

Mine Audits Unit

Reference Manual



Mine Audits Unit

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Introduction

The Reference Manual sets out the Chief Auditor's expectations regarding the standards and procedures the Mine Audits Unit (the Audit Unit) will follow in conducting its activities. This manual provides direction and guidance to any party performing activities on the Chief Auditor's behalf (audit team members) and information for people interested in learning about the Audit Unit's operations.

The Reference Manual is organized into two sections: Attribute Standards and Practice Standards. The Attribute Standards define the characteristics of the Audit Unit and the expected conduct of those performing activities on the Chief Auditor's behalf. The Practice Standards set out the procedures audit team members will follow throughout the audit process.

The standards and procedures in the Reference Manual are informed by the [Mines Act](#), the Audit Unit's [Program Charter](#), and several auditing organizations, including the [Canadian Audit and Accountability Foundation](#), the [Institute of Internal Auditors](#) and the [International Organization of Supreme Audit Institutions](#). If there is any conflict between this manual and applicable legislation or regulations, the legislation or regulations prevail.

Audit team members are expected to follow the direction and guidance provided in this manual; however, the Reference Manual cannot address all circumstances. In these situations, audit team members should use their professional judgment in determining what constitutes good practice and discuss with the Chief Auditor, as appropriate. Audit team members must document and justify any substantive departures from the Reference Manual.

In accordance with the Audit Unit's Program Charter, the Chief Auditor is responsible for maintaining and ensuring adherence to the Reference Manual. The Chief Auditor will review this manual on a regular basis and update it, if necessary, including in response to knowledge gained through the Audit Unit's Quality Assurance and Improvement Program.



Karina Sangha
Chief Auditor

1 Attribute Standards

The Attribute Standards summarize the characteristics of the Audit Unit and set out the Chief Auditor's expectations for the conduct of any party performing activities on their behalf. As employees of the BC Public Service, members of the Audit Unit are also required to adhere to the [Public Service Oath Regulation](#) and the [Standards of Conduct for BC Public Service Employees](#).

1.1 About the Audit Unit

The Audit Unit is a dedicated team in the Ministry of Energy, Mines and Low Carbon Innovation (the Ministry). Led by the Chief Auditor, the Audit Unit conducts audits to evaluate the effectiveness of the provincial regulatory program for mining, including the regulatory framework and the Ministry's policies, programs, practices and actions to fulfill the objectives of the framework.

The Chief Auditor has a distinct mandate from other provincial audit entities, such as the Auditor General of B.C. (the Auditor General) and the Internal Audit & Advisory Services (IAAS) in the Ministry of Finance. The Auditor General and IAAS conduct financial and performance audits of operations across the B.C. government and the broader public sector, whereas the Audit Unit's work is specific to the regulatory program for mining. The Audit Unit and its activities may be reviewed by the Auditor General or IAAS.

1.2 Authority and Governance

The Audit Unit is led by the Chief Auditor, whose authorities and duties related to audits are set out in Sections 2.1 to 2.6 of the Act. When conducting audits, audit team members are accountable to the Chief Auditor. Audit team members may be delegated select authorities under the Act by the Chief Auditor to assist them in conducting their work. The Audit Unit's work is governed by the Act, the Audit Unit's Program Charter and the Reference Manual.

1.3 Audit Unit Independence and Objectivity

The Audit Unit's independence and objectivity are enshrined in the powers of the Chief Auditor, as set out in the Act. The Act provides the Chief Auditor with the authority to conduct audits to evaluate the effectiveness of the provincial regulatory program for mining. Under the Act, the Chief Auditor makes statutory decisions related to audits, including:

- Determining the subject matter of the audits to be prioritized each year, as published in an Audit Plan (Section 2.3)
- Gathering information for the purpose of an audit, including by entering and inspecting land covered by a mineral title and/or a mine (Section 2.5)
- Reporting the conclusion, reasons and recommendations from each audit to the Minister of Energy, Mines and Low Carbon Innovation and to the public (Section 2.6)
- Delegating their authorities to any person in writing, provided that person is not the Chief Inspector of Mines, the Chief Permitting Officer or an inspector (Section 2.4)

The Chief Auditor also makes key operational decisions for the Audit Unit, including those pertaining to:

- The allocation of Audit Unit resources
- The development and approval of Audit Unit policies and procedures
- The development and approval of agreements between the Audit Unit and other parties

Organizationally, the Audit Unit operates as a dedicated team within the Ministry that is separate from other regulatory functions for mining, including permitting, compliance and enforcement. This separation is supported by the Act, which prescribes that the role of the Chief Auditor cannot be simultaneously held by the Chief Inspector of Mines, the Chief Permitting Officer or an inspector, nor can the Chief Auditor delegate their authorities to these persons.

1.4 Audit Teams: Roles and Responsibilities

The Chief Auditor establishes an audit team to conduct and complete each audit. Audit teams include auditors with expertise and experience in mining, the regulatory program and audit best practice.

Audit teams should work cooperatively to reach consensus on major decisions during each audit. When consensus cannot be achieved, the Chief Auditor will work with audit team members to resolve disputes.

1.4.1 Chief Auditor

The Chief Auditor is responsible for all Audit Unit activities, including those of individual audit teams. The Chief Auditor will:

- Establish audit teams that are qualified and sufficiently resourced (i.e., funding, persons, equipment) to perform their assigned work
- Delegate to audit team members any legislated authorities of the Chief Auditor that are required to perform their assigned work
- Establish expectations for the minimum training, knowledge and experience team members need to qualify for delegation
- Ensure the development and maintenance of clear and appropriate standards and procedures in this manual
- Ensure audits are conducted consistently, expeditiously and in a manner that aligns with this manual
- Oversee and sign off on each audit and assume responsibility for all audit findings, conclusions and recommendations

1.4.2 Lead Auditor

The Chief Auditor will assign a Lead Auditor to support the Chief Auditor in fulfilling their responsibilities. The Lead Auditor will:

- Act as the project manager for the audit, including supervising other audit team members, assigning work, and developing and overseeing the project schedule
- Provide regular updates on the audit to the Chief Auditor and seek their input and approval throughout the audit process

- Communicate to the Chief Auditor in a timely manner any observations made by the audit team that may pose an immediate hazard to workers, the public or the environment
- Ensure the audit is conducted in accordance with this manual, the Program Charter and the Act

1.4.3 Auditors

Auditors are assigned by the Chief Auditor to carry out and complete portions of each audit under the guidance and direction of the Lead Auditor. Auditors will:

- Complete all assigned work in accordance with this manual, the Program Charter and the Act
- Communicate significant observations to the audit team in a timely manner
- Support other audit team members by providing guidance and peer review

1.4.4 Contractors

Contractors may be used when the Audit Unit requires additional expertise to conduct an audit. Contractors may provide advice to the team throughout the audit and/or directly complete portions of the audit in collaboration with the team. Contractors will be selected in accordance with government procurement policies.

