Internal Audit Charter
June, 2019

INTRODUCTION

Interior Health’s Board of Directors established the Internal Audit function in 2003 as an organizational asset. This document sets out the mission, purpose, authority, independence and responsibilities of the Internal Audit and Advisory Services Department or “Internal Audit”.

MISSION AND PURPOSE

Mission: “To enhance and protect organizational value by providing risk-based and objective assurance, advice and insight.”

Internal Audit will serve with independence and integrity to provide objective, assurance and consulting services for both business and clinical systems to confirm that processes and programs are performing as intended, provide insight as to opportunities for continuous improvement, and assist Interior Health in achieving its mission to the highest professional standards.

The purpose of Internal Audit’s work is to determine whether Interior Health’s risk management, control processes and governance are adequate and functioning in a manner to ensure:

- Interior Health’s mission and objectives are achieved;
- enterprise-wide risks are appropriately identified and managed;
- financial, management and operational information are accurate, reliable and timely; and,
- resources are acquired economically, used efficiently and adequately protected in accordance with the B.C. Taxpayer Accountability Principles.

SCOPE OF ACTIVITY

Internal Audit’s scope includes all 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 and external processes (i.e. Accreditation Canada, Diagnostic Accreditation Program, etc.).

Consulting services may be provided by Internal Audit; however, such non-audit services shall not interfere with the completion of committed annual projects. If consulting services are deemed critical to assist the area to meet Management objectives:

- the Corporate Director, Internal Audit shall seek approval from the CEO and/or the Board Audit and Finance Committee prior to commencement; and,
• safeguards are to be put in place to limit impairments to independence and objectivity.

**AUTHORITY**

To fulfill the role and functions of the Department, subject to any legal limitations, Internal Audit is authorized by the Board and the CEO, to:

• 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, all Interior Health functions, records, property and personnel as necessary to perform the audit work; and,
• allocate Internal Audit Department resources, set frequencies, select subjects, determine the scope of work and apply techniques required to accomplish audit objectives.

Internal Audit is accountable to ensure 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 for audit purposes. For any case where access to information is restricted or not provided, the matter will be brought forward to the CEO for resolution.

**INDEPENDENCE**

Internal Audit is a Department under the direction of the Corporate Director, Internal Audit. In the performance of assigned duties, the Director will have a direct reporting relationship with, and unfettered access to, the CEO and the Board through the Audit and Finance Committee. The Department will be part of CEO’s organizational structure for accommodation, staff support, administrative needs and budget accountability.

The Corporate Director, Internal Audit will meet at least annually with the Board without management present.

The Corporate Director will disclose to the CEO and, if needed, to the Board, any interference and related implications in determining the scope of internal auditing, performing work and/or communicating results.

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

Internal Audit may perform other non-audit functions, consistent with other provision of this Charter, and submit such other reports or communications as may be assigned by the organization or external parties.
Members of the Internal Audit team have a duty to report to the Corporate Director, Internal Audit any situations in which a personal conflict of interest or bias is present or may be reasonably inferred. The Corporate Director, Internal Audit will confirm to the Board, at least annually, the organizational independence of the Department.

**INTERNAL AUDIT RESPONSIBILITIES**

Internal Audit’s responsibilities are defined by the Board as part of their oversight role.

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

- recruit and develop internal audit staff with sufficient knowledge, skills, competencies and experience to meet the requirements of this Charter;
- establish policies and procedures necessary to guide Department staff;
- monitor corporate activities and developments to ensure audit work focuses on areas of high risk, strategic importance and priority;
- develop the Rolling Project Plan for evaluating the audit universe, including a budget and staffing resources plan, and have the plan reviewed and recommended to the Board for approval annually through the CEO and the Audit and Finance Committee;
- share information and coordinate activities with other internal and external providers of relevant assurance and consulting services and other health authorities, as appropriate, to ensure proper coverage and minimize duplication of efforts. Internal providers include Risk Management, Quality and Accreditation, Evaluation, Corporate Protection, Parking & Fleet Services and other internal evaluation services. External providers include Interior Health external auditors, the Office of the Auditor General of BC and the BC Government Internal Audit and Advisory Services Branch;
- implement the approved Rolling Project Plan and, as appropriate, any special tasks or projects requested by management and/or the Board;
- follow-up on all risk exposures and control/performance issues identified and the implementation of remedial actions;
- retain the prerogative of establishing the audit techniques and the right of reporting to the CEO and the Board when the nature and materiality of results pose significant risks to the organization;
- inform the CEO and the Board if there is any evidence of fraud identified during an internal audit engagement and evaluate what actions are to be taken;
- issue reports/communications to the CEO and Senior Executive Team and the Board 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, department directors and managers, external 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 Board 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’s Safe Reporting Policy 3.15; and,
- 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.
As a service and advisory function, Internal Audit has no direct authority for the operational or strategic activities of Interior Health. The assurance services performed are of an advisory and support nature only and do not relieve management, staff or directors of their responsibilities.

