



Public Health
Agency of Canada

Agence de la santé
publique du Canada

AUDIT COMMITTEE ANNUAL REPORT 2008-2009

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Canada 

Public Health Agency of Canada

Annual Report of the Audit Committee

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Public Health Agency of Canada
Annual Report of the Audit Committee
For the fiscal year ended March 31, 2009

Reflections of the Audit Committee

1. The Audit Committee (AC) is an essential part of the audit regime established by the Public Health Agency of Canada (PHAC) under the Treasury Board Secretariat "Policy on Internal Audit".
2. The primary objective of PHAC is to contribute to better public health outcomes in Canada and to play its part in contributing to improving public health on a global basis.
3. The Audit Committee plays a small, but vital, role in this process. At one level, we work with the Audit Services Division (ASD) to advise PHAC on the operation of the basic processes and controls that are essential to the effective operation of any organization: respect for key values and ethics, strong and effective internal controls and building a strong and committed team of individuals. At another level the AC plans to provide advice on broad strategy and risk management, together with assessing the effectiveness of related programs and processes.
4. Now that we have completed our first full year of work, we would like to make the following observations. Firstly, our experience has confirmed our initial impressions the AC model, as developed by TBS, is a useful one. We believe that the establishment of a mechanism to provide independent and objective advice to deputy heads, while maintaining the authority of the deputy head to manage the affairs of his or her organization, creates a powerful opportunity for maintaining and strengthening accountability and controls. The independent members are committed to making this model work at PHAC.
5. Two events occurred in 2008/09 that tested PHAC's ability to respond to crises: the listeriosis outbreak and, toward the end of the fiscal year, the outbreak of the H1N1 virus. With respect to the listeriosis outbreak, the lead was assigned to the Minister of Agriculture and the Canadian Food Inspection Agency, and PHAC had a significant role in the underlying research and in communicating related public health issues to the Canadian public.
6. The independent members of the AC followed these events with interest. PHAC's response to these events was encouraging on two levels. First, the protocols and communication networks in place to assess and respond to emerging crises seemed to work well. Second, the commitment of management to learn from each such event and seek ways to improve future responses was apparent.

7. The AC looks forward to the forthcoming report on the independent enquiry into the listeriosis outbreak and to a briefing on management's response to any recommendations that might be included therein related to PHAC. We also look forward to a lessons learned briefing on the H1N1 outbreak.
8. With respect to PHAC operations, there are a number of areas discussed in the rest of this report on which the AC has advised management to focus attention:
 - Risk management: there is a need to coalesce the risk management perspectives in different operations into a corporate view of risk that can be used to enhance PHAC's communication to stakeholders with respect to the public health risks and opportunities facing the Canadian public together with the risk profile of PHAC and the steps taken to mitigate these risks.
 - Financial reporting: there is a need for PHAC to strengthen control over financial reporting so that audited financial statements can be prepared in accordance with generally accepted accounting principles.
 - Follow up on management action plans in response to ASD and external agency recommendations.
 - Performance reporting: In common with many other public sector agencies, PHAC needs to strengthen its ability to report meaningfully on its own performance and on the effect it has on the Canadian public.
9. Finally, the AC has begun discussions on how to assess its own performance and contribution to PHAC. At this point, it appears likely that we will use a combination of self-assessment and feedback from the members of senior management with whom we routinely interact. We will report on the results of this assessment in next year's annual report.

Role of the Audit Committee

10. The role of the Audit Committee is to ensure that the Chief Public Health Officer (CPHO) has independent and objective advice, guidance and assurance on PHAC's control and accountability processes. To accomplish this, the AC actively reviews core areas of agency control and accountability in an integrated and systematic way.
11. The AC is chaired by the CPHO. Three independent members, external to the Government of Canada, have been appointed by Treasury Board. This report provides commentary on the part of the AC as a whole, together with commentary of the independent members separately. Commentary which reflects the views of the independent members will be clearly identified as such. This will be appropriate when the independent members have taken a view of an issue within which the CPHO is actively engaged as a member of management.

12. The meetings of the Audit Committee took place as follows (See Appendix 1 for a description of the structure of these meetings):
 - June, 2008 in Winnipeg. The meeting included a briefing by staff of the National Microbiology Laboratory and a tour of the facilities.
 - October, 2008 in Ottawa.
 - January, 2009 in Vancouver. The meeting included a briefing by regional staff with respect to regional issues and the relationship between the region and headquarters.
 - March, 2009 in Ottawa.
13. The AC reviewed its charter at the March 2009 meeting. The charter will be aligned with the new Treasury Board *Policy on Internal Audit*.

