

# **Public Health Agency of Canada Audit Committee Charter**

**September 2009**

**Approved by Chief Public Health Officer  
on September 29, 2009**



Public Health  
Agency of Canada

Agence de la santé  
publique du Canada

**Canada**

*Table of Contents*

**Table of Contents** ..... 1

**1.0 Introduction**..... 3

**2.0 Purpose**..... 3

**3.0 Authority** ..... 4

**4.0 Guiding Principles**..... 4

**5.0 Responsibilities**..... 4

**5.1 Values and Ethics** ..... 4

    5.2 Risk Management..... 4

    5.3 Management Control Framework ..... 4

    5.4 Internal Audit Function ..... 5

    5.5 Office of the Auditor General, Central Agencies and other Agents of Parliament ..... 5

    5.6 Follow Up on Management Action Plans ..... 5

    5.7 Financial Statements and Public Accounts Reporting ..... 6

    5.8 Risk and Accountability Reporting..... 6

    5.9 Assessment of Committee Performance ..... 6

    5.10 External Quality Assessment / Practice Inspection ..... 6

    5.11 Reporting..... 7

    5.12 Review of Committee Charter..... 7

    5.13 PHAC Administrative Policies..... 7

**6.0 Members**..... 7

    6.1 Composition (See Appendix B for the list of Members – *list to be compiled by CAE with approval of CPHO*) ..... 7

    6.2 Competencies..... 8

    6.3 Tenure and terms of office..... 8

**7.0 Committee Meetings**..... 8

    7.1 Meeting Schedule and Attendance..... 8

    7.2 Quorum ..... 9

    7.3 Preparation and attendance by members..... 9

    7.4 Attendance by non-members..... 9

    7.5 In-camera meetings..... 9

**8.0 Operations** ..... 10

    8.1 Access by/to Committee..... 10

    8.2 Plan for Committee activity ..... 10



## Public Health Agency of Canada Audit Committee Charter

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Page 2

8.3	Committee orientation, training and continuing education.....	10
8.4	Support to the Committee .....	10
8.5	Committee meeting documentation .....	10
<b>9.0</b>	<b>Recipient Audit .....</b>	<b>11</b>
<b>10.0</b>	<b>Public Health Agency of Canada - Approval of Audit Committee Charter.....</b>	<b>11</b>
	<b>Appendix A: Audit Committee Members and Attendees .....</b>	<b>12</b>
	<b>Appendix B: Audit Committee Oversight Standards (IIA) .....</b>	<b>13</b>



## 1.0 Introduction

The new Policy on Internal Audit of the federal government came into effect on July 1, 2009. Its objective is to strengthen public sector accountability, risk management, resource stewardship and good governance by reorganizing and bolstering internal audit on a government-wide basis. One of the key elements of the Policy is to improve the independence of the internal audit function, including the creation of an independent audit committee.

The Internal Audit Policy and Directive also set out the basic parameters for the composition and operation of the Committee, its responsibilities, duties and accountability. One provision of the Directive is that the Committee shall document its role, responsibilities and operation in terms of reference or a charter.

The Audit Services Division has been providing internal audit services since January 2007. Also, the Agency has had an Audit Committee with externally appointed members since March 2007.

## 2.0 Purpose

The Charter developed for Public Health Agency of Canada's Audit Committee (PHAC-AC) is consistent with the Policy and the Directive and it includes the overall scope of responsibilities of an effective audit committee regime.

The PHAC-AC is an essential part of the governance and of the audit regime established by the Treasury Board of Canada Secretariat's (TBS) *Policy on Internal Audit* (the *Policy*). The *Policy* calls for the CPHO of PHAC to establish an independent audit committee that includes experienced, competent external members.<sup>1</sup>

The PHAC-AC provides objective advice and recommendations to the CPHO regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Agency's risk management, control and governance frameworks and processes. In order to give this support to the CPHO, PHAC-AC exercises oversight of core areas of Agency management, control and accountability, including reporting. This is done in an integrated, risk focused and systematic way.<sup>2</sup>

The roles, responsibilities, and operations of the PHAC-AC are documented in this PHAC *Audit Committee Charter* (the *AC Charter*) as approved by the CPHO. The document will be reviewed periodically by the PHAC-AC and reaffirmed by the CPHO.<sup>3</sup>

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<sup>1</sup> Section 2.1 of the *Directive on Department Audit Committees*, Treasury Board Secretariat, 2009.

