2010-2011 Departmental Audit Committee Annual Report

March 2011

March 31, 2011

Daniel Jean
Deputy Minister
Canadian Heritage

As Chair of the Departmental Audit Committee, it is my pleasure to present the third annual report of the Committee covering the fiscal year 2010-2011. The annual report summarizes the activities of the Departmental Audit Committee and provides our assessment of the areas under the Committee's responsibility. This report was produced by the Audit Committee with all three members playing an active role in shaping its content.

The Committee deeply appreciates the professionalism, the commitment and the competence of Canadian Heritage staff at all levels. As Chair, my work has also been made easy by the continued contribution of the other two members of the Committee: Nola Buhr and Robert Martin. Their insight, expertise and dedication are notable and I acknowledge their ongoing hard work and valued contribution.

The Committee looks forward to continuing its work in the next fiscal year and to build further on the excellent working relationship already established between the Department and the Departmental Audit Committee.

Sincerely,

Original signed by

Donald J. Savoie, DAC Chair

Cc: ADM, Planning and Corporate Affairs
       Chief Audit and Evaluation Executive
       Audit Committee Members

I acknowledge receipt:_____

                          Daniel Jean

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1.0 Introduction

1.1 Background

This is the third annual report of the Departmental Audit Committee (DAC) for the Department of Canadian Heritage (PCH).

The Committee is an essential part of the governance and audit regime established by the Treasury Board of Canada's (TB) *Policy on Internal Audit*. The Committee's purpose is to provide objective advice and recommendations to the Deputy Minister regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Department's risk management, control and governance frameworks and processes. The Committee exercises oversight of core areas of Departmental control and accountability, in an integrated and systematic way.

Management is responsible for establishing and maintaining internal controls over financial and material assets of the Department and for ensuring, through good governance and strategic direction, the achievement of the Department's mandate and objectives. The DAC assists management in pursuing these tasks and responsibilities.

1.2 Committee Membership

The Committee consists of three external members who were selected according to their competence, knowledge and experience. The Chair of the Committee is Donald J. Savoie, Canada Research Chair in Public Administration and Governance at the Université de Moncton and the members are Nola Buhr, Professor at the Edwards School of Business, University of Saskatchewan and Robert Martin, from Montreal, a consultant in financial management and business development

Ex-officio members to the Committee include the Deputy Minister and the Associate Deputy Minister (whenever one is assigned to the Department). Required attendees for each meeting include the Chief Audit and Evaluation Executive, the Chief Financial Officer, the Director, Audit and Assurance Services, and the Director, Committees Secretariat and Management Services.

2.0 Summary of Activities

2.1 DAC Meetings and Work Planning

The Committee met eight times during the 2010-2011 fiscal year.

- April 30, 2010
- May 25, 2010 (teleconference – contextual briefing)
- June 17-18, 2010
- August 6, 2010 (teleconference)
- October 1, 2010 (teleconference – contextual briefing)
- October 21-22, 2010
- February 1, 2011 (teleconference – contextual briefing)
- February 24-25, 2011

The contextual briefing teleconference meetings served to provide members with background information prior to each meeting to enable them to appreciate better the findings of the audit reports.

2.2 DAC Terms of Reference and Self-Assessment

The *Canadian Heritage Departmental Audit Committee Terms of Reference* provides guidance on the Committee's membership, operations, responsibilities and reporting requirements. The DAC Terms of Reference were reviewed and updated during 2010-2011 with the final version tabled and approved at the February 2011 meeting.

The Committee completed its annual self-assessment exercise with ex-officio members assessing the Committee's performance through a separate questionnaire. In summary, members felt they were well-supported by the Department and generally able to address their eight key responsibilities. Ex-officio members felt that DAC members provided effective, valuable and independent advice, guidance and assurance to the Deputy Minister. They also acknowledged that the DAC made an important value-added contribution.