1.5 Individual Independence and Objectivity

The independence and objectivity of the Audit Unit are established and maintained through the role and powers of the Chief Auditor. The Chief Auditor makes all key decisions for the Audit Unit, and the team is organizationally separate and distinct from other regulatory functions for mining. Staff in the Audit Unit have no direct responsibilities or authorities (operational or statutory) over areas they audit.

In addition to the Audit Unit itself, audit team members need to take care to maintain their individual independence and objectivity in the course of their work.

1.5.1 Individual Independence

The independence of individual audit team members is both a state of mind and an absence of certain types of relationships. Audit team members should demonstrate both independence of mind and independence in appearance:

- Independence of Mind – the state of mind that permits the expression of a conclusion without being affected by influences that compromise professional judgement or curiosity.
- Independence in Appearance – the absence of circumstances that would cause a reasonable and informed third party, having knowledge of all relevant information, to conclude an audit team member's integrity, impartiality, objectivity or professional judgement has been compromised.

1.5.2 Individual Objectivity

Objectivity is an unbiased mental attitude. Audit team members should be objective when gathering and analyzing information and data for an audit. They should believe in their work product and not compromise on quality. Audit team members should be curious, exercise and maintain their individual professional judgement, and be mindful of cognitive biases that could impair their objectivity.

Curiosity

Curiosity refers to maintaining an inquisitive and open-minded attitude. During an audit, it is important for audit team members to be curious to avoid making assumptions or prejudgements that could impact the value or reliability of their work.

Professional Judgement

Professional judgement is essential to the proper conduct of an audit. Professional judgement involves applying knowledge, skills and experience in a way that is informed by professional standards, laws and ethical principles to develop an opinion or decision. Audit team members should exercise and maintain professional judgement throughout each audit, including in making decisions about appropriate process steps and audit methods, the sufficiency and appropriateness of findings, and the validity of conclusions and recommendations.

Cognitive Biases

Audit team members should be aware of the different types of biases that can negatively impact their objectivity and the reliability of data and information gathered during an audit. Cognitive biases often occur when a person makes faulty assumptions based on previous knowledge and/or experiences, without due consideration of the full set of facts. The following are common forms of cognitive biases that audit team members should be aware of during an audit, both in their own analyses and in any data or information received from other parties:

- Confirmation Bias – The tendency to search for, interpret or remember information that confirms one’s preconceptions, while ignoring or forgetting information contradictory to this perception.
- Anchoring/Recency Bias – The tendency to rely too much on one piece of information, often the first information obtained (anchoring).
- Pattern-Seeking Bias – The tendency to perceive meaningful patterns in ambiguous data.
- Hindsight Bias – The tendency, after the outcome of an event is known, to judge that the event in question was predictable.
- Blind Spot Bias – The tendency to believe that we are less vulnerable to biases in our judgments than other people (i.e., we are biased against the belief that we ourselves are biased).
- Social Desirability Bias – The tendency to underreport socially undesirable attitudes and behaviours and to overreport more desirable attributes. Social desirability bias is a type of response bias in which people tend to answer questions according to how their answers will be viewed by others instead of answering truthfully. Respondents may give answers that are more favorably acceptable or more in line with the popular opinion or socially correct response.

****REMINDER****

If audit team members detect bias while conducting an audit, they should acknowledge the bias and document any measures they have taken to mitigate it.

1.6 Conflict of Interest

A conflict of interest is a situation in which an audit team member has a competing professional or personal interest related to their work. Competing interests can make it difficult for audit team members to fulfill their duties in an independent and objective manner. A conflict of interest may exist even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the audit team member and the audit activity.

Audit team members should be free of any real or perceived conflicts of interest, to the extent possible.

1.6.1 Conflict of Interest Reminder

Before accepting an audit assignment, an audit team member must review the Audit Team Member Conflict of Interest document ([Appendix](#)). Under the Standards of Conduct for BC Public Service Employees, any audit team members who believe they may have a conflict of interest are required to disclose this information to their supervisor, manager or ethics advisor.

For further information on conflict of interest and disclosing a conflict, audit team members should:

- Read the [Standards of Conduct for BC Public Service Employees](#)
- Read the [British Columbia Public Service Oath of Employment](#)
- Read the [Conflict of Interest Guidelines – Questions and Answers](#)
- Read the [Disclosing a Conflict of Interest: Employee Guideline and Disclosure Form](#)
- Talk with their supervisor, manager or [ministry ethics advisor](#)

1.6.2 Managing a Conflict of Interest

When a conflict of interest is identified, audit team members must work with the Chief Auditor, their supervisor and/or ethics advisor to take steps to resolve or mitigate the conflict.

For more complex conflict of interest issues, audit team members will be directed to complete the Conflict of Interest Employee Disclosure Form as the first step in a more formal assessment process (see the employee guideline cited above that contains the disclosure form). The Ministry will review completed Conflict of Interest Employee Disclosure Forms (in consultation with the BC Public Service Agency, as necessary). Upon review, the audit team member will be provided with direction regarding any steps that must be taken to resolve or mitigate the conflict.

When a conflict cannot be sufficiently mitigated or resolved, the audit team member will not be permitted to participate in the audit.

Any retained contractors are responsible for disclosing and addressing conflicts of interest. The Audit Unit will also evaluate any declared conflicts during the procurement process.

1.7 Confidentiality

Under the Standards of Conduct for BC Public Service Employees, audit team members must not disclose, release or transmit confidential information gathered during an audit to anyone not authorized to receive that information. Personal information collected during an audit must not be disclosed unless in accordance with federal or provincial law, including the [Freedom of Information and Protection of Privacy Act](#).

1.7.1 Public Interest Disclosure Act

When receiving information during an audit from staff within the BC Public Service, audit team members should use their professional judgement to determine if the information provided may be a disclosure under the [Public Interest Disclosure Act](#). If the information provided constitutes a disclosure under the *Public Interest Disclosure Act* in the audit team member's opinion, the audit team member should refer the individual to their supervisor, designated officer, British Columbia's ombudsperson or lawyer.

For further information on what constitutes a public interest disclosure, audit team members should refer to the B.C. Public Service webpage [Knowing about Public Interest Disclosure](#).