Assessment of Values and Ethics

14. The AC is charged with reviewing, at least annually, the arrangements established by management to exemplify and promote public service values and to ensure compliance with laws, regulations, policies and standards of ethical conduct.
15. In these early days of the AC program, there is little guidance presently available to assist the AC in making the assessment of values and ethics. The AC understands that work is ongoing in central government to develop robust guidance to assist audit committees in making these assessments.
16. In June, 2008, in response to a request from the AC, the ASD provided a Status Report on Values and Ethics based on the conduct of certain review procedures. The Report provided the AC with a description of the arrangements PHAC has made to maintain a business climate that is focused on continuously improving transparency, accountability and ethical decision-making processes. The AC agreed with the suggestions arising out of this review. The most significant suggestions are that PHAC should identify a values and ethics champion, add a number of specific policies to its policy suite and prepare an annual report on its values and ethics activities. The AC plans to follow-up on these suggestions as part of its annual review of values and ethics for 2009/10.

Assessment of Risk Management

17. The AC is charged with reviewing, at least annually, the Corporate Risk Profile and PHAC risk management arrangements.
18. As with the charge to review values and ethics, in these early days of the AC program, there is little guidance presently available to assist the AC in making this assessment. The AC understands that work is ongoing in central government to

develop robust guidance to assist audit committees in making these assessments. In the meantime, the AC has asked its CAE to develop recommendations as to how the AC might approach this aspect of its responsibilities in a useful and practical manner.

19. The AC has discussed risk management arrangements with a number of senior managers. The AC has not yet had an opportunity to provide its views of the Corporate Risk Profile. In the absence of a Chief Risk Officer and in the absence of an assessment of PHAC's overall approach to risk management by the Audit Services Division (ASD), the AC is in no position to form an opinion of quality of risk management.
20. However, the AC has expressed concern that the processes in place to manage risk at PHAC do not appear to be sufficiently robust and do not appear to take one corporate view of risk. There appear to be different approaches to managing risks in different parts of the Agency and the AC has advised the CPHO that PHAC should address this situation.
21. The AC had planned to have a meeting with those managers who have been charged with developing a common and robust approach to risk management throughout the Agency in March, 2009. Unfortunately, this meeting had to be postponed. The AC plans to reschedule this meeting in 2009/10 and will update its views of PHAC's risk management practices in its next annual report.
22. The independent members of the AC will continue to advise the CPHO on an ad hoc basis as we become aware of risk management issues.

Assessment of Management Control Framework

23. The AC is charged with reviewing, at least annually, PHAC's internal control arrangements, including the adequacy of management-led audit.
24. As with the charge to review values and ethics and risk management, in these early days of the AC program, there is little guidance available to assist the AC in making this assessment. The AC understands that work is ongoing in central government to develop robust guidance to assist audit committees in making these assessments. In the meantime, the AC has asked its CAE to develop recommendations as to how the AC might approach this aspect of its responsibilities in a useful and practical manner.
25. The independent members of the AC became aware of a number of control issues during the course of first few meetings. Last year, the AC noted the need to organize and optimize the information technology governance framework so that the disparate systems inherited from Health Canada can be integrated into an efficient and effective system. It also noted that the need to strengthen the control framework over information management will present challenges for some time to

come. At the request of the AC, ASD assessed the current IT Governance framework using the internationally recognized standard developed by the Information Systems Audit and Control Association (ISACA). Known as CobiT (Control Objectives for Information Technology), ISACA has developed a guideline for smaller organizations such as PHAC called CobiT Quickstart that was used in this assessment. ASD reported on this audit in October, 2008. The report made a number of recommendations of which the most salient was perhaps that the CIO should be granted greater authority over the management of IM/IT throughout the Agency. The AC agreed with all of the recommendations and plans to follow up on them in accordance with its standard follow up protocol.

26. In terms of financial controls, the AC notes that PHAC is still not in a position to produce auditable financial statements in accordance with generally accepted accounting principles for the public sector. Significant improvements to the control framework are required to achieve these goals.
27. The OCFO has engaged a public accounting firm to assess the state of internal control over financial reporting at PHAC and to identify the way forward that will enable PHAC to produce auditable financial statements in accordance with Generally Accepted Accounting Principles (GAAP). This report will be reviewed by the AC in 2009/10. In addition, ASD is conducting an audit of IT assets that includes an assessment of the control over financial reporting for these assets that will be provided to the AC in 2009/10.
28. The AC is of the view that the ability to produce reliable financial statements is an essential component of PHAC's accountability regime. Accordingly, in 2007/08 the AC requested the CFO to work with the CAE to work toward this objective and to report quarterly to the AC on progress being made. These quarterly reports were made during 2008/09. Further the CFO has committed to produce audited financial statements (see paragraphs 68-72). The AC plans to continue to follow up on progress towards this goal.
29. Another source of information about the state of management controls is the Management Accountability Framework (MAF). The AC annually reviews the assessment of PHAC's implementation of MAF carried out by the Treasury Board Secretariat (TBS). This review includes a discussion with management of the implications of TBS' findings and management's proposed response. The AC believes that management is actively working toward full compliance with spirit of MAF.