2.3 Other Committee Business

The Committee received updates and briefings on the following topics:

- Evaluation Activities Status Reports;
- Updates on Access to Information and Privacy (ATIP) requests for internal audit;
- The DAC Input Process on the Report on Plans and Priorities (RPP);
- The Annual Assurance Reporting Tool;
- Evaluation and Audit Coverage;
- Committee document management; and
- The Information Commissioner of Canada's 2008-2009 Report Card.

3.0 Core Responsibilities

This section of the report describes the eight core responsibilities assigned to the DAC by the TB *Directive on Departmental Audit Committees* : values and ethics, risk management, management control framework, the Internal Audit Function, liaison with the Office of the Auditor General (OAG) and Central Agencies, follow-up on management action plans, financial statements and public accounts reporting, and accountability reporting.

3.1   Values and Ethics

The DAC reviews management policies and practices to promote public service values and to ensure compliance with laws, regulations, policies, and standards of ethical conduct.

In October 2010, the Human Resources and Workplace Management Branch presented the Department's three-year action plan on values and ethics to the Committee for information. To continue to build on the *Values and Ethics Framework* developed in 2009-2010, the Committee asked that the Branch present its new *Code of Conduct* as well as its Vision Statement. In February 2011, The Human Resources and Workplace Management Branch provided information and an update on the development of the PCH organizational *Code of Values and Ethics* including the PCH *Statement of Values* and the *Conflict of Interest and Post-Employment Policy*.

The Committee acknowledges progress made against the *Values and Ethics Framework* in defining the working elements. In addition, the Committee recognizes that reconciliation remains to be completed between the Values and Ethics code for the public sector and the PCH *Code of Values and Ethics*.

As part of our work, it is our intention to continue to meet annually with the Ombudsman to review his or her annual report.

3.2   Risk Management

The DAC continues to review the Corporate Risk Profile and Departmental risk management arrangements.

At the June 2010 meeting, the Integrated Risk Management Services group briefed the Committee on risk identification activities for 2010-11 and presented a summary progress report on mitigation actions for the risks contained in the *2008-09 Corporate Risk Profile*. The Committee requested a review of the PCH *Corporate Risk Profile* plans for a subsequent meeting.

At the October 2010 meeting of Committee, the Strategic Policy, Planning and Corporate Affairs Branch presented an overview and next steps of the *2010-2011 Corporate Risk Profile* for information. The Committee asked that the Branch tables a more detailed inventory of risk information supporting the *Corporate Risk Profile*. The Committee wishes to see improvements made to risk management. The Corporate Risk Profile is too vague, consisting of general

statements lacking substantial mitigation measures. In addition, not all risks have been identified and assessed.

The Department continues to utilize an applied operational Project Risk Assessment and Management (PRAM) tool to manage grant and contribution funding projects. PRAM's purpose is to make risk-based decisions in managing funding projects, while reducing administrative burden on recipients with low-risk projects. This initiative is intended to address expectations under the Treasury Board *Policy on Transfer Payments* and also provide management a wider picture of risks across the organization.

The Committee believes that it is important to maintain an approach to risk management that allows the Department to exercise due diligence and informed risk-based decisions and avoid a cumbersome administrative control regime.

A change in the reporting relationship for the risk management function from the OCAEE to the Strategic Planning and Policy and Research Branch has been made, effective at the start of the 2010-2011 fiscal year. The action results from a previous Committee recommendation to alter the reporting relationship because of a potential conflict of interest given that the Chief Audit Executive was also responsible for Departmental risk management. This change has resulted in improved clarity on roles and responsibilities.

3.3   Management Control Framework

The DAC reviews Departmental internal controls. In its previous report, the Committee expressed a desire to receive additional information on the Department's internal controls to fulfill its responsibilities.

At the June 2010 meeting, the PCH Financial Management Branch (FMB) presented an *Internal Control over Financial Reporting Framework* as well as a *Statement of Management Responsibility* to accompany the Department's Financial Statements for review and comment. The Committee provided comments and the Branch presented the modified documents to the Committee via teleconference in August 2010.

