

INTERNAL AUDIT CHARTER

Approved by the Board of Governors
September 2020

International Development Research Centre
Ottawa, Canada

**INTERNATIONAL DEVELOPMENT RESEARCH CENTRE (IDRC)
INTERNAL AUDIT CHARTER**

Assurance and Advice to Support Innovating for Development

This Charter defines the purpose; authority and independence; responsibilities; scope of work and standards for Internal Audit at IDRC.

1. Purpose:

IDRC was established with a mandate “to initiate, encourage, support, and conduct research into the problems of the developing regions of the world and into the means for applying and adapting scientific, technical, and other knowledge to the economic and social advancement of those regions¹.” IDRC strives to maintain the highest standards of accountability, stewardship and probity in the use of public and private funds entrusted to it and ensures that its systems and practices are effectively and efficiently designed to support the achievement of its corporate objectives.

The mission of IDRC’s Internal Audit function is to enhance and protect organizational value by providing risk-based and independent assurance, advice, and insight². This is accomplished by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes which support management’s efforts in the achievement of IDRC’s corporate objectives.

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, which outlines the purpose, authority and responsibility of the function. The Board of Governors, through the *Board Charter*, authorizes the Finance and Audit Committee to oversee IDRC’s internal audit function in the *Terms of Reference for the Finance and Audit Committee*.

Responsibilities of the Finance and Audit Committee include the 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; review and assessment of any inappropriate scope or resource limitations; and participation in the review and approval of recommendations regarding the

¹ IDRC Act, Objects and Powers of Centre, 4. (1)

² Institute of Internal Auditors, Standards & Guidance – International Professional Practices Framework (IPPF)

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appointment, reassignment, or dismissal of the Chief Audit Executive (CAE) and the co-sourced audit partner.

The Chief Audit Executive reports administratively to the President of IDRC and functionally to the Finance and Audit Committee for internal audit activity. The President, in consultation with the Chairperson of the Finance and Audit Committee, reviews the performance of the internal audit function; sufficiency of resources allocated to carry out the internal audit plan; assesses the performance and recommends the appointment, reassignment, or dismissal of the Chief Audit Executive and recommends the appointment, reassignment, or dismissal of the co-sourced audit partner.

All internal audit staff and consultants report to the Chief Audit Executive. The Chief Audit Executive acts as an Advisor to the Risk Management Committee. The Chief Audit Executive does not assume any authority in this role. Other than the Chief Audit Executive's duties as the Senior Officer for disclosure pursuant to the *Public Servants Disclosure Protection Act*, the Chief Audit Executive does not assume any responsibility or authority over any Centre activities outside of the internal audit unit.

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.

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

Within the context 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. Where "personal and confidential" materials are involved, the Chief Audit Executive will consult with the President and the Chairperson of the Finance and Audit Committee regarding accessing such materials.

3. Responsibilities:

The Chief Audit Executive has responsibility for:

- Establishing appropriate policies, procedures and audit methodologies; to ensure the internal audit function operates in compliance with IDRC's Standards of Audit Practice (outlined in Section 5 below) and supports the achievement of the internal audit plan;
- Developing risk-based internal audit plans, in collaboration with management and the Finance and Audit Committee, and presenting the plan annually to the Finance and Audit Committee for approval, including significant revisions to the plan;
- Coordinating internal audit activities and plans with the Office of the Auditor General and the Centre's Evaluation Unit to minimize duplication of efforts and demands on management;

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- Ensuring that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved internal audit plan;
- Ensuring the timely completion of internal audit engagements that include management responses and providing these reports to the President and to the Finance and Audit Committee;
- Managing a follow-up process to ensure that management responses have been effectively implemented and reported to the President and the Finance and Audit Committee;
- Performing advisory services related to governance, risk management and control, at the request of management, in accordance with agreed upon objectives and scope, and 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;
- Maintaining the optimal level of professional internal audit staff and consultants with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the President, the Finance and Audit Committee and IDRC's Standards of Audit Practice;
- Establishing and maintaining a quality assurance program that covers all aspects of the internal audit function and continuously monitoring its effectiveness;
- In consultation with the President and the Finance and Audit Committee, ensuring that the function is periodically assessed concerning its conformance with IDRC's Standards of Audit Practice by a qualified, independent, external reviewer;
- Developing internal audit performance measures, which are approved by the President and the Finance and Audit Committee; and reporting on the internal audit function's performance to support the assessment of the Chief Audit Executive and the internal audit function;
- Ensuring IDRC's Standards of Audit Practice are followed and reporting at least annually to the President and the Finance and Audit Committee on the internal audit function's compliance;
- Observing the *Code of Ethics* of the Institute of Internal Auditors and applying and upholding the principles of integrity, objectivity, confidentiality, and competency, and IDRC's *Code of Conduct* and the *Values and Ethics Code for the Public Sector*; and,
- Informing management and the Finance and Audit Committee of emerging trends and successful practices in internal auditing.

Through the position of Director, Risk Management and Internal Audit, the Chief Audit Executive also has responsibility to support management in the preparation of the Corporate Risk Profile of IDRC and in other related functions. Although the Chief Audit Executive does not manage or direct IDRC's risk management systems and processes, should there be a requirement to audit corporate risk management practice at IDRC, he/she may have to engage independent resources to perform this work and the Finance and Audit Committee may be required to exercise oversight over such

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work.

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 the determination 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. IDRC's Standards of Audit Practice:

IDRC's internal audit function operates in compliance with the Institute of Internal Auditors' (IIA) mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *Standards* and the Definition of Internal Auditing). It operates in compliance with the Treasury Board of Canada's *Policy on Internal Audit; Directive on Internal Auditing in the Government of Canada*; and *Internal Auditing Standards for the Government of Canada*, subject to IDRC's governance arrangements, statutory mandate, legislated status and risk profile.