1.8 Audit Records

Audit team members must prepare and maintain complete records for all phases of the audit process. Audit team members must ensure that all materials are retained and stored in accordance with government requirements, including:

- The [Core Policy & Procedures Manual, Chapter 12, Information Management and Information Technology Management](#)
- The [Information Management Act](#)
- The [Recorded Information Management Manual](#)
- The [Privacy Management and Accountability Policy](#)
- The [Information Security Policy and Guidelines](#)

Audit team members must ensure all information is stored in a secure manner, with access limited to Audit Unit staff, to safeguard the independence and integrity of the Audit Unit's work.

1.9 Quality Assurance and Improvement Program

The Audit Unit's Quality Assurance and Improvement Program (QAIP) will provide assurance that Audit Unit activities conform with:

- The *Mines Act*
- The Audit Unit's Program Charter
- The Reference Manual

In addition, the QAIP will set out how the Audit Unit will regularly consider and assess the efficiency and effectiveness of its activities. Consistent with the Audit Unit's commitment to continuous improvement, this work will help the Audit Unit identify and implement program improvements.

2 Practice Standards

The Practice Standards set out the Chief Auditor’s expectations for the procedures audit teams will follow throughout the audit process, including annual planning and the four phases of each audit.

2.1 Audit Overview

Each audit conducted by the Audit Unit focuses on an area of mining regulated by the Ministry. In auditing the effectiveness of the regulatory program, the Audit Unit will generally consider:

- Current regulatory requirements
- Ministry policies, programs, practices and actions
- Compliance status of regulated parties, as well as environmental and health and safety outcomes on mine sites

Consistent with Section 2.6 of the Act, at the completion of each audit, the Chief Auditor must provide a report to the Minister that includes the audit conclusions, reasons, and any recommendations for the Ministry to improve the regulatory program for mining. This report must also be published on the [Audit Unit’s website](#).

The Chief Auditor’s recommendations are non-binding. The Ministry will decide whether to accept a recommendation and how to respond. Consistent with the Audit Unit’s Program Charter, the Chief Auditor will publish the Ministry’s response to each audit alongside the audit report.

2.2 Audit Process

Following the development and publication of an annual Audit Plan, each audit will generally proceed through four phases: planning, examination, reporting and follow up. The remainder of the Practice Standards (sections 2.3 to 2.7) outline the key process steps audit teams will follow during each phase.

Auditing is an iterative process, and the audit team may not always follow a linear path through the steps presented below. While the audit process is intended to be flexible to maximize the efficiency and effectiveness of individual audits, any substantive departures from the Reference Manual must be documented and discussed with the Chief Auditor.

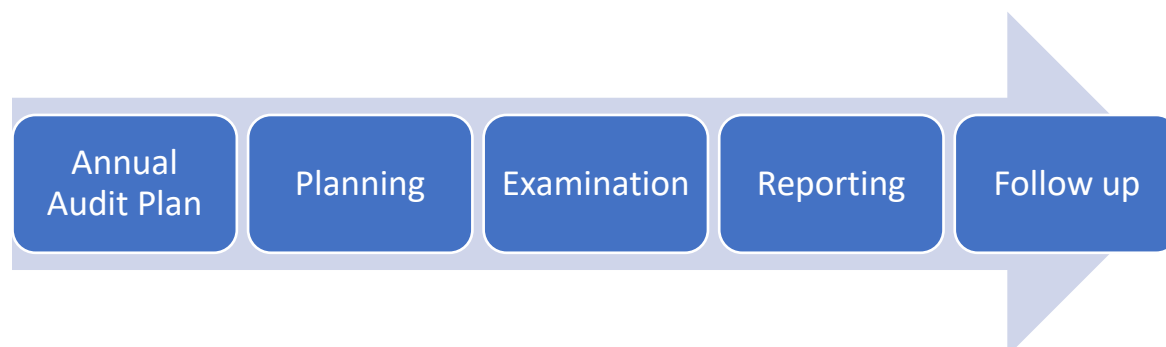


Figure 2-1: Audit Process

2.3 Annual Audit Plan

In accordance with Section 2.3 of the Act, each year the Chief Auditor must develop and publish an Audit Plan outlining the audit topics the Audit Unit will prioritize in that year. The Audit Plan will be published on the Audit Unit’s website.

To support the Chief Auditor in fulfilling this obligation, the Audit Unit will conduct an annual planning process to identify priority topics for the Chief Auditor’s consideration. During the annual planning process, the Audit Unit will engage with Ministry staff, Indigenous peoples and interested parties (e.g., industry, labour representatives, non-governmental organizations and other regulatory bodies).

2.3.1 Annual Planning Cycle

The process the Audit Unit will follow in developing the Audit Plan is outlined below. In addition to identifying and prioritizing new topic areas, the annual planning cycle may identify and prioritize audits that assess the Ministry’s progress against previous audit recommendations.

Step 1	Identify Potential Topics	The Audit Unit will identify potential audit topics on an ongoing basis, using multiple information sources, including trend data, monitoring for emerging or recurring issues, and previous audit findings. The Audit Unit will also accept topic suggestions from other government staff and external parties, including Indigenous peoples.
Step 2	Mandate Screening	The Audit Unit will screen topics to ensure they align with the Audit Unit’s mandate. Topics unrelated to the Audit Unit’s mandate will be screened out from further consideration. The Audit Unit will redirect any screened-out topics to the responsible Ministry program area or public body, where appropriate. The Audit Unit will log topics that do not currently align with its mandate (e.g., related to the work of other ministries) or require further investigation. Potential topics aligned with the Audit Unit’s current mandate will move forward in the process.
Step 3	Subject-Matter Categorization	The Audit Unit will separate potential topics into categories, based on overarching themes, such as environmental protection and worker health and safety. Each category of topics will be evaluated and prioritized separately. This categorization will help ensure that the Audit Plan includes a variety of topics and makes the most effective use of Audit Unit resources.
Step 4	Topic Research	The Audit Unit will conduct research to understand potential topics, including the current regulatory framework, trends and potential areas of interest or concern.
Step 5	Prioritization and Topic Shortlist	The Audit Unit will prioritize its current list of topics, both new topics received and those considered in previous years, with the intent of developing a shortlist for the Chief Auditor’s consideration.

Topics will be prioritized based on the following factors:

- Value – The potential benefit of performing an audit of the topic to provincial mining regulation

- Interest – Different perspectives about the topic and its relative importance to Indigenous peoples and interested parties
- Auditability – The Audit Unit’s ability to complete an audit of the topic given available resources, expertise, and data and information

Step 6	Chief Auditor Decision	The Chief Auditor will decide on the topics to include in the Audit Plan, with consideration of the priority topics generated during Step 5, as well as the Audit Unit’s current resources and expertise. The Audit Unit will preserve any topics that are not selected by the Chief Auditor for consideration in later years.
Step 7	Publish the Audit Plan	Under the direction of the Chief Auditor, the Audit Unit will prepare the Audit Plan, which will identify the priority audit topics for the year. The Chief Auditor will publish the Audit Plan on the Audit Unit’s website, in accordance with Section 2.3(b) of the Act.