We expect that FMB will continue to implement the *Policy on Internal Control* (i.e. evaluation of the design effectiveness of control activities, determination of the operating effectiveness of control activities, and evaluation of internal control deficiencies) and report to the Committee on progress.

The Committee continues to feel it requires additional information on Departmental internal controls.

3.4   Internal Audit Function

3.4.1 Internal Audit Charter

During the year the Committee reviewed the *Canadian Heritage Internal Audit Charter*, suggested changes and recommended approval by the Deputy Minister. The Committee understands that this document complies with the Treasury Board

Policy on Internal Audit and will continue to review the *Charter* periodically to ensure that it remains current.

3.4.2 Annual Risk-Based Audit Plan

In October 2010, the CAEE provided a mid-year update to the Committee on the progress made in implementing PCH's Risk-Based Audit Plan, including adjustments. The CAEE also consulted with the Committee on the approach being taken for the development of the Risk-Based Audit Plan for the fiscal years 2011-12 to 2013-14.

At the February 2011 meeting, the CAEE presented the 2011-12 to 2013-14 Multi-Year Risk Based Audit Plan and the Committee recommended it for approval by the Deputy Minister.

The Committee requires a mid-year update on the implementation of the Multi-Year Risk-Based Audit Plan. This mid-year summary of progress against the Plan as well as potential adjustments to the Plan (and rationale) allows the Committee to assess on-going progress. The Committee has concerns regarding the availability of resources to implement the plan as approved.

3.4.3 Audit Reports

Internal audit reports constitute the main deliverable of the Audit and Assurance Services Directorate. The following eleven (11) reports, of which two (2) were for information only, were presented for Committee consideration:

- Sport Canada Branch;
- Official languages Secretariat;
- Compensation and Benefits;
- Canada's Participation in the 2005 Aichi Japan World Exposition (Expo 2005) Follow-up;
- Reporting of Economic Action Plan funding and the Application of Specified Auditing Procedures;
- Lieutenant Governor's Program Follow up;
- Procurement Processes at the Canadian Heritage Information Network (CHIN);
- Katimavik Program;
- Recipient Compliance Audit of the Vancouver Organizing Committee for the 2010 Olympic and Paralympics Winter Games;
- Consultation on the Modernization of the Grants and Contributions Process; and
- Information Management/Information Technology Preliminary Assessment Update.

The Committee reviewed the related management action plans. In addition, the Committee requested and received all relevant management letters.

3.4.4 Professional Practice

In March, 2009, an independent accounting firm reviewed authorities and processes, identified existing best practices, areas of improvement, and prepared the OCAEE for an Office of the Comptroller General (OCG) practice inspection of the function. As of June 2010, the resulting management action plan was substantially completed with few outstanding items.

During 2010-2011, the OAG conducted a follow-up audit to their 2004 chapter "Internal Audit in Departments and Agencies". PCH commented on the OAG Principal's Draft and received the OAG's Draft Report for sign off by February 15, 2011 (including the management response).

AASD continues to implement their Human Resource Plan and maintains an approach that encourages certification of their audit staff.

3.4.5 Capacity

At each meeting, the Director, AASD provides a brief overview of the status of the Directorate's work plans and speaks to any risks affecting completion of projects. The Committee continues to have concerns over high AASD staff turnover and the potential impact it may have on the quality and quantity of internal audits and the work of the Committee. We note that during the past year the positions of both the CAEE and Director AASD have been filled.

Although we realize that the number of reports is not the only measure of Internal Audit performance, we note, however, the continued resource challenges of the function and the impact that it had on the number of reports provided to the Committee. This year we received, reviewed and recommended for approval nine (9) AASD reports. This compares with seventeen (17) reports in 2008-2009 and nine (9) in 2009-2010.

3.5   The OAG, OCG and Central Agencies

The OCAEE continues to foster a positive working relationship with the Office of the Comptroller General (OCG) and the Treasury Board Secretariat. The Committee notes that the OCAEE is well informed of the activities of certain agents of parliament, notably, the Office of the Auditor General (OAG). The Committee welcomes receipt of the Status Report on these relationships.

