental Audit Committee

Six audit engagements are planned for FY 2020 to 2021. All audit engagements included in this plan are ranked as having an overall high priority. As well, to audit projects begun in FY 2019 to 2020 will be tabled at the Departmental Audit Committee in FY 2020 to 2021:

- Audit of project management
- Audit of the administration of grants and contributions for the Low Carbon Economy Fund

Because of the COVID-19 pandemic, ECCC has had to adapt to a rapidly changing public health, economic and social environment. Throughout the year, the AEB will undertake various engagements designed to provide accurate and timely information to inform decision making. In this way, internal audit can support the work on areas at ECCC that represent the most significant risks to the organization during these unprecedented times.

These engagements will cover topics that emerge as the COVID-19 situation evolves. The objective and scope of each sub-engagement will be determined in consultation with the Deputy Ministers.

| Audit | Date of tabling at the Departmental Audit Committee |
|--|---|
| Audit of project management | September 2020 |
| Audit of the administration of grants and contributions for the Low Carbon Economy Fund | September 2020 |
| Review of the ECCC's research scientists (RES) career progression committee structure | September 2020 |
| Preliminary assessment of ECCC's Business Continuity Management Planning | December 2020 |
| Risk assessment of the Terra Canada Cluster of Laboratories Canada | December 2020 |
| Risk assessment of the Atlantic Science Enterprise Centre Cluster of Laboratories Canada | December 2020 |
| Audit of the administration of grants and contributions for the Canada Nature Fund | March 2021 |
| Review of the management of sensitive information | December 2021 |

Internal audit resources and capacity

The Internal Audit Division has a planned budget of \$1.88 million, with 16.02 full-time equivalent employees to provide audit and advisory services in FY 2020 to 2021. The Internal Audit Division shares resources with the Evaluation Division for the provision of support to committees, document editing and web publication, follow-up on recommendations and advice on practices and methodologies.