

Internal Audit Charter

February 2025

1. PURPOSE

The purpose of Interior Health's Internal Audit and Advisory Services Department ("Internal Audit") is to provide objective assurance and consulting services for both business and clinical systems designed to add value to and improve Interior Health's operations.

Internal Audit's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps Interior Health accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes. In this context, governance refers to the combination of processes and structures implemented by the Board of Directors to inform, direct, manage and monitor the activities of Interior Health toward the achievement of its objectives.

Internal Audit is most effective when:

- internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards ("the Standards"), which are set in the public interest.
- the internal audit function is independently positioned with direct accountability to the Board Audit and Finance Committee.
- internal auditors are free from undue influence and committed to making objective assessments.

2. PROFESSIONAL STANDARDS

Internal Audit will adhere to professional standards including the mandatory elements of the Institute of Internal Auditors' [International Professional Practices Framework \(IPPF\)](#), which are the Global Internal Audit Standards and Topical Requirements Internal Audit will report periodically to the President and Chief Executive Officer, the Senior Executive Team and the Board Audit and Finance Committee regarding Internal Audit's conformance with the Standards which will be assessed through a quality assurance and improvement program.

Other applicable standards include:

- Chartered Professional Accountants of Canada.

- Information Systems and Control Association – Statement of Information Systems Auditing Standards.
- applicable standards and code(s) of conduct for staff with other professional designations or accreditations.

In addition to professional standards, Internal Audit will adhere to all Interior Health administrative policies including AU0100 Standards of Conduct for IHA Employees, AU1000 Workplace Environment, AU2200 Anti-Racism and AU4000 Theft, Fraud and Corruption.

3. AUTHORITY

The Board of Directors authorizes Internal Audit to:

- develop the annual Internal Audit Work Plan (“the Work Plan”) describing audit projects, follow-up, and regular monitoring activities for the Board’s approval. The Work Plan is to be developed with awareness of and input from the President and Chief Executive Officer as to prioritization, estimated project timing and risk coverage.
- include in the Work Plan: a) audit projects (subjects, rationale, objectives, timelines and scope of work); b) regular monitoring activities, and; c) other Board-approved activities.
- ensure that any changes to the approved Work Plan are brought to the attention of the Board of Directors through the Audit and Finance Committee and the President and Chief Executive Officer.
- have full, free and unrestricted access at reasonable and mutually convenient times to all Interior Health facilities and facilities under contract or partnership, (subject to the agreement governing the facility), and to all Interior Health functions, records, property and personnel as necessary to perform audit work. This includes access to management committees’ reporting materials, minutes and agendas for awareness as to organizational risks and their context unless otherwise protected by law. Management committees include: Strategy and Risk Management, Quality Management, Digital Health Management and Senior Health and Safety, as well as relevant parts of the Senior Executive Team agenda where real or potential risks are discussed. Should access be restricted or not provided, the matter will be brought forward to the President and Chief Executive Officer for resolution and reported to the Board of Directors through the Audit and Finance Committee.
- allocate department resources, set frequencies, select subjects, determine the scope of work and apply techniques required to accomplish audit objectives and issue reports.
- obtain assistance from the necessary management and staff of Interior Health, as well as specialized services from within or outside Interior Health in order to complete engagements.

Internal Audit is accountable to ensuring the confidentiality and safeguarding of any information accessed in the course of their work as documented in Internal Audit's Privacy and Confidentiality Policy. All information accessed by Internal Audit will be used strictly to deliver internal audit services.

4. INDEPENDENCE AND OBJECTIVITY

Internal Audit is directed by the Corporate Director, Internal Audit ("the Corporate Director"). The Corporate Director is positioned at a level of the organization that enables Internal Audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the Internal Audit function.

In the performance of assigned duties, the Corporate Director will have a direct functional reporting relationship to the Audit and Finance Committee and an administrative reporting relationship to the President and Chief Executive Officer. The functional reporting relationship provides strategic direction and accountability. The administrative relationship provides day-to-day support including accommodation, human resources, budget accountability, internal communications and information flow.

The Corporate Director will have unrestricted access to and interaction with the Board of Directors. The Board of Directors will meet *in-camera* with the Corporate Director, without management present, at each meeting or as needed at the request of the Board of Directors or the Corporate Director.

The Corporate Director will confirm to the Audit and Finance Committee, at least annually, the organizational independence of Internal Audit. Situational issues will be addressed to the Board of Directors at an *in-camera* meeting as they arise.

The Corporate Director will disclose to the Board of Directors at an *in-camera* meeting any interference to and related implications in determining the scope of internal auditing, performing work and/or communicating results.

In order to ensure the success of its work on behalf of Interior Health, Internal Audit will maintain an ethical, collaborative, unbiased respectful mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made and that they do not subordinate their judgment on audit conclusions or recommendations.