3.5.1   Working Together

The Audit Committee had its bi-annual exchange with Mr. John Rossetti, Assistant Auditor General and Ms. Aline Vienneau, Principal at the October 2010 meeting. The OAG presented its report to the Committee on annual audit results for the year ending March 31, 2010. Items of discussion included the relationship with the Department; the upcoming OAG report to be tabled at Parliament; the relationship between the OAG and Departmental Audit Committees; and the new International Auditing Standards. Mr. Rossetti indicated that the Office would welcome more frequent invitations to DAC meetings.

At the February 2011 meeting, the Committee had its annual meeting with Mr. James Ralston, Comptroller General and Ms. Jennifer Robinson, Director Appointments and Operations, Audit Committees. Items of discussion included the classification of internal auditors; the appointment process; the review of the TB *Policy on Internal Control*; and training and symposia for members.

The Committee also had its bi-annual OAG meeting with Ms. Linda Drainville, Principal, at the February 2011 meeting. Ms. Drainville presented the OAG's plan for the annual audit of the financial information of PCH for the year ending March 31, 2011.

The Committee benefits greatly from regular meetings with the OAG and the OCG and looks forward to future meetings.

3.5.2 Status Updates: OCG, OAG and other Assurance Providers

At each meeting, a report is presented to the Committee on the current status of the audit activities of the OCG and OAG and other assurance providers with possible impact to the Department. During 2010-2011, presentations were made on the following:

- The Office of the Procurement Ombudsman's Report on Procurement Practices Review.
- Public Service Commission: Study on Casual Employment.
- CAEE updates on the OAG Audit on Internal Audit.

3.5.3 Audits Conducted by the OAG and Central Agencies

During 2010-2011, the OAG conducted a follow-up audit of their 2004 chapter, *Internal Audit in Departments and Agencies* for the April 2011 Report of the Auditor General. The draft response to the OAG was presented to the Committee for its review and comments and the Committee concurred with the suggested response.

During the year, the Financial Management Branch developed a management action plan for OAG Information Technology General Controls Assessment. The plan was presented to the Committee for review and recommendation and for the Deputy Minister's approval.

While PCH was not part of the audit reported in the Spring 2010 Report of the OAG Chapter 1: *Aging Information Technology Systems*, the Department prepared a management response and action plan to address the recommendations.

During the April 2010 meeting, the Acting Director, AASD presented a progress report in implementing OAG recommendations. The Committee was informed that some recommendations have been fully implemented and that others are progressing in an acceptable manner. The Committee reviewed the progress report and recommended it for the Deputy Minister's approval.

3.5.4 Audits Conducted by the OCG

3.5.4.1 The OCG's 3-Year Plan

At the June 2010 meeting, the Committee considered the OCG's *3-Year Risk-Based Horizontal Internal Audit Plan for Large Departments and Agencies*. The OCAEE proposed to the OCG that PCH be included in two horizontal audits (Performance Management and Grants and Contributions Management Control Framework – Phase 2) as it would contribute to the annual assurance report of the CAEE.   The Committee concurred with this proposal.

3.5.4.2 OCG Horizontal Audits that do not include PCH

To report on the state of risk management, control and governance across the Government of Canada, the OCG conducts horizontal audits to address risks that transcend individual departments. For all reports published, the Comptroller General encourages departments to consider the implications of the audit findings and recommendations and, where the department deems necessary, develop a management action plan.

