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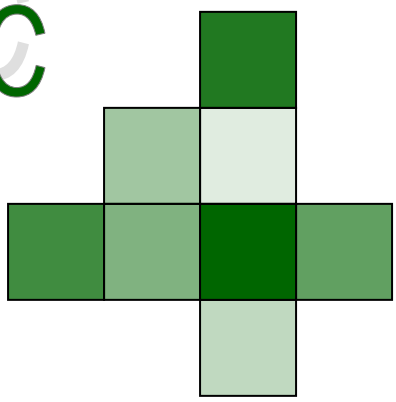
DEPARTMENT AUDIT COMMITTEE (DAC) 2012 – 2013 ANNUAL REPORT

HRSDC



FOR THE PERIOD OF:
APRIL 1, 2012 TO MARCH 31, 2013

Canada

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Message from the Independent (External) Committee Members

The Departmental Audit Committee (DAC) is pleased to table the fifth Annual Report, for the fiscal year 2012-2013. As stated in the reports of prior years, the DAC continues to mature and evolve. This reflects the changing needs of the department as well as the dynamic environment. There is no doubt that this management practice is firmly embedded in the governance and culture of HRSDC.

Central to the effectiveness of both the Internal Audit Function and the DAC has been the strong support of the Deputy Minister and senior management cadre. The DAC is grateful for this support and commitment, particularly given the pace of change and depth of issues at HRSDC. Demands are increasing while available resources are shrinking. This makes for a highly challenging environment.

The DAC recognizes the importance of the work done by HRSDC to the Canadian social and economic fabric, and we are privileged to serve.

The department continues to build upon its values and ethics program. This year, it is notable that an *HRSDC Code of Conduct* was established. The DAC believes this work is very important. It supports the professionalism of staff across a wide array of activities, from protection of client information to protection of taxpayers' dollars. The DAC firmly supports the department's efforts in this area, and has suggested that values and ethics considerations be represented more broadly in audit programs.

As the Department focuses on technology upgrades in support of its major programs delivery, constant vigilance and enhanced risk mitigation need to continue. HRSDC is a large, complex organization, and in our view has appropriately identified this area as requiring close scrutiny and management. The DAC has been pleased to provide advice regarding the IM/IT function at every DAC meeting, and is grateful for the responsiveness of the officials in this area.

There are a number of key responsibilities on which the DAC has acted:

- The Office of the Auditor General (OAG) has a significant and ongoing relationship with HRSDC. This is expected given both the large budget and complexity of the department. The DAC met with the OAG during the year, and would like to build on this relationship. In particular, we believe that the work of the HRSDC Internal Audit group can be helpful to the OAG;

- Compliance with the *Financial Administration Act (FAA)* is fundamental to protecting taxpayers' dollars and supporting the role of the Deputy Minister as Accounting Officer. The DAC has focussed on *FAA* compliance and on the HRSDC control framework more generally; and

- Review of the HRSDC department-wide risk assessment is critical to effective audit planning, risk mitigation, and good management. The DAC has invested significant effort in this area, to ensure that risk assessments are current and reasonable. This review informs much of our work.

The professional practices and tools described above bear greatly on service levels. As the Department is responsible for developing, managing and delivering social programs and services, which requires significant interactions with clients, it is vital that service levels and quality of service remain a priority for the Department. The DAC made every effort in 2012-2013 to provide senior management with helpful perspectives related to client service, often in parallel to discussions related to workforce and budget reductions. We recognize the ongoing challenge to maintain a high level of client service and will therefore continue to monitor and provide support to senior management with respect to client service in 2013-2014. A planned site visit in the Fall of 2013 will greatly assist with and facilitate the effectiveness of our advice.

In concluding, the DAC is most appreciative of the excellent working relationship with and most effective support from the Chief Audit Executive and his team. It has been our pleasure to work with this group.

We look forward to the coming year.

Original signed by

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Jalynn Bennett
External Member, Departmental Audit Committee
Human Resources and Skills Development Canada

Original signed by

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Rod Monette
External Member, Departmental Audit Committee
Human Resources and Skills Development Canada

Original signed by

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Jacques Valotaire
External Member, Departmental Audit Committee
Human Resources and Skills Development Canada

SECTION 1: OVERVIEW

The 2012 – 2013 Human Resources and Skills Development Canada (HRSDC) Departmental Audit Committee (DAC) Annual Report was developed and prepared by the independent (external) committee members and is intended for the Deputy Minister (DM) in his role as Accounting Officer and Chair of the HRSDC DAC. As a committee, we encourage management at all levels to review and consider the advice provided within this report.

1.1 Purpose

The purpose of the 2012 – 2013 HRSDC DAC Annual Report is to present a summary of the work we undertook during the period of April 1, 2012 to March 31, 2013.

As outlined in our approved DAC Charter (Appendix B) and in accordance with the April 1, 2012 Treasury Board (TB) *Policy on Internal Audit* (IA) and the corresponding *Directive on Internal Auditing in the Government of Canada*, the independent (external) DAC members shall submit an annual report to the deputy head that will:

- Summarize the results of the committee's reviews of areas of responsibility;
- Provide the independent members' assessment, and make recommendations as needed on the capacity, independence and performance of the internal audit function; and
- Express views in the annual report and shall be entirely and exclusively those of the independent members, notwithstanding any assistance given by departmental officials in the preparation of the annual report.

Our annual report further allows us to express our views and opinions of the Department's management control framework from a unique and external perspective.

Complimentary to this annual report, we completed a self-assessment of our performance with the objective of continuous improvement in the execution of our responsibilities. The results of this assessment (conducted annually), meeting records, and discussions with senior and key departmental officials both during in-camera sessions and as part of committee meeting proceedings, further informed the development of this report.

1.2 Composition

The HRSDC DAC, chaired by the Deputy Minister, is composed of three additional independent (external) members; Jalynn Bennett, Rod Monette, and Jacques Valotaire. In early January 2012, Ms. Bennett and Mr. Valotaire were renewed for four and two year terms, respectively. At the same time, Mr. Monette was appointed to the HRSDC DAC as a new regular member for a term of four years. Together, we bring a breadth of experience, which enables the DAC to be valuable in its advisory role to the Deputy Minister.

Since the establishment of the HRSDC DAC, the Chair of the committee has been the Deputy Minister of HRSDC. This structure has proven to be both beneficial for ourselves as external committee members and to senior departmental management as it has encouraged a high-level of rigour and attention to committee proceedings. Given our maturity as a committee, as we move forward into 2013-2014, our committee composition will shift and we will see an independent member assume the role of Chair. This is a welcomed change and will further align the HRSDC DAC with the Office of the Comptroller General (OCG) preferred model for audit committees to be chaired by an independent member.

Our biographies are included as Appendix A.

1.3 DAC Roles and Responsibilities

Our role as a committee is to provide objective advice and recommendations to the Deputy Minister regarding the sufficiency, quality and results of assurance activities on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

As per the April 1, 2012 Treasury Board *Directive on Internal Auditing in the Government of Canada*, our key areas of responsibility that are reviewed with an appropriate risk-guided focus and cycle, are:

- Values and Ethics;
- Risk Management;
- Management Control Framework;
- Internal Audit Function;
- External Assurance Providers;
- Follow-up on Management Action Plans;
- Financial Statements and Public Accounts Reporting; and
- Accountability Reporting

Further information on these specific areas of responsibilities can be found within our Charter (Appendix B). A breakdown of committee agenda items (briefings, presentations and discussions) corresponding to our key areas of responsibility are depicted in Appendix C.

SECTION 2: COMMITTEES' ASSESSMENTS AND ADVICE TO THE DEPUTY MINISTER

2.1 Summary of Activities and Committee Assessment

This section will provide a summary of activities and the committee's assessment per key area of responsibility. It is essential to note that these areas of responsibility are not mutually exclusive. Linkages between these areas are inherent and are recognized by the committee which contributes to our success in our advisory role. As a result of these linkages, activities/items are reported under more than one area of responsibility.

