

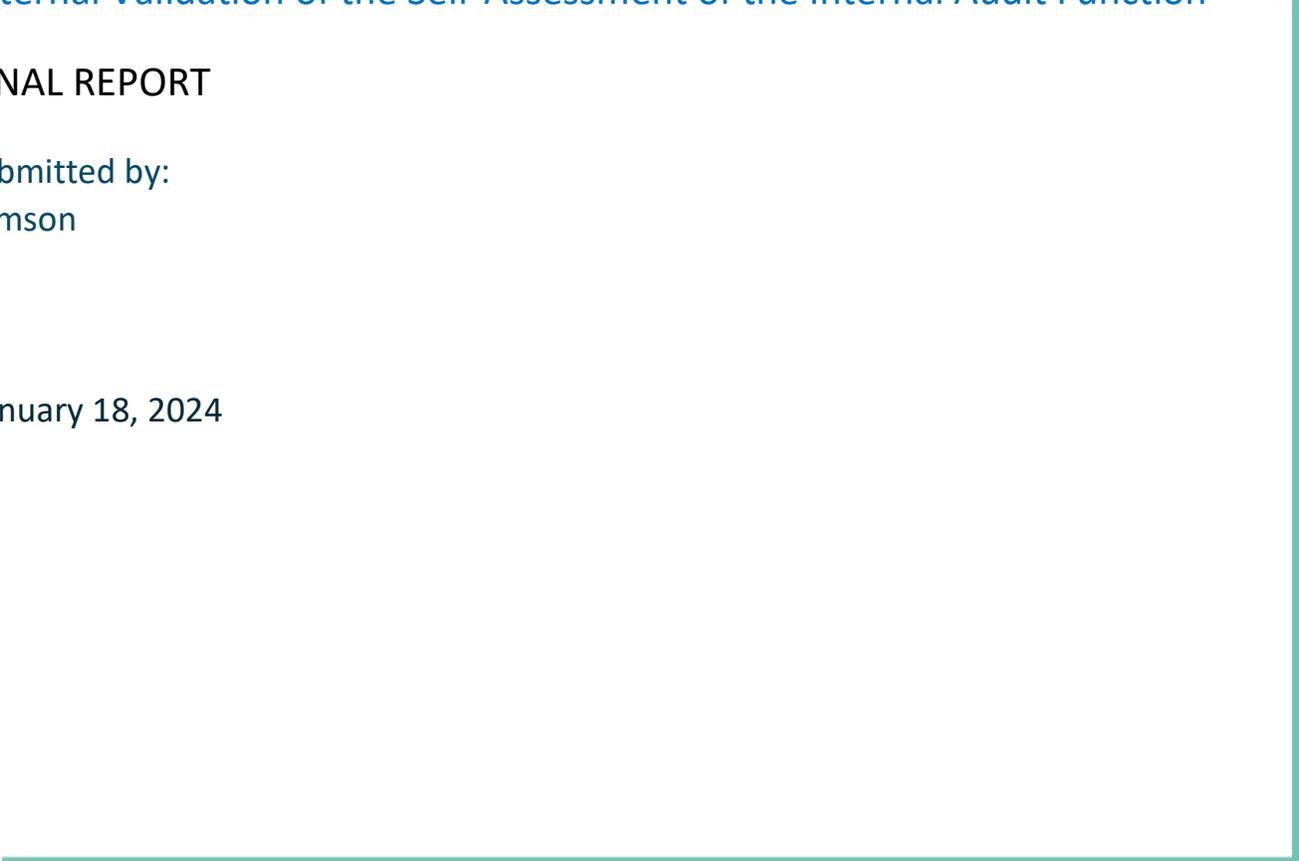
Natural Resources Canada

External Validation of the Self-Assessment of the Internal Audit Function

FINAL REPORT

Submitted by:  
Samson

January 18, 2024

A thick green L-shaped line that starts at the top right of the text area, goes down vertically, and then turns left to run horizontally across the bottom of the page.

# Table of Contents

1. Background .....	1
2. Objective, Scope and Approach .....	1
2.1 Objective .....	1
2.2 Scope 1 .....	
2.3 Approach and Methodology.....	1
3. Results .....	2
4. Conclusion.....	4

Mr. Michael Vandergrift  
Deputy Minister  
Natural Resources Canada  
580 Booth Street  
Ottawa, ON K1A 0E4  
Canada

**External Validation of the Internal Audit Function's Self-Assessment against the Treasury Board's Policy on Internal Audit and the Institute of Internal Auditor's International Professional Practices Framework**

Dear Deputy Minister:

We have completed our external validation of the internal audit function of Natural Resources Canada (NRCan). Our procedures were performed in accordance with our statement of work, and as further defined in the accompanying report.