The Chief Auditor will review and adjust the Audit Plan, as necessary, in response to changes in the Ministry’s business, risks, operations, programs, systems and controls, as well as emerging industry trends.

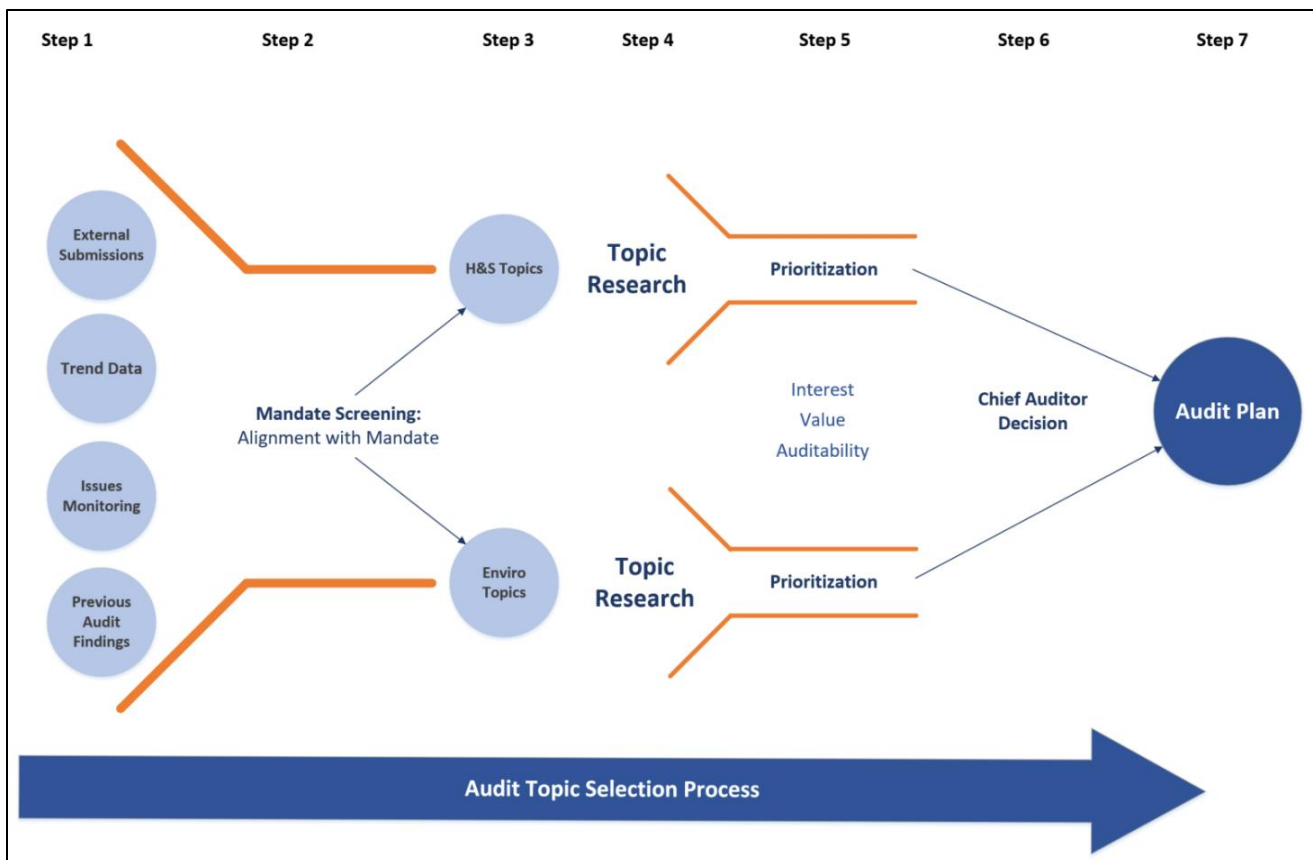


Figure 2-2: Annual Audit Topic Selection Process

2.4 Planning

Audit topics included in the Chief Auditor's annual Audit Plan will generally be broad and need to be refined to support a targeted, workable audit. Like any project, each audit begins with a planning phase. During the planning phase, the audit team will develop a detailed plan for the audit.

After the Chief Auditor selects the audit team, the team will generally complete the following steps during the planning phase:

1. Meet with the Ministry
2. Collect information to increase the audit team's knowledge of the audit topic
3. Develop an audit objective that defines the logic and purpose of the audit
4. Select an appropriate focus for the examination phase (i.e., audit scope)
5. Set the audit design, including defining the audit criteria, questions and approach
6. Confirm resource needs and develop a schedule for the examination and reporting phases
7. Prepare and seek Chief Auditor approval on a Terms of Reference and the Audit Program – the detailed plan for the audit that will be implemented during the examination phase

2.4.1 Audit Team Selection

Collectively, the audit team should be multidisciplinary and have the necessary professional competencies to perform the audit – this includes knowledge of auditing, relevant mining practices, research design and study or evaluation techniques. See Section 1.4 of this manual for the roles and responsibilities of audit team members.

The Chief Auditor appoints all members of the audit team. The Chief Auditor will assign sufficient resources to each audit team to complete the work and satisfy the standards and procedures set out in this manual. At minimum, audit teams will consist of a Lead Auditor and a supporting Auditor to ensure multiple viewpoints and to minimize impediments to objectivity. Where necessary and subject to available resources, the Chief Auditor may retain a contractor to provide expertise to the audit team.

2.4.2 Ministry Communications

When beginning formal work on an audit, the audit team will reach out to the Ministry to discuss the planning phase, including roles and responsibilities, expected information and data needs, and timelines. The audit team will also meet with the Ministry at the end of the planning phase to discuss planning outcomes and next steps for the examination phase.

2.4.3 Knowledge of Business

Knowledge of business is the exploratory stage of planning. The purpose of knowledge of business is for the audit team to develop an understanding of the audit topic within the context of the regulatory program in B.C., including relevant sources of information. At the end of the knowledge of business stage, the audit team should have enough knowledge and information to prepare the Audit Program.