2.1.1 Values and Ethics (V&E)

A key milestone and achievement for the Department this year was the establishment of the *HRSDC Code of Conduct* (*the Code*). We commend the Department for the development of such a comprehensive and inclusive document applicable to the entire HRSDC Portfolio. Senior management should also be credited for personally exemplifying the values of the department.

The '*Acceptable*' rating received for the Values and Ethics Area of Management as a result of the Management Accountability Framework (MAF) Round IX assessment also demonstrates the Department's commitment to V&E.

Committee Assessment and Advice to the Deputy Minister

We are of the opinion that the Values and Ethics program within HRSDC is robust. Senior management is to be credited for prioritizing the development and implementation of the Code. Values and Ethics programs can often be perfunctory, especially in a department of HRSDC's size and complexity, however the annual update provided to the DAC demonstrates appropriate attention and action. The approach taken by senior management to ensure awareness and understanding of the Code across the Department is reflective of the strong tone at the top which is crucial to maintaining and enhancing a strong Values and Ethics environment. It is important to emphasize that the continued promotion of the Code is essential to ensure staff awareness - the implementation of mandatory training related to Values and Ethics will contribute to awareness.

Committee Assessment and Advice to the Deputy Minister *(continued)*

While we recognize that the MAF provides the Department information with respect to the state of Values and Ethics, an additional source of information could be the inclusion of standardized criteria and questions related to Values and Ethics embedded more systemically in the conduct of internal audits (as applicable). These continuous audit findings could be synthesized and summarized thus providing the Department a broader perspective and stronger level of assurance related to professional conduct.

We look forward to more in-depth discussions regarding the types of Values and Ethics matters/incidents reported within the Department and the corresponding actions and follow-ups as we feel our independent views/advice would be of benefit to the Department.

2.1.2 Risk Management

Risk management and mitigation continued to be an integral part of our discussions. While the corporate risk profile was discussed and updates were provided, the most beneficial discussions did not relate specifically to risk, rather they related to areas such as integrity, privacy, information technology, etc. where risk was a common underlying factor. These discussions, and many others, demonstrated to the committee the Department's commitment to ensuring risk is considered and monitored. A specific example of the Department's commitment to ensuring that risk is monitored and the recognition that risk is always evolving are the regular (presented at every meeting) updates to the Risk-Based Internal Audit Plan (RBAP).

Senior Management also utilized the committee to discuss and seek our advice with respect to Budget 2012 measures and priorities, the Department's Major Project Investment Process, and Workforce Adjustment (WFA). Given the wide spectrum of topics covered with risk as an underpinning element, it is evident that HRSDC management understands the importance of risk management and ensure that it is embedded within projects and discussions.

Committee Assessment and Advice to the Deputy Minister

We are of the opinion that risk management is the foundation for program and project planning good management, and the integrity of HRSDC operations. This is especially true for HRSDC given the complexity of its mandate and the number of significant modernization initiatives underway. The combination of modernization efforts with the reality of reduced budgets and workforce in particular heightens the need for

Committee Assessment and Advice to the Deputy Minister *(continued)*

continuous monitoring of service delivery and human resources risk. This monitoring is essential to ensure the successful delivery of the Department's programs and services.

It is the opinion of the committee that senior management has demonstrated that risk, risk assessment and risk mitigation is taken very seriously throughout the Department. We encourage the Department to continue its efforts with respect to risk management and we would like to underscore that this is an area requiring continuous monitoring and improvement as risk and the associated environment is constantly evolving.

In particular HRSDC and the DAC will continue to closely watch the risks attendant to large IM/IT programs, related service delivery, compliance with the Financial Administration Act (FAA), and embedding values and ethics based professional standards.

2.1.3 Management Control Framework

The Management Control Framework area of responsibility is overarching. As noted in previous annual reports, management control is an area that should not be viewed in a silo; rather it should be kept in mind when reviewing our assessments and advice provided for our other areas of responsibility.

We engaged in frank and open discussions with senior management with respect to the control framework. These discussions ranged in scope from Internal Control over Financial Reporting (ICFR), Grants & Contributions, Privacy, and Information Technology to the Canada Student Loans Program, the Government Employees Compensation Act, and the Common Experience Payment. The discussions focused on the nature in which controls are identified and established, as well as compliance with said controls. In addition, the committee appreciated the discussions with senior management regarding the recognized need to enhance the Information Technology, Information Management, and Privacy control frameworks in response to the data loss incidents. In the committee's opinion, the Department responded to the incidents in a quick and focused manner to minimize the likelihood of future such incidents.

Internal Audit projects continue to provide valuable information regarding whether or not the control frameworks established within the audited business lines and programs continue to be adequate. These numerous sources of information contribute to ensuring that robust and solid management control

frameworks are established and maintained with the objective of effectively delivering these programs while also ensuring that legal obligations and responsibilities are met and respected.

Committee Assessment and Advice to the Deputy Minister

Based on the information provided over the past three years, we believe the Department has established an effective control framework. However, much like risk management, control frameworks require continuous monitoring and improvement. This is especially important for HRSDC as modernization and transformation efforts continue – the current control frameworks, while effective in a manual environment, must be adapted and modified for a mainly automated system.

The committee would like to note that it is important for HRSDC to differentiate between and independently manage both the control framework for financial reporting, and the control framework for the Financial Administration Act. Both are different and essential to good management and the accountabilities of the Accounting Officer.

As essential work related to ICFR continues, the committee would like to emphasize that senior management should not focus solely on financial reporting controls, but rather the internal control framework as a whole including entity level controls. This includes the service delivery control framework which must be sufficiently robust to ensure the right person receives payment for the right amount at the right time.

2.1.4 Internal Audit Function

The Internal Audit (IA) function at HRSDC continues to evolve and has demonstrated its effectiveness in providing assurance. The IA function demonstrated its ability to be flexible and responsive to senior management's needs while meeting the requirements of the revised TB *Policy on Internal Audit*. In 2012-2013, we reviewed and recommended a total of eleven internal audit projects. This included audit reports, reviews, auditability assessments, and pre-implementation reviews. In addition to the eleven projects, we were also briefed on the results of the first series of continuous audits conducted – we encourage the continued use of these data analytic techniques to provide an assessment of the adequacy of key controls and identify and assess risk areas.

The Chief Audit Executive (CAE) maintained a strong focus to the delivery of the 2012-2015 RBAP and kept the DAC well informed of revisions and emerging audit priorities. It is evident that the CAE and the internal audit team continue to ensure that efficiencies are achieved and that audit recommendations are helpful and meaningful to senior management.

Committee Assessment and Advice to the Deputy Minister

The maturity of the IA function is reflective of the significant efforts of the Deputy Minister (DM), the CAE and the DAC over the last few years. The function continues to be very professional, effective, and efficient while providing excellent support to the committee to ensure the fulfillment of our mandate. The CAE and his staff are to be commended for this excellent work. Senior management both heeds and supports the work of the function and the CAE is well respected amongst his peers and colleagues. The continued dedication and support of the DM with respect to internal audit is evident and should continue as this is critical to the success of the function.

Moving forward the IA function should concentrate on ensuring that effective succession planning for key senior management positions is in place to provide continued success and evolution. Coupled with succession planning, and of equal importance, will be the ability of the function to be resourced appropriately (relative to the size of the Department) with sufficient qualified resources.

Regarding the focus of internal audit engagements, we believe that it would be beneficial for internal audit, given the unique perspective when conducting audits, to make recommendations with respect to improving efficiencies in processes, procedures and operations (as applicable).
In addition, given the significant amount of service delivery in HRSDC, it would be beneficial for internal audit to assess not only the accuracy and rapidity of service, but also the quality of service provided to Canadians to ensure the client experience is positive.