Internal Audit will:

- undertake their work solely in the interest of Interior Health.
- disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

- make balanced assessments of all available and relevant facts and circumstances.
- take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

Internal Audit staff have a duty to report to the Corporate Director any situation in which a personal conflict of interest or bias is present or may be reasonably inferred.

To comply with the Board of Directors' External Auditor Independence Policy 3.10, an individual previously employed by external financial auditors and who participated in Interior Health's year-end financial audit within the last twelve months will not be hired to fill a senior Internal Audit position. Internal Audit staff are to refrain from assessing respective operations for which they were previously responsible at Interior Health. They will hold themselves independent of the activities they audit and will not assume implementation or operating responsibilities.

Internal Audit may provide consulting services with the nature and scope agreed upon with the client; however, such services should not interfere with the completion of committed annual projects. If consulting services are deemed critical to assist an area in order to meet management objectives:

- the Corporate Director shall consult with the President and Chief Executive Officer and seek approval from the Chair of the Audit and Finance Committee prior to commencement. The Chair of the Audit and Finance Committee should inform the Board of Directors.
- safeguards will be put in place to limit impairments to independence and objectivity.

If consulting services are expected to extend Internal Audit beyond its current resources, the Board of Directors will be advised.

Internal Audit may perform other non-audit functions consistent with other provisions of this Charter. Examples of non-audit functions include performing/assisting with the investigation of suspected fraudulent activities as required, administration of the Safe Reporting Program and investigative assistance as requested by the Designated Officer for reports under the *Public Interest Disclosure Act*.

5. SCOPE OF ACTIVITY

Internal Audit's scope of activity includes all Interior Health activities and areas of operations, including those which support the delivery of patient care and safety processes to the extent that these areas are not adequately monitored by other internal or external assessors. These assessors may include quality review teams, Accreditation Canada, the Diagnostic Accreditation Program, WorkSafeBC, external auditors, the Office of the Auditor General of BC and the BC Government Internal Audit and Advisory Services Branch.

6. INTERNAL AUDIT RESPONSIBILITIES

In the organization and management of Internal Audit, the Corporate Director will:

- recruit and develop staff with sufficient knowledge, skills, competencies, and experience to meet the requirements of this Charter.
- ensure that internal auditors:
 - conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
 - understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
 - encourage and promote an ethics-based culture in the organization.
 - report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.
- establish policies and procedures necessary to guide Internal Audit staff.
- monitor corporate activities and developments to ensure Internal Audit's work focuses on areas of high risk, strategic importance and priority.
- develop the Internal Audit Work Plan annually.
- share information and coordinate activities with other internal and external providers of relevant assurance and consulting services and with other health authorities, as appropriate, to ensure proper coverage and minimize duplication of efforts. External providers include external financial auditors under contract, consulting firms under contract, the Office of the Auditor General of BC and the BC Government Internal Audit and Advisory Services Branch. The Corporate Director will seek direction from the President and Chief Executive Officer and the Chair of the Audit and Finance Committee prior to sharing any reports containing sensitive information.
- implement the approved Internal Audit Work Plan with flexibility as to changes in business risks, operations and controls.
- follow up on all risk exposures and control/performance issues identified and the implementation of remedial actions.
- inform the President and Chief Executive Officer and the Audit and Finance Committee if there is evidence of fraud identified during an Internal Audit engagement and evaluate what actions are to be taken.
- issue reports/communications to the Audit and Finance Committee summarizing Internal Audit's findings and management's actions to address audit report recommendations.

- maintain functional relationships with individual members of the Senior Executive Team, the Controller, directors and managers, external financial auditors, the Office of the Auditor General of BC and the BC Government Internal Audit and Advisory Services Branch.
- review any external financial audit management letters prior to submission to the Audit and Finance Committee.
- function as Interior Health's designated Independent Authority and central point of contact to receive reports of alleged wrongdoings, conduct merit assessments and take appropriate actions as outlined in the Board of Directors' Safe Reporting Policy 3.15.
- function as Interior Health's designated representative to investigate any ethical or legal breaches identified under the Proponent Complaint Resolution Policy or any formal complaints filed under the Agreement on Internal Trade or other fair business issues brought to Interior Health's attention by the Government of BC.

7. BOARD OF DIRECTORS' RESPONSIBILITIES

The Audit and Finance Committee, on behalf of the Board of Directors, will oversee the Internal Audit function and its relationship with management by:

- reviewing the organization and independence of Internal Audit and any restrictions or problems.
- reviewing and recommending to the Board of Directors approval of changes to the Internal Audit Charter.
- reviewing and recommending to the Board of Directors approval of the Internal Audit Work Plan including goals, Internal Audit's regular monitoring of controls, staffing and budget.
- monitoring Internal Audit's performance relative to the Work Plan.
- receiving status updates on previous recommendations.
- reviewing the performance of the Corporate Director. This will be done at least once a year by the Committee Chair in conjunction with the President and CEO.
- periodically reviewing the effectiveness of the Internal Audit function.
- approving decisions regarding the appointment and removal of the Corporate Director.