The audit team should use multiple information sources to gain an understanding of the audit topic, including, but not limited to:

- The Ministry's legislation, regulations, internal and external policies and guidance, and the Health, Safety and Reclamation Code for Mines in B.C. (the Code)
- Prior assessments, plans and/or reports of the topic-area or process under review
- Information and opinions from Ministry staff, Indigenous peoples, subject matter experts and interested parties
- Ministry permitting, compliance and incident data
- Other information sources, such as literature and reports from other governments or Indigenous organizations, industry and non-governmental organizations

Reviewing Legislation, Regulations, Code and Policies

To effectively plan the audit, the audit team needs to gain a sufficient understanding of the relevant legislation, regulations, Code provisions and policies pertaining to the audit topic.

Some of the documents and information sources that the audit team may use to gain an understanding of the regulatory program are:

- The [Mines Act](#)
- The [Mineral Tenure Act](#)
- The [Coal Act](#)
- The [Health, Safety and Reclamation Code for Mines in B.C.](#)
- Supporting regulations and authorizations issued pursuant to an Act
- Internal Ministry policies and procedures documents
- External Ministry policies and information bulletins
- The legislation, regulations or policies of other provincial or federal bodies

Although the Audit Unit's mandate is focused on areas within the Ministry's jurisdiction, the audit team should also consider the roles of other regulatory bodies in relation to the audit topic.

Reviewing Prior Assessments, Plans and Reports

Relevant information about the audit topic may be documented in previous assessments or other organizational documents:

- *Documentation from Previous Audits* – Audit team members may review Audit Unit documentation from previous audits to gather information about the processes and controls that were in place during previous assessments. Reviewing previous documentation, including Ministry progress updates, also enables audit team members to learn about any corrective actions taken by the Ministry to address previous audit findings and/or recommendations.
- *Reports by Other Assurance Bodies or Consulting Service Providers* – Audit team members may rely on work performed by other internal or external assurance bodies or consulting service providers. This may include work from the Auditor General, IAAS (Ministry of Finance) or other reviewers (e.g., private sector consultants engaged by the Ministry). The audit team's ability to rely on others' work is dependent on whether the audit team is satisfied that the work is relevant and of sufficient validity and reliability.

- ***Ministry Plans and Reports*** – Audit team members may review internal and external plans and reports prepared by the Ministry, such as annual Ministry Service Plans, annual reports by the Chief Inspector of Mines and Ministry risk registers. These documents may help audit team members develop a better understanding of Ministry objectives, priorities and risks.

Determining and Engaging Indigenous Peoples and Interested Parties

The audit team should determine relevant Indigenous peoples and interested parties early in the knowledge of business stage by considering who could impact, or be impacted by, the results of the audit. The audit team should continue to review and update this list throughout the audit.

After identifying Indigenous peoples and interested parties, the audit team should determine an engagement plan for when/how they will be engaged. The purpose of engaging with Indigenous peoples and interested parties is to solicit their opinion or feedback on aspects of the audit and/or to provide updates on an audit's progress or results. Engagement may be conducted through various methods, including interviews, surveys or focus groups. The audit team must document each engagement.

Ministry Permitting, Compliance and Incident Data

Ministry permitting, compliance and incident data may provide the audit team with insights into current or past outcomes in the mining sector and Ministry performance.

The audit team may get data from:

- Ministry data systems
- Existing permits and permit conditions
- Investigation and incident reports

Other Information Sources

Audit team members may consider gathering documentary information about the audit topic from other sources, such as:

- Industry and professional best practice guidelines
- Manufacturer specifications Safety bulletins
- Indigenous authored reports
- Non-governmental organization reports
- Media reports
- Literature reviews
- Jurisdictional scans
- Safety standards

2.4.4 Audit Objective

The objective forms the basis of the audit. The objective states the subject matter under examination and how performance will be assessed. A clear audit objective supports the development of the audit design, particularly the audit criteria.

When developing an objective, the audit team should ensure the objective statement is:

- Aligned with the audit topic, as published in the Audit Plan
- Clear and specific (i.e., uses plain language)
- Neutrally stated
- Time bound, if possible
- Specific (i.e., can be answered, in totality, by audit criteria)
- Feasible (i.e., a conclusion can be reached given the time, resources and evidence available)
- Involves a judgement (e.g., “to determine whether”)
- Adjective-free (e.g., “appropriate,” “reasonable,” “adequate,” “timely”)

Audits can include more than one objective (or sub-objectives). However, audit teams should try to keep objectives to a single statement. This approach makes it easier to develop a conclusion that clearly and concisely answers the objective.

Below is an example of an audit objective from a previous audit conducted by the Audit Unit:

To determine whether the 2016 Code revisions pertaining to tailings storage facilities were consistent with the direction given to the Code Review Committee, have provided the Ministry with clear and enforceable regulations that are consistent with engineering best practice and among the best in the world, are systematically verified and enforced by the Ministry, and are being complied with by industry.

2.4.5 Audit Scope

Scope refers to *what* the audit team ultimately audits, including (but not limited to): relevant regulatory requirements, policies, activities, processes, systems or functions. Scope also broadly captures key questions, such as *who* (e.g., subsets of Ministry staff, mining subsectors), *when* (the period covered) and *where* (geographic areas considered).

During planning, the audit team will select an appropriate scope for the examination. In making scoping decisions, audit teams may consider multiple factors, such as:

- The relative importance or significance of different focus areas
- Interests and concerns from Indigenous peoples and interested parties
- Linkages and interdependencies among potential focus areas
- Availability of data and information
- Team resources and expertise

2.4.6 Audit Design

Flowing from the audit objective and scope, the audit design sets out *how* the audit will be conducted during the examination phase. The audit design organizes the audit into discrete lines of inquiry, sets criteria and questions for evaluation, and establishes an approach to gathering and analyzing data and

information. The breakout box at the end of this section provides a high-level example of an audit design across one line of inquiry.

Lines of Inquiry

Lines of inquiry represent the overarching themes of the audit design process. The audit team will generally include the following lines of inquiry in their audit design:

- *Current Regulatory Requirements* – the state of relevant regulatory requirements, as well as any supporting guidance materials
- *Ministry Actions* – policies, programs, practices and performance by the Ministry, including (but not limited to): compliance verification, enforcement, outreach and education, and staff training
- *Mining Sector Outcomes* – the compliance status of regulated parties, as well as environmental and health and safety outcomes on mine sites

Criteria

Audit criteria describe the desirable situation, expected performance or the situation that should exist with respect to the areas being examined during the audit (i.e., “what should be”).

Criteria form the basis of evaluation during the audit. During examination, the audit team collects and analyzes data to determine whether the current situation or performance aligns with the criteria set out during planning. As a package, the audit criteria should answer the audit objective in totality.