2.1.5 External Assurance Providers

Again this year we were kept abreast of external audit work directly or indirectly implicating and impacting the Department as part of our regular committee proceedings. HRSDC was subject to a follow-up audit by the Office of the Information Commissioner (OIC), as well as four audits by the Office of the Auditor General (OAG). The OIC audit demonstrated the Department's commitment to Access to Information performance and we commend the department for receiving an outstanding (Grade A) assessment. The OAG conducted audits pertaining to Grant and Contribution Program Reforms and Planning the Use of Professional Service Contractors. In addition, and as part of their annual Public Accounts Audit, the OAG completed a review of Employment Insurance Information Technology General Computer controls. The results of the OAG audits were generally positive and the Department responded professionally and appropriately to the recommendations. The level of effort and attention by senior management and staff to external audits is noteworthy and demonstrates

that the work of external auditors is valued and that the principal objective is to ensure the Department is accurately portrayed in external audit reports.

OAG officials were present at our Fall 2012 meeting to present their annual audit findings and results of the 2011 – 2012 financial engagements. In addition, the OAG was proactive in sharing their 2012 – 2013 Canada Pension Plan, Employment Insurance (EI) Operating Account, and the HRSDC Public Accounts audit plans with us well in advance of the conduct of these annual audits.

A special briefing was also organized during our Fall 2012 meeting whereby the Office of the Comptroller General (OCG) presented an overview of the new Public Sector Accounting Standards (PSAS) as well as future PSA Board projects. We truly appreciated this targeted briefing as it was both informative and beneficial. We welcome future briefings from other external assurance providers and look forward to further developing and enriching our relationship with external assurance providers; especially the OAG given the number of audits they conduct which impact HRSDC.

Committee Assessment and Advice to the Deputy Minister

The work of external assurance providers is very helpful to the Department. As we consider the work performed by the OAG to be significant and integral to the committee in the discharge of our responsibilities, we look forward to more frequent discussions and interactions with the OAG. By working collaboratively with the OAG, we hope to enrich our relationship and develop a better understanding of the work conducted. During these discussions we will encourage the OAG to rely on internal audit work performed – this will create efficiencies and minimize the audit burden on the Department. In addition, we will seek additional information regarding the materiality and contingent Liability of the Canada Pension Plan. We would also welcome the opportunity to discuss and provide comments on future OAG audit plans as our external perspective of the Department may contribute to targeting the plans. Given the size and materiality of HRSDC, we look forward to a meeting with the Auditor General of Canada which we are hoping to schedule for the 2013-2014 fiscal year.

2.1.6 Follow-up on Management Action Plans

In 2012-2013 we were provided with a comprehensive briefing and assessment on the status of external audit management action plans (OAG and Central Agencies). We appreciate the comprehensive process for MAP follow-up and note that senior management remains committed to the timely and successful implementation of corrective actions as a result of external audit recommendations.

In consideration of the Deficit Reduction Action Plan and the associated impacts on the Department, the DAC was supportive of the postponement of the 2012 Annual Validation Exercise of Internal and External Audit MAPs. We look forward to receiving the results of the 2013-2014 validation exercise. Please note that the results of the 2012-2013 internal audit management action plan follow-up exercise were presented at our April 30, 2013 meeting and will therefore be considered in the development of our 2013-2014 report.

Committee Assessment and Advice to the Deputy Minister

MAP Follow-up continues to be an area of focus for the DAC as we feel monitoring and updates on an ongoing basis are essential to ensure the successful implementation of corrective actions. Overall we are more than satisfied with the MAP follow-up process established by Internal Audit as it is endorsed by the Deputy cadre and is very comprehensive and reassuring.

2.1.7 Financial Statements and Public Accounts Reporting

The annual DAC Technical Briefing to review and discuss the complete suite of financial statements; the 2011 – 2012 Consolidated Departmental Financial Statements (F/S), the Canada Pension Plan(CPP) Account, Employment Insurance (EI) Operating Account, and the Government Annuities Account (GAA), was held in August 2012. As part of our technical briefing proceedings, PricewaterhouseCoopers (PwC) participated and presented the result of their Review Engagement Report of the HRSDC Consolidated Departmental F/S which provided additional assurance to the committee. In advance of the completion and finalization of the annual OAG financial audits, we reviewed and discussed the draft CPP, EI and GAA F/S with management. In addition, we were briefed on ICFR and Accounts Receivable which proved to be both helpful and beneficial when reviewing the various F/S.

The OAG was present at our Fall meeting to present and review the results of their audits of the CPP, EI Operating Account, and the GAA. As previously indicated, they shared their annual audit plans for the next year's financial audits of the CPP and EI Operating Account as well as the HRSDC Public Accounts with us for information and review well in advance.

Committee Assessment and Advice to the Deputy Minister

Once again we maintained a strong focus with respect to the F/S noting the importance of a strong and creditable financial reporting system. We would like to highlight the significant efforts and attention of senior management in the preparation of the F/S and the Department's continued effort to further improve upon and ensure the comprehensiveness of our annual DAC Technical Briefing. F/S and Public Accounts reporting is one area where we are continuing to explore how the DAC can be best utilized and be of maximum benefit to the Department.

We are looking forward to the opportunity to further interact directly with the OAG as part of the 2013-2014 financial audit process and believe that by meeting with the responsible OAG auditors will further allow the DAC to fulfil our responsibilities in this area.

2.1.8 Accountability Reporting

We had the opportunity to review and discuss the 2011 – 2012 Departmental Performance Report and the 2013–14 Report on Plans and Priorities. In addition, the 2012-2017 Departmental Evaluation Plan was tabled for information and discussion in conjunction with the 2010-2012 Report on the State of Performance Measurement in support of Evaluation. A presentation and overview of the Management Accountability Framework (MAF) Round IX Results allowed for a comprehensive overview of how the Department is performing against the established Areas of Management.

Committee Assessment and Advice to the Deputy Minister

We continue to welcome our review and discussions of the various corporate reports and appreciate that the DAC has been engaged in the consultation process. Corporate reports have evolved positively over the years and are becoming more and more relevant to the reader. They clearly identify priorities and the risks associated with achieving objectives. We would like to commend the Department for the progress that has been made in refining and defining performance measures while noting there is still room for improvement.

Committee Assessment and Advice to the Deputy Minister *(continued)*

Notwithstanding TB reporting requirements, as the Department continues to seek efficiencies in a time of fiscal restraint there may be an opportunity to review corporate reporting processes to minimize the impact on branches and staff.

2.2 Strategic Priorities

The committee identified strategic priorities for 2012 – 2013 as part of last year's annual reporting process. Our strategic priorities were as follows:

- Continued focus and attentiveness with respect to IM/IT. More specifically, concentration of efforts to ensure that IT is appropriately linked to the delivery of the Department's transformation agenda and that new systems and platforms are secure, readily available, and functioning to ensure continued delivery of programs and services; and

- Continue in our advisory role and support the Department throughout the implementation of the Deficit Reduction Action Plan (DRAP), Strategic Review (SR), and Administrative Services Review (ASR). Included in this role, will be our observations with respect to the corresponding impacts on the Department as a result of these reviews and our commitment to ensure that operations and service delivery continue.

Committee Assessment and Advice to the Deputy Minister

Senior departmental management demonstrated that IM/IT has been engrained as a priority throughout the Department – the committee believes this is essential given the department's reliance on IT.

Notably, IM/IT is a topic at every DAC meeting.

At this time last year, HRSDC was in the midst of developing and documenting transformation projects and initiatives while being committed to realizing savings and generating efficiencies. Now, the Department is at the implementation stage of these projects and initiatives. We commend the Department for staying the course and for focusing on the original commitments and cost-saving measures. We recognize the challenges facing the Department and remain committed to supporting the senior management team through the transformation and implementation journeys.