During the 2010-2011 fiscal year, the Planning and Corporate Affairs Branch prepared a response and management action plan to address the recommendations of the following three OCG reports which did not include the Department. The responses and action plans were tabled with Committee for information only:

- Horizontal Internal Audit of Contracting Information Systems and Monitoring in Large Departments and Agencies.
- Horizontal Internal Audit of Contracting for Professional, Technical and Temporary Help Services in Small Departments and Agencies.
- Horizontal Internal Audit of Corporate Risk Profiles in Large Departments and Agencies

At the October 2010 meeting, the Acting Director, AASD presented a report on the progress in implementing OCG recommendations for the Committee's review and recommendation to the Deputy Minister for approval. Members requested that all follow-up reports be presented at the same time, and at the February 2011 meeting, the OCAEE provided the Committee with the details of the approach developed to address this request.

3.6 Follow-up on Management Action Plans from Internal Audits

At the June 2010 meeting, the Acting Director, AASD Services presented the current status of the follow-up on management action plans from internal audit reports.

At the October 2010 meeting, the CAEE presented, for information, a mid-year status review of the internal audit follow-up report.

The CAEE provided information to DAC members on the adjustments to the present process at the February 2011 meeting. The members requested more frequent reporting on the status of management actions plans. The Committee

considers it essential to monitor the status of the follow-up on management action plans as it is concerned with the pace of implementing the recommendations. Accordingly, the Committee welcomes that these updates will be presented on a quarterly basis.

3.7 Financial Statements and Public Accounts Reporting

During the June 2010 meeting, the Financial Management Branch presented a draft of the PCH Financial Statements for information only. On August 6, 2010, the Financial Management Branch presented the auditable Departmental financial statements dated March 31, 2010 to the Committee. It also presented an Annex to the Statement of Management Responsibility for the fiscal year 2009-10 reflecting changes proposed by the Committee at the June 17-18, 2010 meeting.

At the February 2011 meeting, the Financial Management Branch informed members on the future-oriented financial statements for the years ending March 31, 2011 and March 31, 2012 and presented information on the new quarterly financial reports. The Committee is pleased with the Department's readiness preparation for auditable financial statements. The efforts in this regard provide a level of assurance as to the effectiveness of the internal control systems related to financial reporting.

3.8 Accountability Reporting

At the October 2010 meeting, the Strategic Policy, Planning, Research and Cabinet Affairs (SPPRCA) Branch presented the *Departmental Performance Report* (DPR) 2009-10. The Branch also briefed the Committee on PCH's input into the 2009-10 Canada Performance Report (CPR). A copy of the Report on Plans and Priorities 2010-2011 was also provided to Committee.

The Committee requested that in future it should receive the DPR and RPP ahead of Treasury Board submission so that it may review them. The Committee notes that, over time, its responsibility in this regard is to provide advice on material omissions or misstatements.

4.0 Capacity and Performance of Internal Audit

As the Audit and Assurance Services Directorate continues to adjust to a new management cadre and to the challenges represented by resource reductions, PCH internal audit professionals have continued to produce quality reports and to maintain a strong relationship with the OAG and OCG. The Committee believes that the CAEE and his team are strongly committed to adding value to the operations of Canadian Heritage and to assisting the Department in meeting its strategic objectives.

Nevertheless, the Committee is concerned about the on-going challenge of recruiting and retaining qualified internal audit professionals and would like to see a job classification for internal auditors to recognize the expertise required for the function. A more appropriate classification would help in the recruitment and retention of qualified internal auditors.

The AASD continues to rely on external consultants to supplement its internal staff for specific projects. The Professional Audit Support Service (PASS) Supply Arrangement negotiated by PCH has simplified the procedures relating to hiring external consultants therefore improving the effectiveness of utilization of these resources. While we continue to recognize the need for external consultants as appropriate, a greater reliance on internal auditors will facilitate greater consistency of Internal Audit reporting.

The Committee acknowledges the impact that the Transformation Initiative has on internal audit resources. The Committee depends on the OCAEE to meet its responsibilities. It would welcome, at each meeting, a status report on the internal audit resources and the use of external consultants.