To identify relevant and reliable criteria in relation to the audit objective, the audit team may consider a variety of potential sources, such as self-regulating professions, professional associations' standards, generally recognized industry norms, accepted good practice and generic management control frameworks. At minimum, the audit team should consider metrics or indicators set out in Ministry publications, legislation, policies, guidelines and standards. The audit team can also look to previous audits conducted by the Audit Unit for guidance and examples.

Questions

Audit questions refer to the questions the audit team needs to answer to understand the existing condition in relation to the audit criteria. These questions should amount to all the questions required to reasonably examine the audit criteria.

Audit questions should be relevant, clear, concise, auditable, impartial and answerable. Additionally, these questions should be mutually exclusive, and taken together, should answer the totality of the audit criterion under assessment. Generally, an audit criterion will require three to five audit questions to ensure a fulsome assessment. If there is only one question for a particular criterion, this may indicate that the criterion is too specific and warrants revision.

Approach (Data Collection and Analysis)

Once the audit objective(s), scope, criteria and questions are established, the audit team will develop an approach for each criterion that describes the data or information required to answer the audit questions and the methods for data collection and analysis. The audit approach should:

- Determine the Data and Information Needs and Sources – The audit team should consider:
 - The data/information needed to determine current conditions and develop an audit conclusion with a high degree of assurance
 - Whether this data/information exists
 - If the data/information is sufficient to stand alone or if corroborating data/information will be required
 - The feasibility of primary data/information collection by the audit team
 - Secondary sources of data/information
- Determine the Best Possible Collection Methods – The audit team should consider the availability of the data/information, the amount that is available, how it can be accessed and the level of detail required.
- Determine the Analysis Techniques – The audit team should determine which analytical techniques will be used to analyze the data and information collected, with the goal of determining current conditions.

****AUDIT DESIGN EXAMPLE****

Line of Inquiry: Current regulatory requirements

Criteria: Code requirements are clear

Questions: Are the Code provisions being interpreted differently by different parties?

Approach: Interviews and/or surveys with Ministry staff and regulated parties

2.4.7 Resources and Schedule

Once the audit team has determined the audit objective, scope and design, the audit team will:

- Review the audit team’s composition with the Chief Auditor to ensure it has the right mix of knowledge, skills and competencies to conduct the audit
- Ensure any proposed expenses (e.g., travel, training, contractors, purchase of standards or external publications) can be managed within the Audit Unit’s current budget
- Develop a schedule for the examination and reporting phases

2.4.8 Risks to the Audit

To ensure the audit is completed efficiently and effectively, the audit team will identify, analyze and plan for potential risks to the audit. The following summarizes some areas that the audit team should consider when identifying potential risks:

- Resources
- Schedule
- Information sources
- Biases or conflicts of interest
- Alignment with other initiatives

2.4.9 Audit Program and Terms of Reference

Collectively, the work completed by the audit team during the planning phase establishes the Audit Program – the detailed plan for the audit that will be implemented during examination. The audit team will document the Audit Program and provide it to the Chief Auditor for their review and approval.

Throughout examination, the audit team may review and update the Audit Program based on learnings and new information gathered. If the audit team makes changes to the Audit Program, these changes must be documented. Substantive changes, such as those that impact the audit objective, scope or criteria, must be approved by the Chief Auditor.

The audit team will also prepare a Terms of Reference for the audit, summarizing key information such as the audit objective. Once approved, the Chief Auditor will publish the Terms of Reference on the Audit Unit's website.

****REMINDER****

Audit Alignment

Audit team members must ensure every audit has alignment between each step. Alignment is the ability to see from the recommendations and conclusion all the way back to the objective, with every step in between in view. Alignment provides the audit team the ability to present and defend their work and ensures that the standards and guidance within this manual have been followed.

Recommendations → Conclusion → Findings → Audit Approach → Audit Questions → Audit Criteria →
Audit Objective

2.5 Examination

During examination, the audit team will follow the Audit Program and complete the following steps:

- Develop evidence
- Develop findings
- Develop an audit conclusion

2.5.1 Evidence

Using the methods outlined in the Audit Program, the audit team will collect and analyze data and information to develop evidence about the audit topic. The audit team will then develop findings by comparing current conditions (evidence) to the audit criteria.

There are four types of evidence that may be used within an audit:

- Physical Evidence – Based on primary data collected by the audit team (e.g., first-hand observations)
- Documentary Evidence – Based on data collected from secondary sources (e.g., existing reports and databases)

- Testimonial/Oral Evidence – Based on data from statements obtained through engagements (e.g., surveys, focus groups or interviews)
- Analytical Evidence – Created by manipulating other types of evidence (e.g., supporting physical, documentary or testimonial evidence) to create new evidence

Ensuring Quantity and Quality of Evidence

All audit findings must be supported by evidence of sufficient quantity and quality; as such, the audit team needs to collect and analyze data and information of sufficient quantity and quality. The audit team should plan for this when developing the Audit Program.

Evidence of sufficient quantity is such that, if taken as a whole, it would be enough to persuade a reasonable person that the audit findings, conclusion and recommendations are accurate and supported.

Evidence of sufficient quality has three attributes:

- Validity – Refers to the extent to which the evidence provides a meaningful or reasonable basis for measuring what is being evaluated; the evidence should accurately reflect the state of the area under consideration (e.g., the state of compliance, the clarity and enforceability of Code provisions)
- Reliability – Refers to the extent to which the audit evidence is supported by corroborating data from a range of sources and produces the same audit findings when tested repeatedly
- Relevance – Refers to the extent to which the audit evidence is linked in a clear and logical way to the criteria and objective(s)

The audit team should be aware of the potential limitations in the quantity or quality of their evidence. Any limitations should be documented in working papers.

Working Papers

The audit team will document their data collection and analysis, together with the resulting evidence, in working papers. Working papers are used to:

- Outline the methods used for analysis
- Justify and provide proof of work carried out
- Assist the audit team in responding to questions about coverage or results
- Facilitate quality assurance reviews

The audit team should include enough information in working papers about the work completed so that a reviewer can examine and confirm the analyses for quality assurance purposes.

2.5.2 Findings

After the audit team has developed evidence of the current conditions, the audit team can then formulate findings by comparing the current conditions to the audit criteria. See Figure 2-3 for the process on formulating a finding.