Committee Assessment and Advice to the Deputy Minister *(continued)*

We had the opportunity this year to have an open discussion with the Chair and ex-officio members. This provided us the opportunity to openly discuss committee operations, potential areas of interest, emerging issues and future priorities. We would like to thank senior management for the opportunity to raise potentially difficult questions and to have candid discussions.

While we feel that the establishment of Strategic Priorities over the past four years has been beneficial to ensuring key risks and challenges are discussed – based on our maturity as a committee we do not believe this is necessary any longer. We are comfortable on an ongoing basis raising our strategic concerns and opinions and believe that senior management is equally comfortable answering our questions.

2.3 Overall Assessment of HRSDC's Risk Management, Controls, and Accountability Processes

For the 2012-2013 reporting period our overall assessment of the Department's risk management, controls and accountability processes remains similar to last year's.

Compliance with the *Financial Administration Act (FAA)* is fundamental to protecting taxpayers' dollars and supporting the role of the Deputy Minister as Accounting Officer. The DAC has focussed on FAA compliance and on the HRSDC control framework more generally.

Committee activities, briefings and discussions throughout 2012-2013 indicated and provided assurance that HRSDC maintained a strong system of risk management, control and governance as they moved forward with the implementation of the transformation and modernization projects and initiatives. While we are confident that the current systems are effective, in a time of transition it is inevitable that additional/unforeseen risks and challenges will arise, therefore additional rigour and attentiveness is required.

Part of the rigour and attentiveness required is collaboration across all business lines, both nationally and regionally. This horizontal and vertical collaboration is not only fundamental to changing and ensuring the success of the Department's transformation agenda but also in the early identification of risks which may impact the success of the transformation.

2.4 Satisfaction with Committee's Work

In accordance with our DAC Charter, we completed self-assessments to gauge the performance of the committee in terms of our ability to deliver on our responsibilities. The self-assessment used to evaluate committee satisfaction for 2012 – 2013 was identical to that used in the previous year.

Overall, the results are once again very positive. We welcomed a new yet very seasoned DAC member to the table whose experience and knowledge has and will continue to benefit the committee and the Department.

We have learned even more regarding the Department's very broad and complex operations and programs and would like to reiterate the on-going commitment of the Deputy Minister and of senior management to the integrity of the DAC process. We know that we can expect the same level of rigour moving forward into 2013-2014 and beyond.

The quality and level of briefing/supporting documentation continues to be very comprehensive and complete. We have expressed our desire for '*quality over quantity*' to ensure that focus is maintained, that the Department is not burdened, and that we continue to be beneficial to senior management on key issues and matters of significance.

SECTION 3: MOVING FORWARD

As we continue our work and mandate through 2013-2014, we have meetings scheduled for April and November 2013 as well as for February 2014. Our annual Technical Briefing, in August, will be comprised of two half-day sessions scheduled for August 9 and August 19 respectively. This will allow the DAC the opportunity to not only review and discuss the complete suite of the 2012 – 2013 Financial Statements, but also allow us to meet and discuss the financial statements and any other significant matters directly with the responsible officials and management. We look forward to this new opportunity and will build upon this experience to refine future Technical Briefings.

A site visit is planned for the Fall. We regard this visit as an important opportunity to better understand HRSDC, and thereby improve the value of the DAC to the department.

While not a strategic priority, IM/IT (including IT Security and Privacy) will remain an ongoing area of interest throughout 2013-2014. In addition, following briefings and discussions in 2012-2013, we will be emphasizing the need for strong, comprehensive Business Continuity Planning (BCP) across the entire organization and look forward to future discussions on the topic.

As previously mentioned, Rod Monette will be assuming the position of DAC Chair which will bring a new *'look and feel'* to the committee and build upon the solid foundation that has since been established.

SECTION 4: Conclusion

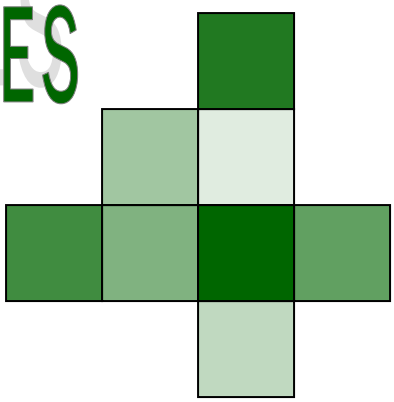
HRSDC has demonstrated an ongoing commitment to delivering on modernization efforts and cost-saving efficiencies during a time of resource restraints. While new challenges and risks will continue to present themselves, the Department deserves credit for the success that has been achieved to date.

As external advisors to the DM, we provide independent, objective advice and recommendations regarding the adequacy and functioning of the Department's risk management, control and governance frameworks and processes. Additionally, we provide advice and recommendations as may be requested by the DM on specific emerging priorities, concerns, risks, opportunities and/or accountability reporting. As a committee, we feel that in 2012-2013 we became even further embedded within the departmental governance process whereby senior departmental management utilized the DAC and welcomed our collective advice and guidance with respect to ongoing and emerging priorities and risks.

We are committed to maintaining the integrity of the committee throughout 2013-2014 and continue to appreciate the professionalism and respect that is exemplified by the Department with respect to the committee.

DEPARTMENT AUDIT COMMITTEE (DAC)
2012 – 2013 ANNUAL REPORT

APPENDICES



FOR THE PERIOD OF:
APRIL 1, 2012 TO MARCH 31, 2013

Jalynn H. Bennett, C.M.

Ms. Jalynn Bennett is a Member of the Order of Canada, recognized for decades of distinguished service in the field of finance. She is a seasoned Corporate Director with experience spanning numerous prominent organizations in the public, private and not-for-profit sectors. Ms. Bennett is a former Corporate Director of The Canadian Imperial Bank of Commerce (CIBC). In 1989, she established the consulting firm Jalynn H. Bennett and Associates Ltd., which she operated for twenty years.

Seeking additional challenges, Ms. Bennett accepted several Board Directorships, including Sears Canada Ltd., Bombardier Inc., Ontario Power Generation, The Ontario Teachers' Pension Plan, the Bank of Canada and Trent University. She currently sits as a Member of the Board of The Cadillac Fairview Corp., Teck Resources Ltd., and The Hospital for Sick Children Foundation.

In addition to her Board responsibilities, Ms. Bennett serves as a Member of the Lawrence National Centre for Policy & Management Advisory Council, Richard Ivey School of Business, and is also an External Member of the Departmental Audit Committee of Human Resources and Skills Development Canada.

Ms. Bennett holds an honorary degree, Doctor of Sacred Letters (Honoris Causa), from Trinity College, University of Toronto, as well as an economics degree from the University of Toronto.

Outside the boardroom, Ms. Bennett is a hands-on Grandmother and passionate gardener.

Jacques Valotaire, FCPA, FCA, ICD.D

Jacques Valotaire is a Corporate Director (ICD.D) with extensive experience in the insurance industry. Mr. Valotaire is a member of the Board of Directors of Assumption Life, SCM insurance services and CAA Québec. He is a member of the Departmental Audit Committee at Human Resources and Skills Development Canada and the Independent Review Committees of National Bank Securities Mutual Funds and Global Diversified Investment Grade Income Trust. He also chairs the Actuarial Standards Oversight Council of the Canadian Institute of Actuaries.

Prior to becoming fully engaged as a Corporate Director, Jacques Valotaire was Executive Vice President of ING Canada (now Intact Financial Corporation). For more than 15 years, he has held various senior management functions with the ING Group including the positions of President and Chief Executive Officer of ING Groupe Commerce and of Belairdirect. A Fellow Chartered Accountant, Mr. Valotaire holds Bachelor's degrees in Business Administration and in Accounting from Université Laval and has attended the Wharton School Advanced Executive Education Program.