<sup>2</sup> Section 4.1 of the *Directive on Departmental Audit Committees*, Treasury Board Secretariat, 2009.

<sup>3</sup> Section 4.4.1 of the *Policy on Internal Audit*, Treasury Board Secretariat, 2009.



### 3.0 Authority

The authorities for establishing the PHAC-AC and for the content of this *Charter* are derived from the TBS *Policy on Internal Audit* and from the TBS *Directive on Departmental Audit Committees*.

### 4.0 Guiding Principles

- PHAC sustains a strong, credible internal audit regime that has the confidence of the government and the department, contributes directly to effective risk management, sound resource stewardship and good governance and is a key underpinning of governance within PHAC.
- PHAC ensures real and perceived independence of internal audit from line management by:
  - Establishing and maintaining an independent audit committee that includes competent and experienced members drawn from outside the federal public service; and,
  - The organizational independence of a Chief Audit Executive (CAE) who reports directly to the CPHO.
- PHAC's CAE, as well as reporting on individual risk-based audits, provides an independent annual assurance report to the CPHO on the adequacy and effectiveness of risk management, control and governance processes of PHAC.

### 5.0 Responsibilities

#### 5.1 Values and Ethics

The PHAC-AC reviews, at least annually, the arrangements established by PHAC management to exemplify and promote public service values and to ensure compliance with laws, regulations, policies, and standards of ethical conduct.

#### 5.2 Risk Management

The PHAC-AC reviews, at least annually, the PHAC corporate risk profile and agency risk management arrangements.

#### 5.3 Management Control Framework

The PHAC-AC reviews, at least annually, PHAC internal control arrangements, including:

- the effectiveness and efficiency of programs, operations and resource management, including safeguarding of assets;
- the reliability of financial reporting; and
- compliance with legislation, regulations, policies and delegated authorities.



#### 5.4 Internal Audit Function

- i. The PHAC-AC recommends and periodically reviews this *AC Charter* for approval by the CPHO;
- ii. The PHAC-AC monitors the adequacy of resources of the internal audit function;
- iii. The PHAC-AC reviews and recommends for approval the annual risk assessment and the multi-year internal audit plan prepared by the CAE;
- iv. The PHAC-AC monitors and assesses the performance of the internal audit function;
- v. The PHAC-AC provides advice to the CPHO on the recruitment and appointment, as well as on the performance of the CAE;
- vi. The PHAC-AC receives and recommends for approval internal auditing reports and corresponding management action plans to address recommendations;
- vii. The PHAC-AC receives and reviews regular reports on progress against the internal audit plan, including an annual status report from the CAE on such progress;
- viii. The PHAC-AC receives and recommends for approval the annual assurance overview report prepared by the CAE; and
- ix. Through the CAE, the PHAC-AC is made aware of audit engagements or tasks that do not result in a report directly to the PHAC-AC and is informed of all matters of significance arising from such work including request for consulting / advisory projects requiring more than 60 hours.

#### 5.5 Office of the Auditor General, Central Agencies and other Agents of Parliament

- i. The PHAC-AC advises the CPHO on the adequacy of arrangements to support the Office of the Auditor General (OAG), other agents of Parliament and central agencies in conducting audit work in PHAC;
- ii. Through the CAE, the PHAC-AC is briefed on all audit work relating to PHAC to be undertaken by the OAG, other agents of Parliament or central agencies;
- iii. The PHAC-AC reviews reports from the OAG, other agents of Parliament, central agencies, and other documents that may be referred by the CPHO;
- iv. The PHAC-AC meets periodically with the OAG and seeks its comments and advice on matters of PHAC risk, control, and governance;
- v. Through the CAE, the PHAC-AC is briefed on audit-related issues and priorities raised by central agencies and, and makes recommendations on required action; and
- vi. Through the CAE, the PHAC-AC is briefed on, and directly advises the CPHO on, the impact of government-wide initiatives to improve management practices.

#### 5.6 Follow Up on Management Action Plans

- i. The PHAC-AC advises the CPHO on the effectiveness of arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits, the OAG, other auditors or central agencies; and
- ii. The CAE reports routinely to the PHAC-AC on whether management's action plans have been implemented and, based on risk-targeted follow-up work, whether there is reason to question the effectiveness of the actions taken. The CAE's reporting identifies any areas



where it is considered that management has accepted a level of risk that is unacceptable to PHAC or to the government.