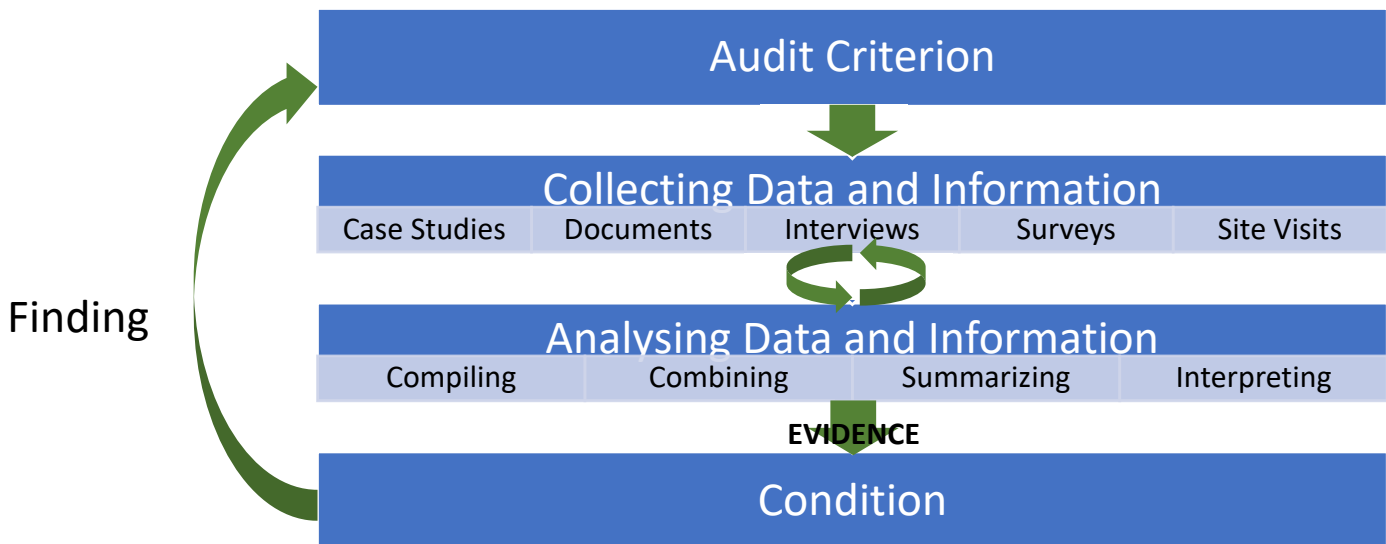


Figure 2-3: Formulating a Finding

Findings can be grouped into three general categories:

- Confirmation finding: the existing condition aligns with the criterion
- Positive finding: the existing condition exceeds the criterion
- Negative finding: the existing condition falls below the standard set by the criterion

For any negative findings, the audit team should try to determine the cause (i.e., the reason for the difference) and the effect (i.e., the consequence of the difference). Where known, cause and effect are important factors to consider when developing the audit conclusion and recommendations.

2.5.3 Audit Conclusion

Once the audit team has generated the entire collection of findings for the audit, the audit team will develop the audit conclusion and state whether the regulatory program meets the standard set out by the audit objective. The audit team should weigh the findings in totality against the audit objective to determine and summarize the overall audit conclusion.

The audit team should maintain objectivity and use a fair and balanced approach to reporting the findings, including being careful to not over- or under-state the situation. All finding types are important and should be considered holistically to provide an accurate depiction of the current state of the regulatory program.

The framing of the audit conclusion may take a variety of forms that will depend on the findings. For example, if the findings are consistently confirmative, positive or negative, then the conclusion will likely be as such. However, if the findings are more mixed, this may result in a more qualified conclusion statement.

The audit team should draft the conclusion as an overarching statement about the performance of the regulatory program with respect to the audit topic and the objective. Where necessary, the audit team may also outline the conclusion with respect to the individual components of the objective.

2.6 Reporting

During the reporting phase, the audit team will develop an audit report documenting their findings, conclusion and any recommendations for the Ministry.

During the reporting phase, the audit team will generally complete the following steps:

- Conduct exit meetings with relevant Ministry staff
- Formulate recommendations
- Draft the audit report
- Engage with Indigenous peoples and interested parties
- Provide the audit report to the Chief Auditor for approval
- Finalize the audit record

Once approved, the Chief Auditor will provide the audit report to the Minister and publish it on the Audit Unit's website in accordance with Section 2.6 of the Act.

2.6.1 Ministry Exit Meetings

During the reporting phase, the audit team and the Chief Auditor will engage with the Ministry. These engagements will be conducted primarily through exit meetings with relevant Ministry staff.

Exit meetings should be initiated early in the reporting phase and are designed to present the audit findings and conclusion to Ministry staff. During these meetings, the audit team and Ministry staff will discuss the audit findings and conclusion, providing Ministry staff with the opportunity to ask questions, provide comments, and confirm or clarify facts. Information received during these meetings will be considered and documented by the audit team. This information may provide further insights into audit findings and support the audit team as they develop recommendations and write the audit report.

The Ministry will also be provided with the opportunity to review and comment on a draft version of the audit report to ensure facts and evidence are properly presented.

2.6.2 Recommendations

Based on the audit conclusion, findings and Ministry engagement, the audit team may provide recommendations to the Ministry to support improvements to the regulatory program. Recommendations should be achievable and linked to the audit objective, criteria, findings and conclusion. Where possible, they should also address the underlying cause of the finding they correspond to.

While recommendations may provide the Ministry with general direction, ideas and/or options for implementation, the audit team should avoid being too prescriptive. As the body responsible for implementing the recommendations, the Ministry should generally be given the flexibility to consider different ways to address the risks identified during the audit. If recommendations are too directive, this could also impact the Audit Unit's objectivity during a follow up audit.

****REMINDER******Audit Alignment**

Audit team members must ensure every audit has alignment between each step. Alignment is the ability to see from the recommendations and conclusion all the way back to the objective, with every step in between in view. Alignment provides the audit team the ability to present and defend their work and ensures that the standards and guidance within this manual have been followed.

Recommendations → Conclusion → Findings → Audit Approach → Audit Questions → Audit Criteria →
Audit Objective

Recommendations are non-binding. The Ministry will decide whether to accept a recommendation and how to respond.

2.6.3 Ministry's Response

The Ministry will provide a response to each audit to accompany the public release of the final report. The response provides the Audit Unit and the public with the Ministry's official statement on the audit and may include an action plan outlining how the Ministry intends to address any audit recommendations. The Chief Auditor will publish the Ministry's response to each audit on the Audit Unit's website.

As noted under section 2.7.1 of this manual, the Ministry will provide the Chief Auditor with annual written progress updates on any actions taken to address previous audit recommendations.

2.6.4 Engagement with Indigenous People and Interested Parties

Prior to or following the finalization and release of the audit report, the audit team may engage with Indigenous peoples and interested parties who were involved in the audit or who may be affected by or interested in the audit findings, conclusion and recommendations.