Rod Monette, FCPA-FCA, BSc, MBA

Rod Monette has over 35 years of experience in management and administration. He was a federal public servant for 28 years, 17 of which were at the levels of Deputy Minister and Assistant Deputy Minister in regional and national positions in various program, policy, and management areas. He serves on a number of Boards and Committees, including Chair of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants

Mr. Monette is a Fellow Chartered Accountant and holds a Bachelor of Science degree from Carleton University, as well as a Masters of Business Administration from the University of Ottawa.

He completed his public service career as the Comptroller General of Canada. The Comptroller General is responsible for government-wide direction and leadership for financial management and audit. Notably, Mr. Monette was the architect of the financial accountability measures for Canada's recent $62 Billion Economic Action Plan.

Prior to Comptroller General of Canada, Mr. Monette was Associate Deputy Minister of National Defence, where he worked on long-term defence strategy, procurement, and program issues.

Mr. Monette began his career with Clarkson Gordon Chartered Accountants, now Ernst and Young, in 1978.

Born in Regina, he now lives in Toronto with his wife and enjoys playing music and motorcycling.

DEPARTMENTAL AUDIT COMMITTEE CHARTER

1.0 INTRODUCTION

The revised and updated Treasury Board (TB) *Policy on Internal Audit* (IA) came into effect on April 1, 2012. Its objective is to contribute to the improvement of public sector management by ensuring a strong, credible, effective and sustainable internal audit function within departments as well as government-wide.

Departmental Audit Committees are an integral part of the Government of Canada's efforts to ensure the rigorous stewardship and accountability of public funds across its operations. The Human Resources and Skills Development Canada (HRSDC) Departmental Audit Committee (DAC) is an essential component of the department's portfolio governance structure and a critical aspect of a strong and credible internal audit regime.

The Deputy Minister (DM) of HRSDC is responsible for establishing and maintaining an independent departmental audit committee that includes a majority of external members. Authority in this regard is derived from section 16.2 of the *Financial Administration Act (FAA)*, the TB *Policy on IA*, and the TB *Directive on Internal Auditing in the Government of Canada*.

2.0 PURPOSE

The HRSDC DAC is a strategic resource which provides objective advice and recommendations to the DM 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 (including accountability and auditing systems).

3.0 Membership of the HRSDC DAC

The HRSDC DAC includes at least three (3) independent, external members recruited from outside of the federal public administration as well as one (1) internal member, the DM of HRSDC, for a total of four (4) members. Independent, external members of the HRSDC DAC are selected so that their collective skills, knowledge, and experience will allow the committee to competently and efficiently undertake its duties. All independent, external members shall be familiar with private or public sector financial reporting. At least one member shall be a financial expert who possesses a professional accounting designation.

3.1 Chair

The DM of HRSDC or an independent, external member will chair the DAC. Another independent, external member may be designated as vice-chair if the DM is chair.

The Chair, in consultation with the other committee members, will prepare and establish a forward agenda to ensure that the annual and ongoing responsibilities of the committee are scheduled and adequately addressed. Following the development and approval of the forward agenda, the Chair will see it to its fulfillment. The Chair presides, and manages the meetings, establishes the meeting schedule and the meeting agendas.

3.2 Tenure and Terms of Office

An independent, external member shall serve no more than two terms[1] which are not to exceed four years each. To promote and encourage continuity among independent, external members, and to assist in an orderly transition of independent, external membership, the engagement of independent, external members may be staggered and may therefore result in terms of less than four years.

In the event that a committee member has a difference of opinion/disagreement with another committee member or the Chair, the committee member shall bring the issue(s) forward for resolution/recourse as stipulated in the *TB Terms and Conditions of Appointment for Audit Committee Members* (Section 2.5 - Duty to Inform and Duty to Resign-Disagreement).

4.0 COMMITTEE MEETINGS

4.1 Regular In-Person Meetings

The HRSDC DAC shall meet in person (at a minimum) twice a year. The schedule of regular in-person HRSDC DAC meetings will be established one year in advance in consultation with the Chair and the independent, external members. The Chair has full authority to delegate his responsibilities to a HRSDC DAC ex-officio member when necessary for regular in person HRSDC DAC meetings. Rescheduling of regular in-person HRSDC DAC meetings will be by exception only following consultation with the Chair.

[1] Per the *Terms and Conditions of Appointment for Audit Committee Members:* Unless otherwise stated, terms are for a period of four years, and may be renewed once, at the discretion of the Treasury Board, for an additional period not exceeding four years.

4.1.1 Additional Meetings

The HRSDC DAC has the authority to convene additional meetings outside of the established regular in-person meeting schedule when necessary and as required. The Chair has full authority to delegate his responsibilities to a HRSDC DAC ex-officio member when necessary for additional meetings.

4.2 Quorum

The quorum for a HRSDC DAC meeting will be a simple majority of the four members. No alternates shall be permitted unless the Chair delegates his responsibilities accordingly (per Sections 4.1 and 4.1.1).

4.3 Preparation and Attendance of Members

To enhance the effectiveness of the HRSDC DAC, each member will ensure that they prepare for and fully participate in each in-person and additional meeting by reviewing the supporting documentation provided and by attending the scheduled meetings.

4.4 Ex-Officio Members and Attendance by Non-Members

The HRSDC DAC is comprised of five (5) ex-officio members as follows:

- Senior Associate Deputy Minister of HRSDC and Chief Operating Officer for Service Canada (SC)
- Associate Deputy Minister of HRSDC
- Deputy Minister of Labour
- Chief Financial Officer (CFO)
- Chief Audit Executive (CAE)

The HRSDC DAC ex-officio members are permitted to attend DAC meetings per their discretion and as required except for in-camera sessions. The CFO and CAE are expected to attend all HRSDC DAC regular in-person meetings.

The Chair may request the attendance and participation of other senior departmental officials to assist with and participate in committee proceedings.

The Chair shall, as appropriate, invite representatives from external assurance providers to attend committee meetings to discuss matters of mutual concern (audit plans, audit reports, findings, etc.). The Chair may, as necessary, also invite any other officials (i.e. from the Treasury Board of Canada Secretariat (TBS)) the committee may determine should attend.

4.5 Minutes of Meetings (Meeting Records)

Minutes of each meeting shall be prepared by the Internal Audit Services Branch (IASB) DAC Secretariat and are to provide a record of decisions taken and a high-level summary of the discussions and the conclusions reached. The minutes shall also contain a record of the persons present.

4.6 In-Camera Sessions

As part of the established committee meeting schedule, the DAC will have the option to meet individually, in-camera, with:

- The DM *(as part of each meeting)*;
- The CFO *(on a rotational basis)*;
- The CAE *(on a rotational basis)*;
- Representatives of external assurance providers (when in attendance); and,
- Any other officials the DAC may determine (as requested/required).

The Minister will be offered the opportunity to meet with the DAC annually, to discuss the committee's Annual Report and any significant concerns that may be raised therein or that may otherwise arise.

5.0 AUDIT COMMITTEES OPERATIONS

5.1 Access by / to the DAC

To fulfill its responsibilities, the HRSDC DAC has unfettered access to the CAE, the CFO and to other departmental employees and documentation (subject to the *Privacy Act* (PA) as well as the HRSDC *Privacy Codes* of the departmental legislation and the related privacy provisions of the Department's program legislation[2]) as may be required.

The CAE and the CFO have unfettered access to the HRSDC DAC, including the DAC Chair.

5.2 DAC Forward Agenda

The forward agenda shall be presented by the Chair to the HRSDC DAC for review and approval at the end of each meeting.