### 5.7 Financial Statements and Public Accounts Reporting

- i. The PHAC-AC reviews PHAC financial statements with management and all significant accounting estimates and judgments therein and advises the CPHO on any apparent material concerns. and
- ii. The PHAC-AC reviews the following: financial statements with the external auditor and senior management, discusses any significant adjustments to the statements required as a result of the audit, and any difficulties or disputes with management encountered in the course of the audit; management letters arising from the external audit of PHAC financial statements or the Public Accounts; the auditor's findings and recommendations relating to the internal controls in place for financial statement reporting; and as appropriate the performance of the external auditor.

### 5.8 Risk and Accountability Reporting

- i. The PHAC-AC reviews the PHAC Corporate Risk profile, the Report on Plans and Priorities, the Agency Performance Report and other significant accountability reports and provide advice on any material misstatements or omissions that may come to its attention.
- ii. The PHAC-AC receives, as information, copies of plans and reports prepared by the departmental evaluation function. The committee invites the head of evaluation to provide briefings on this material.

### 5.9 Assessment of Committee Performance

- i. Committee self-assessment: The Committee will periodically self-assess its performance; and
- ii. External practice inspection<sup>4</sup>: The performance of the Committee may be reviewed as part of the practice inspections of the internal audit activities that will be conducted by the Office of the Comptroller General (OCG).

### 5.10 External Quality Assessment / Practice Inspection

- i. The PHAC-AC reviews all external quality assessment reports to ensure conformance of the internal audit function with the Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing*; and
- ii. The PHAC-AC reviews the external practice inspection<sup>5</sup> report to ensure implementation of the TBS *Policy on Internal Audit* and the effectiveness of the internal audit function.

<sup>4</sup> Practice inspections will be conducted by the OCG and as such, the timing may be subject to change.

<sup>5</sup> Practice inspections will be conducted by the OCG and as such, the timing may be subject to change.



## 5.11 Reporting

Each year, the PHAC-AC Chair prepares and presents to the PHAC-AC a plan for approval to ensure that the annual and ongoing responsibilities are scheduled and fully addressed.

The PHAC-AC prepares an annual report to the CPHO that:

- Summarizes the committee's activities undertaken and the results of its reviews;
- Provide the committee's assessment of PHAC's system of internal controls;
- Documents any significant concerns the committee may have in relation to the PHAC's risk management, control and governance framework and processes;
- Provides the committee's assessment of the capacity and performance of PHAC's internal audit function; and
- Provides, as needed, recommendations for the improvement of risk management, controls and accountability processes, including recommendations for the improvement of PHAC's internal audit function.

The PHAC-AC reviews the CAE annual report.

## 5.12 Review of Committee Charter

The Committee shall review periodically the appropriateness of its charter.

## 5.13 PHAC Administrative Policies

The PHAC-AC reviews, at least annually, PHAC Administrative Policies and provide advice to CPHO.

## 6.0 Members

### 6.1 Composition (See Appendix B for the list of Members – *list to be compiled by CAE with approval of CPHO*)

The CPHO, together with the Comptroller General jointly select the PHAC-AC members for approval by the Treasury Board. Established by the CPHO, the PHAC-AC is an independent audit committee with a total of four voting members: three external members, i.e. not currently in the federal public service and one internal member, as shown below:

- Member (Internal – PHAC CPHO): Chair of Audit Committee
- *The role of the Chair is to establish the plan for the Committee and, following the approval of the plan by the Committee, to see to its fulfillment. The Chair calls meetings of the Audit Committee, sets the meeting agenda and manages the meetings.*
- Member 2 (External): Vice-Chair
- Member 3 (External)
- Member 4 (External)





The collective skills, knowledge, and experience of PHAC-AC members allow the committee to competently and efficiently undertake its duties. All members of the PHAC-AC are free of any conflict of interest, real or perceived.

## 6.2 Competencies

PHAC adheres to competency profiles for external audit committee members and standards for establishing or proposing other requirements related to terms of service as established by the Comptroller General.

Members of the PHAC-AC shall have collectively skills, knowledge and expertise that allow the Committee to effectively undertake its duties. The key competency profiles for the members are:

- Public health matter expertise;
- International expertise;
- Financial expertise;
- Experience with Federal government; and
- Provincial and/or Territories' perspective.