This report is intended solely for the information of yourself, NRCan's Departmental Audit Committee, your senior management team and relevant Central Agencies and is not intended to be used by anyone other than these specified parties.

This report provides a conclusion regarding conformance with the *Standards* of the Institute of Internal Auditors and the Treasury Board *Policy on Internal Audit*.

We value the opportunity to work with NRCan's Internal Audit function and appreciate the cooperation and assistance provided to us during the course of our work. We would be pleased to discuss any aspect of this report with yourself or members of your management team at your convenience.

Sincerely,



Mathieu Farley

Partner, Samson & Associates

## 1. Background

Reporting directly to the Deputy Minister, the internal audit function strives to provide independent and objective assurance services designed to add value and improve NRCan's operations. The internal audit function helps NRCan accomplish its objectives by bringing a systematic, disciplined approach to assess and improve the effectiveness of risk management, control and governance processes.

The Deputy Minister is responsible for ensuring that internal audit in the department is carried out in accordance with the Institute of Internal Auditors' International Professional Practices Framework (the *Standards*). Included in the *Standards* is the requirement that the Chief Audit Executive (CAE) develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and includes both internal and external assessments. The *Standards* require an external quality assessment every five years. NRCan has implemented a three-year cycle for quality assessments to promote continuous improvement.

## 2. Objective, Scope and Approach

### 2.1 Objective

The objective of this engagement was to validate the findings and conclusion of the self-assessment performed by NRCan's internal audit function and to provide an opinion on the internal audit function's conformance with the Treasury Board Secretariat (TBS) *Policy on Internal Audit* and the International Professional Practices Framework (IPPF) *Standards* of the Institute of Internal Auditors (IIA) and the Code of Ethics. In addition, any opportunities for improving the efficiency and effectiveness of the internal audit activity would be identified.

### 2.2 Scope

The scope for this engagement covered the period since the last external validation (2020-2021 to 2022-2023).

### 2.3 Approach and Methodology

The approach for conducting the external validation included the following activities:

- Reviewed the internal audit function’s self-assessment and supporting documentation such as governance and organizational structure, internal and Departmental Audit Committee (DAC) Charters, internal audit policies and procedures, DAC records of decisions, and annual reports.
- Conducted a series of interviews with key stakeholders, including the Associate Deputy Minister, DAC Chair, Chief Scientist, ADM, Corporate Management and Services Sector, ADM, Strategic Policy and Innovation Sector, the Chief Audit and Evaluation Executive, as well as all internal audit staff including Directors, Managers and Auditors.
- Reviewed three internal audit files including supporting working papers and audit reports within Teammate.

### 3. Results

Samson concurs with NRCan’s self-assessment conclusion of “Generally Conforms”. There are no instances where Samson disagrees with the assessment against the Treasury Board *Policy on Internal Audit* and *IIA Standards*. Generally conforms is the highest rating available.

Assessment Ranking	Description of Assessment
Generally Conforms (GC)	There is no material deficiency, although there may be some minor deficiencies.
Partially Conforms (PC)	There is one material deficiency and there may be some minor deficiencies, but exposure is limited because either the likelihood or the impact of the risk is not high.
Does Not Conform (DNC)	There is more than one material deficiency in practice that are judged to be so significant as to seriously impair or preclude the internal audit function from performing adequately in all or in significant areas of its responsibilities. Requires significant improvements, deficiencies represent serious exposure.

A summary of the results by *Standard* is provided.

IIA	Assessment Summary	GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1100	Independence and Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1300	Quality Assurance and Improvement Program	X		
2000	Managing the Internal Audit Activity	X		
2100	Nature of Work	X		
2200	Engagement Planning	X		
2300	Performing the Engagement	X		
2400	Communicating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		
Compliance with Code of Ethics		X		

## 4. Conclusion

We concur with the internal audit function's self-assessment that NRCan generally conforms with the IIA *Standards* and the TB *Policy on Internal Audit*.

During our work we noted some good practices in the areas of internal audit file quality, the use of peer reviews to improve the overall quality of internal audit projects and reports, long-term auditors in the department which, in addition to stability, provides experience and solid knowledge of the business. Stakeholders interviewed voiced their support and appreciation for the professionalism and value provided by internal audit.

With a generally conforms rating against all the *Standards*, we did not have any conformance recommendations. However, we did provide separately internal audit management with a few minor suggestions for opportunities for improvement.