5.3 Committee Orientation, Training and Continuing Education

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[2] Part 4 of the Department of *HRSD Act*; Part 2 of the Department of *Social Development Act*; Section 104 et al. of the *Canada Pension Plan*; Section 33 et al. of the *Old Age Security Act*; and Subsection 139(5) of the *Employment Insurance Act*.

The role of the HRSDC DAC can be fulfilled only if the independent, external members are well informed. Newly appointed independent, external members shall receive formal orientation, training and continuous learning on the committee's purpose, responsibilities, objectives, and on the business of the Department and the government as a whole.

Formal orientation, training and continuous learning will be provided to renewed independent, external members as required.

5.4 Support to the DAC

The HRSDC DAC will be provided with the tools and resources necessary to carry out their role, responsibilities and duties.

The DAC Secretariat within the Internal Audit Services Branch (IASB) shall provide assistance to the committee in executing their work, assessing their performance and assistance in accountability reporting and orientation of members. The DAC Secretariat will also provide any and all administrative and logistical support to/for the committee.

6.0 RESPONSIBILITIES OF THE DAC

The key areas of responsibility that fall within the scope of concern of DACs, and that will be reviewed with an appropriate risk-guided focus and cycle, as well as the departmental arrangements to support them are outlined below.

The particular emphasis and priorities from among the committee's key areas of responsibility are to be set by the DM in consultation with the committee and in consideration of HRSDC's mandate, objectives and priorities, as well as the corresponding risks affecting the Department and the Government as a whole.

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.1	*Values and Ethics:* The HRSDC DAC shall review and provide advice on the departmental systems and practices established by the DM to monitor compliance with laws, regulations, policies and standards of ethical conduct and identify and deal with any legal or ethical violations. This may also include the procedures and feedback mechanisms established to monitor conformance with the HRSDC Code of Conduct and ethics policies, as well as how its processes encourage and maintain high ethical standards.	*Departmental Responsibilities:* The responsibility for Values and Ethics in the Department rests with the Assistant Deputy Minister (ADM) Human Resources Services Branch (HRSB). The ADM, HRSB will be asked to present an annual report of arrangements made, and actions undertaken, to address Values and Ethics within the Department. *Internal Audit Responsibilities:* Values and Ethics will be audited as part of the audit universe of the Department and as a key Management Accountability Framework (MAF) element, on a cyclical and risk basis.
6.2	*Risk Management:* The HRSDC DAC shall review and provide advice on the risk management arrangements established and maintained by the department as part of regular committee meeting proceedings.	*Departmental Responsibilities:* ADMs are responsible for risk management and mitigation within their own branches. The responsibility for the Corporate Risk Management Framework in the Department rests with ADM, Strategic Policy and Research Branch (SPRB). The ADM, SPRB will be asked to present the arrangements made, and actions undertaken, to develop and review the Corporate Risk Profile and the departmental risk arrangements at least annually. *Internal Audit Responsibilities:* Risk management and mitigation will be included as part of the audit universe of the Department and as a key MAF element, on a cyclical and risk basis.
6.3	*Management Control Framework:* The HRSDC shall review and provide advice on the departmental internal control arrangements, and be informed on all matters of significance arising from work performed by others who provide assurances to senior management and the DM as part of regular committee meeting proceedings.	*Departmental Responsibilities:* ADMs are responsible for their respective branches management and internal control frameworks and are to ensure that the appropriate practices and processes are in place. ADMs, as appropriate, will ensure that management control frameworks and internal controls are embedded within briefings and presentations to the committee.

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.3	*Management Control Framework:* *(continued)*	In addition, the CFO will provide the HRSDC DAC with updates and reports, as necessary or when requested, with respect to Internal Controls over Financial Reporting (ICFR). *Internal Audit Responsibilities:* The assessment of management control frameworks will be a significant portion of the internal audits conducted. The CAE Annual Report will include the CAE's perspective on the state of controls within the Department.
6.4	*Internal Audit Function:* The HRSDC DAC shall:	
6.4.1	Recommend, and periodically review, a departmental internal audit policy or charter for the approval of the Deputy Minister;	*Internal Audit Responsibilities:* The responsibility for developing the Internal Audit (IA) Charter rests with the CAE. The CAE will revise, as appropriate, and present the IA Charter to the HRSDC DAC at least annually for review and recommendation for DM approval.
6.4.2	Provide advice to the DM on the sufficiency of resources of the internal audit function;	*Internal Audit Responsibilities:* The CAE will present and review an internal audit resources/staff report with the committee during his established in-camera sessions to assist the HRSDC DAC in providing advice to the DM.
6.4.3	Review and recommend for approval a multi-year risk-based internal audit plan;	*Internal Audit Responsibilities:* The CAE will present the multi-year risk-based internal audit plan (RBAP) to the committee for review and recommendation for DM approval on an annual basis. Any modifications to planned audit activities as departmental risks and priorities change will be presented to the DAC for review and recommendation for DM approval.

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.4.4	Monitor and assess the performance of the internal audit function;	*Internal Audit Responsibilities:* The CAE, in consultation with the DM and the HRSDC DAC, is responsible for ensuring that a practice inspection of the internal audit function is conducted at least every five (5) years. The CAE will in turn present and review the results of the external assessment and corresponding management action plan (MAP) to the DM, the HRSDC DAC, and share the results with the Office of the Comptroller General (OCG). The CAE will present periodic MAP implementation status updates to the committee as deemed necessary.
6.4.5	Provide advice to the DM on the recruitment and appointment, as well as the performance of the chief audit executive;	*Departmental Responsibilities:* The DM may consult the independent, external members as appropriate with respect to the recruitment and appointment of the CAE and seek their advice pertaining to the performance of the CAE;
6.4.6	Review and recommend for approval internal audit reports and corresponding management action plans to address recommendations;	*Departmental Responsibilities:* Implicated senior departmental management will be expected to appear before the HRSDC DAC to discuss the results of internal audits conducted as well as to present the corresponding Management Action Plan (MAP) developed to address any identified recommendations as a result of the internal audit. *Internal Audit Responsibilities:* The CAE will table and present internal audit reports to the committee and provide pertinent context with respect to the findings and recommendations. The CAE will also identify any areas where, in his opinion, management has accepted a level of risk that is unacceptable to the department or to the government. The DAC Secretariat, within the IASB, is responsible for the coordination and distribution of internal audit reports and MAPs which are to be reviewed and recommended by the committee to the DM for approval.

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.4.7	Review regular reports on progress against the risk-based internal audit plan; and	*Internal Audit Responsibilities:* The CAE shall provide regular progress reports against the approved multi-year RBAP. Any modifications to planned audit activities as departmental risks and priorities change will be presented to the DAC for review and recommendation for DM approval.
6.4.8	Be made aware of internal audit engagements or tasks that do not result in a report to the committee, and be informed of all matters of significance arising from such work	*Internal Audit Responsibilities:* The CAE will keep the committee abreast of all associated internal audit activities to ensure a comprehensive view of the function.
6.5	*External Assurance Providers:* The HRSDC DAC shall be informed and advise the DM on:	
6.5.1	All audit work relating to the department to be undertaken by external assurance providers, including management's response; and	*Departmental Responsibilities:* Implicated senior departmental management will be expected to appear before the HRSDC DAC to discuss the results of external audit engagements as well as to review and present the corresponding Management Response and MAP developed to address any identified recommendations as a result of the external audit. *Internal Audit Responsibilities:* The CAE will present external audit reports to the committee and provide pertinent context with respect to the conduct of the external engagement, the findings, and the recommendations. The DAC Secretariat, within the IASB, is responsible for the coordination and distribution of external audit reports, Management Responses, and MAPs which are to be reviewed and recommended by the committee to the DM for approval.
6.5.2	Audit-related issues and priorities raised by external assurance providers.	*Internal Audit Responsibilities:* The CAE will keep the committee abreast of all associated audit-related issues and priorities raised by external assurance providers.