2.6.5 Audit Report

The audit report is the Audit Unit's primary tool to communicate the audit results to the Minister and the public. The audit report should be comprehensive, well-reasoned, timely, reader-friendly and balanced. Per Section 2.6 of the Act, the audit report must include, at minimum, the following:

- The conclusions reached by the Chief Auditor
- The Chief Auditor's reasons for those conclusions
- The Chief Auditor's recommendations, if any, arising from the audit

Approval and Release of an Audit Report

The audit team will provide the final audit report to the Chief Auditor for their review and approval. After the Chief Auditor approves the audit report, they will provide it to the Minister and publish it on the Audit Unit's website.

2.6.6 The Audit Record

Per section 1.8 of this manual, audit team members must develop and maintain complete records for all phases of the audit process. Records management should be an ongoing activity that begins in the planning phase. The end of the reporting phase provides an opportunity for audit team members to review the audit record to ensure they have retained documentation demonstrating:

- Significant decisions
- The way the audit was approached and carried out
- Evidence supporting the audit findings, conclusion and recommendations

The audit record must be sufficient such that a reasonably knowledgeable person reviewing the files will reach similar findings, conclusions and recommendations. All files must be retained and stored in accordance with relevant government records management policies and procedures.

2.7 Follow up

The follow up phase is generally a multi-year process that follows the release of the audit report and the receipt and publication of the Ministry's response. During this phase, the Audit Unit will monitor the Ministry's actions in relation to the audit recommendations.

2.7.1 Progress Updates

Unless otherwise mutually agreed, the Ministry will provide the Chief Auditor with annual written progress updates on any actions taken to address previous audit recommendations. The Audit Unit will not provide any commentary on these progress updates. Per the Audit Unit's Program Charter, the Chief Auditor will publish these updates on the Audit Unit's website.

2.7.2 Follow up Audits

The Audit Unit may verify and assess the Ministry's progress in relation to previous audit recommendations. A follow up audit will be subject to the standards and procedures in this manual and may not revisit the full scope of the initial audit.

The decision whether to pursue an audit will be determined by the Chief Auditor during the annual planning process and published in the applicable annual Audit Plan.

Appendix: Audit Team Member Conflict of Interest

To ensure the Audit Unit produces quality work that is free from conflict, audit team members must perform audit activities with objectivity. They must be impartial and unbiased in collecting and reviewing information and developing and presenting conclusions and recommendations.

PURPOSE

The purpose of this document is to remind audit team members that, as employees in the BC Public Service, you are required under the Public Service Oath Regulation and Standards of Conduct to avoid conflicts of interest. Employees must arrange their private affairs in a manner that will prevent real, perceived or potential conflicts of interest from arising. Employees also have an obligation to proactively disclose information to their manager (or ethics advisor) regarding circumstances that may give rise to a real, perceived or potential conflict of interest so that any such conflict may be assessed and appropriately addressed. Effectively managing conflicts of interest is one of the primary ways that public confidence in the integrity of the Audit Unit, and the public service more broadly, is fostered and maintained.

Similar to the BC Public Service employees of the Audit Unit, any retained contactor is responsible for disclosing and addressing a conflict of interest. The Audit Unit will also evaluate any declared conflicts during the procurement process.

IDENTIFYING A CONFLICT OF INTEREST

The Standards of Conduct define a conflict of interest as a situation where an employee's private affairs or financial interests are in conflict, or could result in the perception of conflict, with the employee's duties or responsibilities in such a way that:

- the employee's ability to act in the public interest could be impaired; or
- the employee's actions or conduct could undermine or compromise:
 - the public's confidence in the employee's ability to discharge work responsibilities; or
 - the trust that the public places in the BC Public Service.

Conflict must not exist between employees' private interests and the discharge of their BC Public Service duties. BC Public Service employees must arrange their private affairs in a manner that will prevent real, perceived, or potential conflicts of interest from happening.

To identify whether you may be in a real, perceived or potential conflict of interest, please review the conflicts of interest section in the Standards of Conduct for BC Public Servants and the related guideline entitled ["Disclosing a Conflict of Interest: Employee Guideline and Disclosure Form."](#)

In addition, you should consider the following questions for further guidance regarding whether you may be in a conflict of interest specific to your duties as an audit team member:

- Am I, or is someone close to me (e.g., a family member, a friend or business partner) likely to be directly affected (negatively or positively) by the outcome of the audit?
- Do I have an interest in, hold a position in or previously held a position in (), an organization or company that may be affected by the audit?

- Have I, in a previous employment position, written or provided advice/feedback on any aspect of the regulatory program (e.g., guidelines, policy, regulations, legislation) conceivably related to the audit topic?
- Have I, in a previous employment position, had regulatory responsibilities related to the audit that may unduly influence my ability to exercise professional judgement?
- Do I hold any personal or professional views or biases that may impede my ability to exercise professional judgement and curiosity during the audit?
- Could my participation on the audit create a conflict of interest as defined by the BC Public Service Standards of Conduct?

If the answer to any of the above questions is 'yes', you may be in a real, perceived or potential conflict of interest. You may also determine that you may be in a real, perceived or potential conflict following a review of the Standards of Conduct and/or the employee guideline regarding conflicts of interest. In either case, please follow the process below to disclose and address the possible conflict.

DUTY TO REPORT

Pursuant to the Standards of Conduct, all employees who believe they may be in a conflict of interest are required to disclose this information to their supervisor, manager or ethics advisor. An employee who fails to comply with this requirement may be subject to disciplinary action up to and including dismissal. If you have questions about your duty to report:

- Read the [Standards of Conduct](#).
- Read the [Conflict of Interest Guidelines – Questions and Answers](#).
- Read [Disclosing a Conflict of Interest: Employee Guideline and Disclosure Form](#).
- Talk with your supervisor, manager or [ministry ethics advisor](#).

DISCLOSURE AND ASSESSMENT PROCESS

Once an employee becomes aware of a possible conflict of interest, they must disclose this as soon as possible (and no later than 30 days) to their supervisor, manager or ethics advisor. Where the issue is straightforward, your manager or ethics advisor may direct you to take steps to resolve or mitigate the conflict.

For more complex issues, you will be directed to complete the Conflict of Interest Employee Disclosure Form as the first step in a more formal assessment process (see the employee guideline cited above that contains the disclosure form).

Once you have made your disclosure, it will be reviewed by the Ministry (in consultation with the BC Public Service Agency, as necessary) and you will be provided with direction regarding any steps you must take to resolve or mitigate the conflict.

When a conflict cannot be sufficiently mitigated or resolved, the audit team member will not be permitted to participate in the audit.