8. INTERIOR HEALTH'S MANAGEMENT RESPONSIBILITIES

Management is responsible for the following:

- establishing a system of internal controls that provides the Board of Directors, through the Audit and Finance Committee, with reasonable assurance of:
 - the adequacy, reliability and integrity of financial and operating information.
 - compliance with policies and procedures, laws and regulations.
 - safeguarding of assets.
 - economical and efficient use of resources.
 - the achievement of goals and objectives.
- notifying Internal Audit when fraud, defalcation or violation of laws and regulations is suspected.
- cooperating with and assisting Internal Audit, including responding to observations and reports on a timely basis.
- keeping Internal Audit informed of requests by third parties, (e.g. external auditors, the Ministry of Finance, the Ministry of Health and the Office of the Auditor General), to undertake audits and/or reviews of Interior Health's services, operations, etc. and ensuring that Internal Audit receives a copy of all correspondence issued upon completion of each third-party review.
- ensuring appropriate timely actions are taken to address recommendations presented in Internal Audit's reports and providing this information to Internal Audit for Audit and Finance Committee reporting.

9. ANNUAL AUDIT PLANNING

Internal Audit's Work Plan will include projects in Interior Health's audit universe and will be prioritized based on an assessment of risk pertaining to the achievement of the organization's objectives.

In assessing the degree of risk, the following factors will be considered:

- materiality, measured in terms of flow of funds and asset holdings.
- significance of the area in terms of the organization's goals.
- assessed effectiveness of controls in the manual and computerized systems.
- importance in terms of sensitivity and public accountability.
- coverage, timing and findings of the previous external and Internal Audit reviews and reports prepared by consultants.

When formulating their Work Plan, Internal Audit will consult with:

- risk Management including Enterprise Risk Management.
- the President and Chief Executive Officer, the Senior Executive Team and other relevant leaders.
- the Audit and Finance Committee and other Board of Directors committees as appropriate.
- external auditors.

The Internal Audit Work Plan will be sufficiently comprehensive as to ensure proper audit coverage of Interior Health's activities on a risk-exposure basis and will have flexibility to accommodate projects requested by the Board of Directors and the President and Chief Executive Officer.

Prior to presenting the Work Plan to the Audit and Finance Committee, the Corporate Director will meet with the President and Chief Executive Officer and the Chair of the Audit and Finance Committee to review the draft plan.

10. REPORTING

The Corporate Director will report on the performance relative to the Internal Audit Work Plan and special projects and will appear before the Audit and Finance Committee at each of their scheduled meetings or as otherwise directed.

Significant findings identified during each audit engagement will be reported promptly to the President and Chief Executive Officer and the Chair of the Audit and Finance Committee. For any issues identified pertaining to the President and Chief Executive Officer, the Corporate Director will consult with the Chair of the Board of Directors as to further action.

At the conclusion of each audit engagement, a final communication will be prepared by the Corporate Director and issued to the Audit and Finance Committee and the President and Chief Executive Officer. If the report relates to risks relevant to another Board of Directors Committee, the Corporate Director will consult with the Chair of the Audit and Finance Committee as to whether the report should be presented to the other Committee. Where appropriate, communication will include management's response and action plan to address recommendations. In the event that an agreement on the recommendations cannot be reached with management, the matter will be referred to the respective Vice President or, if necessary, to the President and Chief Executive Officer. Should the disagreement still not be resolved, the audit communication to the Audit and Finance Committee will include a clear statement of both Internal Audit's and management's positions.

Management is responsible for following up on the audit engagement findings and recommendations until successful resolution. Management will provide a report to Internal Audit on the actions completed for Internal Audit's review and reporting to

the Audit and Finance Committee or other Board Committee as directed by the Chair of the Audit and Finance Committee.

Annually, the Corporate Director will report the following to the Audit and Finance Committee:

- a summary of projects undertaken during the year.
- the independence and objectivity of the Internal Audit activity.
- an overall opinion on controls.

11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The Corporate Director will maintain a Quality Assurance and Improvement Program to regularly evaluate the operations of Internal Audit. The Corporate Director will communicate program highlights and the results of any internal and external assessments to the Audit and Finance Committee in the Annual Report.

12. CHANGES TO THE MANDATE AND CHARTER

Circumstances may justify a follow-up discussion between the Corporate Director, Board Audit and Finance Committee, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- significant change in the Global Internal Audit Standards.
- significant reorganization within the organization.
- significant changes in personnel, for example the Corporate Director, Board Audit and Finance Committee, and/or senior management.
- significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
- new laws or regulations that may affect the nature and/or scope of internal audit services.

The Corporate Director and the Board Audit and Finance Committee agree to periodically review this Charter, reaffirm whether its provisions continue to enable the Internal Audit function to accomplish its objectives and update the Charter as needed. Any proposed amendments must be approved by the Board before taking effect.