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.5.2	Audit-related issues and priorities raised by external assurance providers. *(continued)*	The HRSDC DAC may, as required, request the attendance and participation of specific external assurance providers/agents of Parliament.
6.6	*Follow-up on Management Action Plans (MAPs)* The HRSDC DAC shall review regular reports on the progress of the implementation of approved management action plans resulting from prior internal audit recommendations as well as management action plans resulting from the work of external assurance providers.	*Departmental Responsibilities:* Senior departmental management (ADMs) are to ensure that: • All approved MAPs under their responsibility are implemented; • Sufficient documentation of the activities undertaken to implement the actions contained in the MAP must be maintained; • Periodically provide a detailed MAP Implementation Status Report to IASB. The information contained within this report will be subject to verification by IASB; *Internal Audit Responsibilities:* Responsibility for the development and implementation of an adequate follow-up function rests with the CAE. The CAE is responsible for routinely reporting to the DAC on whether MAPs have been implemented and, based on risk-targeted follow-up work, the effectiveness of the actions taken. The CAE's report will include an assessment of the impact of the proposed actions and whether these actions will address the risks identified. The CAE will also identify any areas where, in his opinion, management has accepted a level of risk that is unacceptable to the department or to the government. On an annual basis, the CAE will, at a minimum present the following MAP follow-up exercises to the HRSDC DAC for discussion and information: • Follow-up on Internal Audit MAPs; • Follow-up on External Audit MAPs; and • Validation Exercise of Completed Internal/External Audit MAPs

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.7	*Financial Statements and Public Accounts Reporting* The HRSDC DAC shall:	
6.7.1	Review and provide advice to the deputy head on key financial management reports and disclosures of the department, including quarterly financial reports, annual financial statements and Public Accounts.	*Departmental Responsibilities:* The development of the Departmental Financial Statements (F/S), and any other associated financial management reports, statements and disclosures rests with the CFO. The CFO will present the necessary F/S to the committee on an annual basis. A quarterly financial report for the first three quarters of each fiscal year will be presented to the committee for discussion and information by the CFO. Figures for the fourth quarter are incorporated in the annual results found in Volume II of the *Public Accounts of Canada*. *Internal Audit Responsibilities:* The CAE will assist as required in the coordination of the annual OAG F/S audits. The DAC Secretariat, within the IASB, is responsible for the coordination and distribution of external audit reports, Management Responses, and MAPs which are to be reviewed and recommended by the committee to the DM for approval.
6.7.2	Review the annual Statement of Management Responsibility Including Internal Control over Financial Reporting (ICFR) and provide advice to the deputy head on the risk-based assessment plans and associated results related to the effectiveness of the departmental system of Internal Control over Financial Reporting.	*Departmental Responsibilities:* The Statement of Management Responsibility Including Internal Control over Financial Reporting will be reviewed and attested by the DM and the CFO as part of the Departmental F/S reporting process and presented and reviewed by the committee annually. In addition to the Statement, the CFO will brief the committee and provide regular progress and/or status updates as required or as requested with respect to the system of Internal Control over Financial Reporting.

AREA OF RESPONSIBILITY	DEPARTMENTAL ARRANGEMENTS
6.7.2 Review the annual Statement of Management Responsibility Including Internal Control over Financial Reporting (ICFR) and provide advice to the deputy head on the risk-based assessment plans and associated results related to the effectiveness of the departmental system of Internal Control over Financial Reporting. *(continued)*	***Internal Audit Responsibilities:*** The CAE will provide assurance through periodic internal audits which are instrumental to the maintenance of an effective system of ICFR. The effectiveness and adequacy of the department's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the department's operations.
For departmental financial statements that are audited, the HRSDC DAC will review:	
6.7.3 The financial statements with the external auditor and senior management, discuss any significant accounting estimates and adjustments therein, any adjustments required to the statements as a result of the audit, as well as any difficulties or disputes encountered with management during the course of the audit;	Per legislative requirements, the following are audited annually by the Office of the Auditor General (OAG) and are jointly coordinated by the CFO and CAE: • Canada Pension Plan (CPP) Account; • Employment Insurance Operating Account (EIOA); • Government Annuities Account (GAA); and • Public Accounts of Canada. The corresponding audit reports and MAPs, will be reviewed and presented to the HRSDC DAC for discussion and information by the appropriate external auditor(s) in collaboration with the CFO and CAE.
6.7.4 Management letters arising from the external audit; and	***Internal Audit Responsibilities:*** The CAE will share and review any management letters arising from external financial audits with the committee for discussion and information.
6.7.5 The auditor's findings and recommendations relating to the internal controls in place for financial reporting and consider their impact on controls, risk management and governance processes.	In addition to Departmental and Internal Audit Responsibilities outlined in Section 6.7.2, the committee may engage in discussions as required or as necessary with the auditor's pertaining to internal controls and any corresponding impacts.

AREA OF RESPONSIBILITY		DEPARTMENTAL ARRANGEMENTS
6.8	*Accountability Reporting* The audit committee will receive copies of the Departmental Report on Plans and Priorities (RPP), the Departmental Performance Report (DPR) and other significant accountability reports. These reports provide context for the deliberations of the audit committee and advice to the deputy head.	*Departmental Responsibilities:* The responsibility for coordinating and drafting the Report on Plans and Priorities (RPP) and the Departmental Performance Report (DPR) rests with the ADM, SPRB. The ADM, SPRB will be asked to review and present the reports annually to the DAC for discussion and information. The ADM, SPRB will also review the Corporate Risk Profile and Management Accountability Framework results at least annually with the committee.
	The audit committee may also receive, as information, copies of plans and reports prepared by the departmental evaluation function.	The multi-year Departmental Evaluation Plan (DEP) as well as the report on the state of performance measurement in support of evaluation will be presented to the committee annually by the ADM, SPRB. *Internal Audit Responsibilities:* The DAC Secretariat, within the IASB, is responsible for the coordination and distribution of the aforementioned reports to the committee.

7.0 ASSESSMENT OF COMMITTEE PERFORMANCE

7.1 Committee Self-Assessment

The DAC will, at least annually, formally self-assess its performance. The objective of this self-assessment is to contribute to the process of continuous improvement in the DAC's execution of its responsibilities.

7.2 External Practice Inspection

At least every five years, the performance of the committee will be subject to external assessments led by the OCG as a key aspect of the OCG's practice inspection of the Department's internal audit function.

8.0 MONITORING AND REPORTING

The independent, external members of the HRSDC DAC shall submit an annual report to the DM that will:

- Summarize the results of the committee's reviews of areas of responsibility;
- Provide the independent, external members' assessment, and make recommendations as needed on the capacity, independence and performance of the internal audit function; and
- Express views in the annual report and shall be entirely and exclusively those of the independent, external members.

The DAC will also provide such other information or documentation that it deems important to best convey a fair and complete picture of its activities and results. The annual report will be made available to the Comptroller General.

9.0 REVIEW OF DAC CHARTER

The DAC shall periodically review the appropriateness of its Charter, including its Chair, for reaffirmation by the Deputy Minister.

Approved by:

Original signed by *June 22, 2013*

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Ian Shugart Date
Deputy Minister
Human Resources and Skills Development Canada

This table provides the Committee's agenda items and their corresponding area(s) of responsibility. Since the DAC's areas of responsibility are not independent, linkages between these areas must be achieved to allow the committee to succeed in its advisory role. As a result of these linkages, some agenda items are reported under more than one area of responsibility.