5.0 Perspectives on Risk Management, Control and Governance

One of the roles of the Committee is to provide objective advice and recommendations to the Deputy Minister regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the Department's risk management, control and governance frameworks. To provide this advice, the Committee relies on the work of the AASD, and in particular on the Annual Overview Assurance Report (AOAR) of the CAEE which forms an integral part of the CAEE's Annual Report. The purpose of the AOAR is to provide the Deputy Minister with an overview of the CAEE's aggregate findings resulting from the execution of the RBAP. The Committee also reviewed the Letter of Representation prepared by the office of the Chief Financial Officer, in particular as it relates to internal controls and financial reporting.

The Committee has reviewed the internal audit findings and the resulting audit opinions and therefore feels comfortable using the CAEE's assurance on risk management, internal controls and governance. As a result, the Committee has reproduced parts of the CAEE's AOAR herein. These parts are shown in italics.

5.1 Risk Management

Internal audit work in this area has focused on testing risk management-related controls in business operations through Gs&Cs program audits and branch audits.

At this point in time, the department's corporate risk management function and risk management activities and processes have not been fully audited by AASD.

As in AASD's previous annual report, AASD continues to have the perspective that although programs identify their key risks and establish mitigation strategies, formal mechanisms to assess, monitor, report and/or update program risks and mitigation strategies have not been established in all the programs that have been audited.

Going forward, the AASD risk-based audit plan includes an audit of corporate risk management (scheduled for 2012-13), while continuing to incorporate risk management-related core management controls within the scope of other internal audits.

5.2 Control

Internal audit has focused on internal controls relating to: Policies & Programs Stewardship (with a focus on transaction processing), and Grants & Contributions. As AASD completes additional audit work in other internal control areas, future reports will provide perspectives on those areas.

Based on internal audit work undertaken over the last three years, AASD has observed that, generally speaking, the Department has demonstrated formal control processes and that controls are generally functioning in an effective manner.

With respect to Policies & Programs, AASD has noted that there is an opportunity for the department, in certain areas that have been audited, to increase the formality of its processes to monitor compliance with policies.

With respect to Stewardship and more specifically the transaction processing component of Stewardship, overall, based on the work undertaken by AASD, the internal control arrangements are seen to be generally effective.

With respect to Grants and Contributions, AASD continues to regularly test the efficiency and effectiveness of Gs&Cs controls in program and branch audits where relevant. Through these audit activities, findings to date have been generally positive.

Additionally, a theme has started to emerge that relates to an opportunity to enhance the Department's provision of guidance and training for staff with respect to roles, responsibilities and procedures.

All AASD audits include coverage of internal controls and AASD continues to test the effectiveness of controls through its program, branch and operational audits. Of particular note, AASD has scheduled internal audits of the Department's work to ensure compliance with the TB *Policy on Internal Control* in both 2011-12 and 2012-13.

5.3 Governance

Governance is defined as including the following MAF categories: Governance and Strategic Direction; Results and Performance; Accountability; and Public Service Values.

In terms of AASD's findings related to the Governance and Strategic Direction category, during the past three year cycle, AASD has conducted a number of grants and contributions (Gs&Cs), branch and operational audits that include coverage of governance and strategic direction controls.

Overall, based on the work undertaken by AASD (and similar to MAF findings), governance arrangements at the program level are seen to be generally effective. However, opportunities exist for greater formality in documenting the results and decisions of governance bodies.

With respect to the Results and Performance category, moderate issues have been identified by AASD in a number of audits with regards to a lack of data collection, analysis and reporting with respect to performance measurement.

With respect to Accountability, moderate issues have been identified within some audits in relation to the formalization of roles and responsibilities.

Finally, with respect to the Public Service Values category, AASD will soon table its report on a recently completed audit of the department's values and ethics processes, covering the core management controls within the Public Service Values category.

6.0 Other Observations on the Year

During the past years Canadian Heritage has undertaken a significant administrative cost reduction exercise known as the Transformation Initiative. This has included an Internal Services Review, a Resource Allocation Strategy and a Modernization of Grants and Contributions. Some of these reductions will be achieved over 18 months:

- Operating costs are being reduced by $ 45 million; and

- FTEs have been reduced by 445 with 95% of these employees being placed elsewhere.