All members of the PHAC-AC are to be reasonably familiar with private or public sector financial reporting, or undertake to become familiar within the first year after their appointment. At least one external member is to be a financial expert who possesses:

- An understanding of generally accepted accounting principles, Treasury Board's Accounting Standards and financial statements;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the department's financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal controls and procedures for financial reporting; and
- An understanding of audit committee functions.

## 6.3 Tenure and terms of office

The PHAC-AC external members are engaged by the CPHO for a term of four years and no member can serve more than two terms.

PHAC-AC external members receive formal orientation and training on the committee's responsibilities and objectives, and on the business of the Agency.

## 7.0 Committee Meetings

### 7.1 Meeting Schedule and Attendance

The PHAC-AC meets at least four times a year, or at the call of the Chair. Meetings are scheduled one year in advance allowing PHAC management and the CAE time to prepare



information and reports required for the Audit Committee's work. Rescheduling of PHAC-AC meetings are by exception only. Although member presence to Committee meetings is normally required, teleconferencing will be permitted on an exception basis.

## **7.2 Quorum**

The quorum for the PHAC-AC meeting is a majority of the members. No alternates are permitted.

## **7.3 Preparation and attendance by members**

To enhance the effectiveness of the Committee meeting, each member will:

- i. Devote the time needed to prepare for and participate in each meeting by reading the reports and background materials provided for the meeting;
- ii. Attend pre-briefing / orientation meetings as required; and
- iii. Maintain an excellent meeting attendance record<sup>6</sup>.

## **7.4 Attendance by non-members**

The CAE, Associate Deputy Minister and/or Senior Assistant Deputy Minister (SADM), Chief Financial Officer (CFO) and Director, Internal Audit Services are expected to attend meetings of the PHAC-AC. The Chair may request the attendance of other PHAC officials as required. A senior representative of the OAG shall be invited, as may be necessary, to attend any PHAC-AC meeting(s) to discuss OAG plans, findings and concerns. The Chair may also invite Treasury Board Secretariat officials to attend any PHAC-AC meeting(s).

## **7.5 In-camera meetings**

As required, the Committee may decide to meet individually, in camera with each of:

- The PHAC CFO;
- The CAE;
- The representative of the OAG, when in attendance; and
- Any other officials the PHAC-AC may determine.

The Chair of the PHAC-AC will also invite the Minister to meet annually in camera, with the Committee.

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<sup>6</sup> The target is 100% attendance. Anything less than 75%, without extenuating circumstances, may create the need to review the membership.



## **8.0 Operations**

### **8.1 Access by/to Committee**

The Committee has unfettered access to the CAE, the CFO and other departmental employees and documentation (subject to applicable legislation) as may be required to fulfill its responsibilities. The CAE will establish and maintain necessary communications protocol.

The CAE and CFO have unfettered access to the Committee and to the Committee Chair.

### **8.2 Plan for Committee activity**

The Committee shall prepare a plan to ensure that the annual and ongoing responsibilities of the Committee are scheduled and fully addressed. The plan shall be presented to the Committee for its endorsement and recommendation by the CPHO.

### **8.3 Committee orientation, training and continuing education**

The role of the Committee can only be fulfilled if its members are well informed. Members shall receive orientation and training on the Committee's purpose, responsibilities and objectives, and on the business and operations of PHAC. A process of continuing education – for example, briefings and information on emerging public health and public sector issues and risks – will also be put in place.

### **8.4 Support to the Committee**

The Committee will be provided with the resources necessary to carry out its role, responsibilities and duties. To the extent it deems necessary to meet its responsibilities, and in keeping with its terms of reference, the Committee has the authority to retain independent advice and assistance. Secretariat support to the Committee will be provided by the office of the CAE and includes:

- Timely preparation of all notices and agendas of meetings;
- Coordination of presentations and distribution of reports and/or related documents that are prepared for the Committee's information or consideration;
- Timely preparation and distribution of records of decisions following the proceedings; and
- Performance of other duties as may be assigned.