	2012 – 2013 DAC Meeting Dates				
Area of Responsibility	**June 19, 2012**	**August 10, 2012**	**October 30, 2012**	**January 22, 2013**	**January 30, 2013 / February 27, 2013**
Values and Ethics	• Values and Ethics • Management Accountability Framework (MAF) – Round IX Results		• Auditability Assessment of Social Media Use		
Risk Management	• Integrity Services Discussion • Management Accountability Framework (MAF) – Round IX Results • Post-Budget 2012 Operating Environment		• Information Technology – Update • Internal Controls over Financial Reporting (ICFR) • Departmental Accounts Receivable	• Major Project Investment Process • 2013-2016 Risk-Based Internal Audit Plan (RBAP) • DAC '*Blue Sky*' Discussion • Workforce Adjustment (WFA)	• 2013–14 Report on Plans and Priorities (RPP)

	2012 – 2013 DAC Meeting Dates				
Area of Responsibility	**June 19, 2012**	**August 10, 2012**	**October 30, 2012**	**January 22, 2013**	**January 30, 2013 / February 27, 2013**
Risk Management *(continued)*	• Privacy Management Framework – Privacy Risk Workshops • IASB's Follow-up Exercise on the Status of Implementation of Management Action Plans (MAPs) for External Audits (OAG and Central Agencies) • Risk-Based Internal Audit Planning – Update • The Canada Student Loans Program (CSLP)– Procurement Launch • Continuous Auditing and Special Examination – Results		• Audit of Information Technology (IT) Security – Phase II • Audit of Section 34 of the *Financial Administration Act (FAA)* • 2011 – 2012 Departmental Performance Report (DPR) • Update of the 2012-2015 Risk-Based Internal Audit Plan (RBAP) • Risk-Assessment Approach for the 2013-2016 RBAP • Grants and Contributions Modernization (Gs&Cs) and Financial Monitoring • Closing Remarks and Feedback for Next Meeting		
Management Control Framework	• Integrity Services Discussion • Management Accountability Framework (MAF) – Round IX Results • Privacy Management Framework – Privacy Risk Workshops		• Internal Controls over Financial Reporting (ICFR) • Departmental Accounts Receivable • Audit of Tier 1 Service Delivery Channels	• Major Project Investment Process • 2013-2016 Risk-Based Internal Audit Plan (RBAP) • Continuous Auditing Report – Covering Results from: July to November 2012	

	2012 – 2013 DAC Meeting Dates				
Area of Responsibility	**June 19, 2012**	**August 10, 2012**	**October 30, 2012**	**January 22, 2013**	**January 30, 2013 / February 27, 2013**
Management Control Framework *(continued)*	• Audit of Section 34 of the *Financial Administration Act* • Risk-Based Internal Audit Planning – Update • Internal Audit Performance Measurement Framework (PMF) • Continuous Auditing and Special Examination – Results		• Audit of Information Technology (IT) Security – Phase II • Audit of the Management of Call Centre Operations • Audit of Section 34 of the *Financial Administration Act (FAA)* • Auditability Assessment of Social Media Use • 2012-2017 Departmental Evaluation Plan (DEP) • 2010-2012 Report on the State of Performance Measurement in support of Evaluation • Update of the 2012-2015 Risk-Based Internal Audit Plan (RBAP) • Grants and Contributions Modernization (Gs&Cs) and Financial Monitoring	• Preliminary Survey of the Implementation of the *Government Employees Compensation Act (GECA)* • Review of Access to the WebCIMS • Review of the Implementation of the Service Management Structural Model (SMSM) • Auditability Assessment of the Management of Intellectual Property (IP) • Pre-Implementation Review of Old Age Security (OAS) / Guaranteed Income Supplement (GIS): Service Improvement Strategy – Phase I	

	2012 – 2013 DAC Meeting Dates				
Area of Responsibility	June 19, 2012	August 10, 2012	October 30, 2012	January 22, 2013	January 30, 2013 / February 27, 2013
Internal Audit Function	• Internal Audit Projects Status Report • Audit of Section 34 of the *Financial Administration Act* • Risk-Based Internal Audit Planning – Update • Internal Audit Performance Measurement Framework (PMF) • Continuous Auditing and Special Examination – Results		• Internal Audit Projects Status Report • Audit of Tier 1 Service Delivery Channels • Audit of Information Technology (IT) Security – Phase II • Audit of the Management of Call Centre Operations • Audit of Section 34 of the *Financial Administration Act (FAA)* • Auditability Assessment of Social Media Use • OCG – Management, Resources and Results Structure (MRRS) • Update of the 2012-2015 Risk-Based Internal Audit Plan (RBAP)	• 2013-2016 Risk-Based Internal Audit Plan (RBAP) • Continuous Auditing Report – Covering Results from: July to November 2012 • Preliminary Survey of the Implementation of the *Government Employees Compensation Act (GECA)* • Review of Access to the WebCIMS • Review of the Implementation of the Service Management Structural Model (SMSM) • Auditability Assessment of the Management of Intellectual Property (IP) • Pre-Implementation Review of Old Age Security (OAS) / Guaranteed Income Supplement (GIS): Service Improvement Strategy – Phase I	• Audit of the Common Experience Payment (CEP) Designated Amount Fund
Office of the Auditor General and Central Agencies	• Office of the Information Commissioner (OIC) – Follow-Up on Assessment of Access to Information Performance		• Office of the Comptroller General of Canada (OCG) – Public Sector Accounting Standards (PSAS)	• Office of the Auditor General of Canada (OAG) – Audit of the Public Accounts of Canada – Employment Insurance Information Technology General Computer Controls	

	2012 – 2013 DAC Meeting Dates				
Area of Responsibility	June 19, 2012	August 10, 2012	October 30, 2012	January 22, 2013	January 30, 2013 / February 27, 2013
Office of the Auditor General and Central Agencies *(continued)*	• External Audit Projects Status Report		• External Audit Project Status Report • OAG Audit of Grant and Contribution Program Reforms • OAG Audit of Planning the Use of Professional Service Contractors	• External Audit Project Status Report • OAG – Audit of Evaluating the Effectiveness of Programs	
Follow-up on Management Action Plans (MAPs)	• IASB's Follow-up Exercise on the Status of Implementation of Management Action Plans (MAPs) for External Audits (OAG and Central Agencies)		• IASB's August 2012 Interim Follow-Up Exercise on the Status of Implementation of Five Recommendations		
Financial Statements and Public Accounts of Canada Reporting		• 2011 – 2012 Departmental Financial Statements • Departmental Consolidated Financial Statements 2011 – 2012; including the Annex to the Statement of Management Responsibilities • PricewaterhouseCoopers (PwC) Review Engagement Report and Management Letter • Employment Insurance (EI) Operating Account Financial Statements 2011 – 2012	• Internal Controls over Financial Reporting (ICFR) • Departmental Accounts Receivable • Office of the Comptroller General of Canada (OCG) – Public Sector Accounting Standards (PSAS) • Departmental Consolidated Financial Statements 2011 - 2012		

Area of Responsibility	2012 – 2013 DAC Meeting Dates				
	June 19, 2012	August 10, 2012	October 30, 2012	January 22, 2013	January 30, 2013 / February 27, 2013
Financial Statements and Public Accounts of Canada Reporting *(continued)*		• Canada Pension Plan (CPP) Consolidated Financial Statements 2011 – 2012 • Government Annuities Account (GAA) Financial Statements 2011 – 2012 • Next Steps for the 2011 – 2012 Departmental Consolidated Financial Statements	• Office of the Auditor General of Canada (OAG) – Canada Pension Plan (CPP) Annual Audit for the year ending March 31, 2012 • OAG – Employment Insurance Operating Account (EIOA) Annual Audit for the year ending March 31, 2012 • OAG – Government Annuities Account (GAA) Annual Audit for the year ending March 31, 2012		
Accountability Reporting			• 2012-2017 Departmental Evaluation Plan (DEP) • 2010-2012 Report on the State of Performance Measurement in support of Evaluation • 2011 – 2012 Departmental Performance Report (DPR)		• 2013–14 Report on Plans and Priorities (RPP)