The Committee has been informed that all reductions were on the operating side of the Department. As such, there has been no program or service impact.

Through this process, the Department has shifted focus from processes to results. As a Committee, we remain vigilant to ensure that risk management, control and governance are not unduly compromised as a result of the Transformation Initiative.

There have been several changes in key personnel during the year.

We note the arrival of a new Deputy Minister, Mr. Daniel Jean. We have begun to establish a solid working relationship with him. We pledge our full support and assistance in enabling him to reach his objectives.

We bid farewell to Madame Judith LaRocque who was Deputy Minister at Canadian Heritage for eight years. We very much appreciated our time working with her.

We also bid farewell to Associate Deputy Minister, Mr. Stephen Wallace with whom we worked closely during the year.

During the year, a new CAEE, Mr. Richard Willan, was appointed. We have already developed a good understanding of his commitment to the role of internal audit. As well, more recently, during the year, a new Director, AASD, Madame Maria Lapointe-Savoie began working for the Department. We look forward to working with both of them in the years to come.

The Committee thanks Mr. Jean-Pierre Gauthier for his efforts in the role of Acting Chief Audit and Evaluation Executive and expresses gratitude for the work he did during his acting period. The Committee also thanks Mr. Claude Bélisle for serving as Acting Director, AASD and notes his contributions to internal audit in this role.

During the year, we began the process of an in camera meeting with CFO and CAEE at each DAC meeting. This enables direct exchange between the Committee and these key senior officials.

Finally, to enhance our understanding of the Department, a more formalized process has been established to provide the Committee with an overview of evaluation projects and easy access to evaluation reports.

7.0 Looking Ahead

Looking ahead at the 2011-2012 year, the Committee has a number of goals.

- We will monitor the Transformation Initiative at PCH and the impact that it has on risk management, control and governance.

- We look forward to developing a strong working relationship with the new Ombudsman/Values and Ethics Officer.

- The Committee will be asking for updates on the reconciliation between the Values and Ethics code for the public sector and the PCH code of Values and Ethics.

- The Committee expects to review the Departmental Quarterly financial reports.

- We expect to provide more input in accountability reporting, most notably in the preparation of the DPR and the RPP.

- The Committee awaits the tabling of the Corporate Risk Profile for 2011-2012 and expects that it will demonstrate a maturing of the risk management process.

- We continue to require updates on Departmental internal controls in order to ensure that the Department maintains its ability to have auditable departmental financial statements.

- We note the transfer of the recipient audit function from the CAEE to the CFO and we would like to monitor its impact.

- Because we continue to be concerned about the turnover of internal audit staff in the AASD, the Committee would welcome a plan to attract, motivate and retain qualified auditors.

The Committee, now established for three years, has been able to develop a strong working relationship with the Department. Much has been accomplished to strengthen internal audit at Canadian Heritage and much more needs to be done. We have every intention to continue to build on our past successes to further strengthen governance practices and internal audit in the Department.

Appendix A: Acronyms Used in this Report

AASD	Audit and Assurance Services Directorate
AOAR	Annual Overview Assurance Report
CAEE	Chief Audit and Evaluation Executive
CHIN	Canadian Heritage Information Network
DAC	Departmental Audit Committee
DPR	Departmental Performance Report
FMB	Financial Management Branch
FTE	Full-Time Equivalent
Gs&Cs	Grants and Contributions
IM/IT	Information Management / Information Technology
MAF	Management Accountability Framework
OAG	Office of the Auditor General
OCAEE	Office of the Chief Audit and Evaluation Executive
OCG	Office of the Comptroller General
PASS	Professional Audit Support Service
PCH	Patrimoine Canada / Canadian Heritage
PRAM	Project Risk Assessment and Management
RBAP	Risk Based Audit Plan
RPP	Report on Plans and Priorities
TB	Treasury Board
TBS	Treasury Board Secretariat