### **8.5 Committee meeting documentation**

The meeting documentation will be prepared by the office of the CAE, made available and distributed to PHAC-AC members as pre-briefing material at least 7 working days prior to the meeting date, in both official languages, and should include the following:

- Agenda, indicating the following information:
  - Meeting date, time and location;



- List of items for discussion and/or approval or for information, with associated time frames; and
- Identified lead and/or presenter for each item.
- Documentation (basic):
  - Record of Decisions from the previous PHAC-AC meeting;
  - Audit Reports, including the draft audit report, and management response and action plan; and
  - Forward Agenda - current fiscal year look ahead.
- Optional additional presentations may include, for example:
  - Emerging practices, policies;
  - Updated management responses, action plans; and
  - Consultation results; and
  - Any other report that would be of interest to the PHAC-AC.

## **9.0 Recipient Audit**

Audit Committee is responsible for:

- Reviewing the Agency's Annual Recipient Audit Plan and recommending it to the CPHO.
- Reviewing the Audit Summary of Actions (ASAs) and recommend them to the CPHO.

## **10.0 Public Health Agency of Canada - Approval of Audit Committee Charter**

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Dr. David Butler-Jones  
Chair of the Audit Committee  
Chief Public Health Officer, Public Health Agency of Canada, and

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Kenneth Fyke  
Vice-Chair of the Audit Committee

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Christian Asselin  
Chief Audit Executive, Public Health Agency of Canada

Date: September 29, 2009



## Appendix A: Audit Committee Members and Attendees

### *External Members:*

*3 to 5 external members (recommended by CPHO and Comptroller General) One of the external members will be appointed Vice-Chair.*

### *Internal Member:*

Chief Public Health Officer (Chair)

### *Other Attendees from PHAC (non-voting)*

Chief Audit Executive  
Associate Deputy Minister and/or Senior Assistant Deputy Minister  
Chief Financial Officer  
Director, Internal Audit Services

### *Representatives on an as required basis from:*

- Treasury Board Secretariat
- Office of the Auditor General



## Appendix B: Audit Committee Oversight Standards (IIA)<sup>7</sup>

Responsibilities	IIA Standards
Reviewing and approving the internal audit activity's charter.	<ul style="list-style-type: none"> <li>The purpose, authority, and responsibility of the internal audit activity should be formally defined in a charter, consistent with the Standards, and approved by the organization's audit committee.</li> </ul>
Ensuring communication and reporting lines between the head of internal audit and the audit committee.	<ul style="list-style-type: none"> <li>The chief audit executive (CAE) should report to a level within the organization that allows the internal audit activity to fulfill its responsibilities.</li> <li>The IIA strongly believes that to achieve necessary independence, the CAE should report functionally to the audit committee and administratively to the CPHO, as Deputy Head of the Agency.</li> <li>The CAE should report periodically to the audit committee and senior management on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.</li> </ul>
Reviewing internal audit staffing and ensuring that the function has the necessary resources.	<ul style="list-style-type: none"> <li>The CAE should communicate the internal audit activity's plans and resource requirements to senior management and to the audit committee for review and approval. The CAE should also communicate the impact of resource limitations.</li> <li>The internal audit activity collectively should possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.</li> </ul>
Reviewing and assessing the annual internal audit plan.	<ul style="list-style-type: none"> <li>The CAE should communicate the internal audit activity's plans to the CPHO and to the audit committee for review and approval.</li> </ul>
Overseeing the coordination of the internal auditor with the external auditor.	<ul style="list-style-type: none"> <li>The CAE should share information and coordinate activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts.</li> </ul>
Reviewing periodic reports on the results of the internal auditors' work.	<ul style="list-style-type: none"> <li>The CAE should report periodically to the audit committee and CPHO. Reporting should include significant risk exposures and control issues, corporate governance issues, and other matters needed or requested by the audit committee and CPHO.</li> </ul>
Reviewing management's responsiveness to internal auditing findings and recommendations.	<ul style="list-style-type: none"> <li>The CAE should establish a follow-up process to monitor and ensure that management actions have been implemented effectively or that senior management has accepted the risk of not taking action.</li> </ul>
Monitoring and assessing internal audit effectiveness.	<ul style="list-style-type: none"> <li>The CAE should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness.</li> <li>External assessments, such as quality assurance reviews, should be conducted at least once every five years by a qualified, independent reviewer or review team from outside the organization.</li> <li>The CAE should effectively manage the internal audit activity to ensure it adds value to the organization.</li> <li>The internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach.</li> </ul>

<sup>7</sup> Adapted from *Audit Committee Briefing Internal Auditing Standards – Why They Matter* © The IIA 2004. Not to be read in place of the TBS *Policy on Internal Audit* which prevails.

