

# Internal Audit Charter

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**Approved by the NH Board of Directors: April 20, 2020**



**northern health**

*the northern way of caring*

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# Internal Audit Charter

## Purpose and Mission

The purpose of Northern Health's internal audit department is to provide independent, objective assurance and consulting services that is guided by a philosophy of adding value and improve the operations of Northern Health.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

It assists Northern Health in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control and governance processes<sup>1</sup>.

## Role

The internal audit activity (Internal Audit) is established by the Board of Directors (hereafter referred to as the Board). Internal Audit's responsibilities are defined by the Board as part of their oversight role.

## Professionalism

Internal Audit will govern itself with reference to The Institute of Internal Auditors' mandatory professional guidance including the Definition of Internal Auditing, the Core Principles, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)* where such guidance is consistent with its mandate as defined by the Board.

This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to, as practicable, to guide operations. The Regional Director, Internal Audit will report periodically to Senior Management and the Audit and Finance Committee regarding the internal audit department's conformance to the Code of Ethics and the Standards.

Internal Audit will adhere to Northern Health's policies and procedures.

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<sup>1</sup> Internal Audit's assessment of governance processes is based on all internal audit activity with information obtained from numerous audit and investigative assignments as well as observations over time.

## Authority

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to all Northern Health facilities, to facilities under contract or partnership agreement, and to any and all of Northern Health's records, physical properties, and personnel pertinent to carrying out any engagement.

Access to facilities under contract or partnership agreement will be subject to contractual agreements.

The Regional Director, Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit and Finance Committee, including in private meetings without management present.

The Regional Director, Internal Audit, has the authority to:

- Allocate Internal Audit resources within Board approved parameters, set frequencies, select subjects, determine scope of work, and determine the techniques required to accomplish audit objectives,
- Review and provide guidance on the results of audits or reviews by external providers of assurance or risk management activities and resulting management responses, and
- Oversee, review or assist with investigation of any circumstances in which a fraudulent act is known or suspected.

In the event that an Internal Audit project includes review and or assessment of clinical risk and controls or other specialized areas, the Regional Director, Internal Audit will collaborate with appropriate internal or external expertise in consultation with the CEO.

In some circumstances, a function or area may hold a shared accountability model due to the unique nature of their role. Medical Health Officers are employed by Northern Health and appointed through a ministerial order in council, therefore report dually to the Northern Health CEO & the Provincial Health Officer.

Medical Health Officers are appointed statutory power and receive direction from the Provincial Health Officer under various legislation and regulations related to public health.

Northern Health Internal Audit has authority to review all matters related to the employment relationship and related responsibilities for functions under the Population & Public Health portfolio.

For any matters that fall within the statutory responsibilities of the Medical Health Officer, Northern Health Internal Audit will only proceed with investigations or audits that are approved by and conducted in collaboration with the Chief Medical Health Officer or the Provincial Health Officer.

These authorities are not subject to the decision of individual members of management. They are delegated by the Board of Directors.

## **Organization**

The Regional Director, Internal Audit will report directly to the President and Chief Executive Officer (CEO) and to the Audit and Finance Committee of the Board.

The Board will approve all decisions regarding the appointment or removal of the Regional Director, Internal Audit. The CEO will conduct the performance evaluation of the Regional Director, Internal Audit and will determine the annual compensation and salary adjustment for the individual holding that position.

The Regional Director, Internal Audit will communicate and interact directly with the CEO and Board, including in executive sessions and between Board meetings as appropriate.

Internal Audit will maintain a strong, collaborative and effective working relationship with Senior Management.

## **Independence and Objectivity**

Internal Audit will remain free from interference by any element in Northern Health to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their independent judgment.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal auditors will report to the Regional Director, Internal Audit any situations in which a conflict of interest or bias is present or may be reasonably inferred. The Regional Director, Internal Audit will report to the CEO any situations in which a conflict of interest or bias on the part of the Regional Director is present or may be reasonably inferred.

The Regional Director, Internal Audit will confirm to the Board, at least annually, the organizational independence of Internal Audit.