**BOARD RESPONSIBILITIES**

The Board Audit and Finance Committee, on behalf of the Board, will oversee the Internal Audit function and the relationship with the Corporate Director, Internal Audit and with management through:

- reviewing the organization and independence of Internal Audit and any restrictions or problems;
- review and recommend to the Board approval of changes to the Internal Audit Charter;
- review and recommend to the Board approval of the Rolling Project Plan including goals, staffing and budget;
- monitoring the Department’s performance relative to its Plan;
- receiving status updates on previous recommendations;
- reviewing and concurring with the appointment, replacement, or dismissal of the Corporate Director, Internal Audit in consultation with the CEO; and,
- Periodically review the effectiveness of the Internal Audit Function.

The Board will meet *in-camera* with the Corporate Director, Internal Audit, without management present, at each meeting or as needed at the call of either the Board or the Corporate Director.

**MANAGEMENT RESPONSIBILITIES**

Management is responsible for the following:

- establishing a system of internal controls that provides the Board 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; and,
  - the achievement of goals and objectives;
- keeping Internal Audit informed of requests by third parties (e.g. external auditing firms, Ministry of Finance, Ministry of Health and the Office of the Auditor General) to undertake audits and/or reviews of IH services, operations, etc. In addition, Internal Audit is to receive a copy of all correspondence issued upon completion of each third party review;
- notifying Internal Audit when fraud, defalcation or violation of laws and regulations is suspected; and,
- ensuring appropriate timely actions are taken to address recommendations presented in Internal Audit’s reports.
AUDIT PLANNING

The Rolling Project plan will include projects in IH’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; and,
- coverage, timing and findings of the previous external and internal audit reviews and reports prepared by consultants.

When formulating Rolling Project Plan Internal Audit will consult with:

- Risk Management including Enterprise Risk Management;
- Senior Management and other relevant managers;
- Board Audit and Finance Committee and other Board Committees as appropriate; and,
- External auditors.

The Rolling Project Plan will be sufficiently comprehensive to ensure proper audit coverage of Interior Health’s activities on a risk-exposure basis and have flexibility to accommodate projects requested by the Senior Executive Team and the Board of Directors.

Prior to presenting the Rolling Project Plan to the Board Audit and Finance Committee, the Corporate Director, Internal Audit, the CEO and the Chair, Audit and Finance Committee will meet to review the draft Rolling Project Plan.

AUDIT REPORTING

Internal Audit will report at each meeting to the CEO and the Audit and Finance Committee on its performance relative to the Rolling Project Plan and special projects and appear before the Audit and Finance Committee at each of their scheduled meetings or as otherwise directed.

At the conclusion of each audit engagement, a final communication will be prepared and issued by the Corporate Director, Internal Audit. Where appropriate, the communication will include management’s response and corrective action to be taken on the 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, the CEO. Should the disagreement not be resolved, the audit communication will include a clear statement of both Internal Audit’s and Management’s positions.

Significant findings will be reported promptly to the CEO and the relevant Board Committee.

Internal Audit will be responsible for appropriate follow-up of engagement findings and recommendations until successful resolution.
Annually, the Corporate Director, will report to the Board in the Annual Performance Report:

- a summary of projects undertaken during the year;
- the Independence and Objectivity of the internal audit activity;
- the level of conformance with the mandatory Standards and actions to address any significant conformance issues; and,
- an overall opinion on controls.

**PROFESSIONAL STANDARDS**

Internal Audit will govern itself with adherence to the Institute of Internal Auditors Definition of Internal Auditing, the Code of Ethics and mandatory Standards.

Internal Audit will conduct its activities and reach conclusions in accordance with this Charter, professional standards, appropriate Canadian legislation and regulations, Interior Health policies and best practices from industry peers wherein such guidance is consistent with its mandate as defined by the Board.

Professional standards include:

- The Institute of Internal Auditors – International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing and the Code of Ethics, all which encompass the mandatory elements;
- Internal Audit Charter;
- Information Systems and Control Association – Statement of Information Systems Auditing Standards;
- Chartered Professional Accountants of Canada; and,
- Applicable code(s) of conduct for individuals with professional designations or accreditations.

**QUALITY ASSURANCE PROGRAM**

The Corporate Director, Internal Audit will maintain a quality assurance program to evaluate the operations of Internal Audit. The Corporate Director will communicate to the CEO and the Board in the Annual Performance Report the Internal Audit’s quality assurance and improvement program including the results of internal and external assessments.