## Internal Audit Plan

The Regional Director, Internal Audit, will submit to the CEO and the Board a three-year Internal Audit Plan for review and approval. The Internal Audit Plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Board.

Progress toward, and any significant deviation from, the approved Internal Audit Plan will be communicated to the CEO and the Board through periodic activity reports.

The Regional Director, Internal Audit will communicate the implications of the three-year Internal Audit Plan for human resource planning and budget allocation to the CEO and the Board.

## Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of Northern Health's governance, risk management, and internal control processes.

Significant risks identified during the course of Internal Audit activity will be communicated promptly to the CEO.

Internal Audit's responsibilities are conducted in the context of the Internal Audit Plan approved by the Board and include:

- Evaluating the reliability, integrity, adequacy and use of information and the means used to identify, measure, classify, and report such information,
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization,
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets,
- Evaluating the effectiveness and efficiency with which resources are employed,
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned,
- Performing consulting and advisory services related to governance, risk management and control,
- Evaluating specific operations at the request of the Board or management,
- Assisting with or facilitating the conduct of externally provided audits and reviews, including review of and guidance on management's responses to findings of the audits and reviews,

- Sharing information and co-ordinating activities with other internal and external providers of relevant assurance and consulting services to ensure proper coverage and minimize duplication of efforts,
- Overseeing, assisting in or following up on the investigation of significant suspected fraudulent activities within the organization and notifying management and the Audit and Finance Committee of the results, and
- Functioning as the designated central point of contact to receive reports of alleged wrongdoings, conduct merit assessments and take appropriate actions as outlined in the Safe Reporting and Theft, Fraud, Corruption and Non-Compliant Activities Policies.

Internal Audit will collaborate with its provincial health authority peers as appropriate for coverage of joint initiatives.

## **Management Responsibility**

Management is primarily responsible and accountable for establishing and maintaining adequate, effective, and efficient risk management and internal control processes. The assurance and advisory services performed by Internal Audit do not relieve any management or staff of their responsibilities.

Management is responsible to ensure Internal Audit is promptly notified of

- Assurance or risk assessment activities to be undertaken by external providers,
- Incidents of theft,
- Incidents of significant narcotics discrepancies, and
- Incidents of fraud or suspicions of fraudulent activities.

Management, staff, consultants/contractors, and other service providers are required to cooperate with Internal Audit and respond to findings and reports on a timely basis.

Management is responsible for ensuring that appropriate actions are taken to address Internal Audit recommendations.

## **Reporting and Monitoring**

Significant findings will be reported promptly to the appropriate Vice President or Chief Operating Officer and the CEO. A written report will be prepared and issued by the Regional Director, Internal Audit or designee following the conclusion of each internal audit project and will be distributed as appropriate. Internal audit results will also be communicated to the Board.

The internal audit report will include management's response and corrective action specific to the findings and recommendations. Management's response will include anticipated timelines for completion of action to be taken and an explanation for any corrective action that will not be implemented.

Internal Audit will endeavour to ensure that all recommendations are reasonable and actionable. In the event that management does not agree with an internal audit recommendation, management may express that disagreement, and propose an action plan which will mitigate the risk identified in the finding.

Should management wish to implement an action plan that does not mitigate the risk, or alternatively management wishes to accept the risk highlighted, then Management will provide a clear statement of their position.

The issue will be referred to the appropriate members of the executive and, if necessary, the CEO.

Opportunities for improving management control, cost effectiveness, and Northern Health's reputation may be identified during audits. This will be communicated to the appropriate level of management.

Internal Audit will be responsible for follow-up on audit findings and related management action plans.

The Regional Director, Internal Audit will appear before the Audit and Finance Committee at each scheduled meeting of the Committee or as otherwise directed and will report on:

- Results of completed Internal Audit projects and follow-up activities, and
- Significant risk exposures, control issues and other pertinent matters or topics requested by the Board.

## **Periodic Assessment**

The Regional Director, Internal Audit will periodically report to the CEO and the Board on Internal Audit's purpose, authority and responsibility, as well as performance relative to its plan.

In addition, the Regional Director, Internal Audit will communicate to the CEO and the Board on Internal Audit's quality assurance and improvement program, including results of internal and external assessments.