Activities Related to the Internal Audit Function

Internal Audit Charter

30. The AC reviewed the internal audit charter at its March 2009 meeting. The AC believes that the internal audit charter continues to comply with the requirements of the Treasury Board Secretariat and did not make any changes to it.

Adequacy of Resources Available to the Internal Audit Function

31. The AC reviewed the resources available to the internal audit function. The AC believes that the budget and person years allocated to the internal audit function are appropriate.
32. However, in 2008/09 the AC expressed concern that the difficulties encountered by the internal audit group in recruiting appropriately qualified staff to fill its authorized staff complement were compromising the ability of the internal audit group to deliver on its mandate.
33. The AC continues to appreciate the actions of the CAE in hiring external consulting resources to compensate for the difficulties in recruiting full time auditors. However, the AC does not view this as a sustainable solution over the long term.
34. In last year's report, the AC indicated that it would be revisiting this issue during the 2009/10 budgeting cycle and providing its advice to the CPHO. The AC is of the view that ASD made important progress in recruitment during 2008/09. However, as ASD is not yet at full complement, the AC intends to continue reviewing the staffing status in 2009/10.

Risk Assessment and Internal Audit Plan prepared by CAE

35. The AC reviewed the risk-based internal audit plan prepared by the CAE for the five years commencing April 1, 2009. The AC noted several significant improvements in this plan relative to the previous plan:
 - The plan addresses the request of the AC that ASD balance the need for assurance with respect to basic controls (i.e. the systems and practices necessary for the effective operations of any organization: internal controls, compliance with authority, privacy and access to information, human resource management, etc.) with the need to assess the effectiveness of program operations by directing a minimum of 50% of its resources to the audit of Agency program activities by 2012.
 - ASD obtained professional assistance to define the audit universe and to rate the risks associated with each auditable unit. As a result, it has developed an audit plan strongly rooted in the risks facing PHAC.

- The plan clarifies ASD's role in the conduct of the audit of grants and contributions.
 - The plan calls for continuing progress on staffing ASD with internal resources and achieving a better balance in the amount of audit work performed by staff versus outside contractors.
 - The plan clearly shows the level of resources being allocated to non-audit activities and overhead.
36. The AC recommended that the CPHO approve the audit plan

Review of the Performance of the Internal Audit Function

37. The AC conducted its first review of the performance of the internal audit function during the March, 2009 meeting.
38. The AC was assisted in this review by an assessment of the Audit Services Division (ASD) conducted by an independent professional accounting firm. The firm assessed ASD's compliance with auditing standards promulgated by the Office of the Controller General (OCG) and Institute of Internal Auditors (IIA). This assessment is intended to be the first step establishing a process of regular independent reviews of quality of the audit work performed by ASD and its compliance with recognized standards.
39. The AC met with members of the staff of the professional accounting firm to gain a fulsome understanding of their assessment of the work of ASD. The AC was pleased to note that ASD was complying with the requisite audit standards and intended to implement the improvements to its quality assurance processes recommended by the reviewers.
40. The AC is encouraged by the progress ASD made during 2008/09 toward becoming a fully functioning mature internal audit shop. The independent members of the AC believe that the CAE and his team are strongly committed to adding value to the operations of PHAC and to assisting PHAC to meet its strategic objectives.

Appointment of CAE

41. There was no need to provide advice on the appointment of the CAE as the existing CAE remained in place throughout the period.

Performance Appraisal of the CAE

42. The AC conducted its first formal review of the performance of the CAE at the March meeting. The independent members of the AC met in camera to discuss the CAE's performance. Subsequently, in an in camera part of the formal audit committee meeting, they briefed the CPHO on their conclusions.

Internal Audit Reports and Management Action Plans

43. The AC reviewed the following eight internal audit reports during the year (See Appendix 2 for a description of the AC's approach to these reports):
- Delegation of Financial Authorities
 - Travel and Hospitality Expenditures
 - Human Resources Management
 - Payroll, Leave and Overtime Administration
 - Real Property Management
 - Management of the Interchange Canada Program
 - Information Management and Information Technology Governance
 - Office of the Public Health Practice
44. The AC endorsed each report, including management's action plan and advised the CPHO to accept it.

Non-Audit Activities of Internal Audit Team

45. The ASD is responsible for a number of ancillary functions in addition to the conduct of internal audits. Examples include:
- Assisting the Office of the Auditor General and the Office of the Comptroller General together with other central agencies and agents of Parliament with any work they carry out at PHAC;
 - Assisting management with inclusion of appropriate audit clauses in contracts for grants and contributions and with the resolution of contentious audit findings that management has identified in any audits of recipients of grants and contributions;
 - Acting as the senior officer responsible for PHAC's implementation of the *Public Servants Disclosure Protection Act*; and
 - Coordinating PHAC's response to petitions (environmental queries) received under section 22 of the *Auditor General Act*, and the ministerial responses to those petitions.
46. The AC accepts the appropriateness of the ASD carrying out these roles. However, we have asked the CAE to keep us apprised of proportion of time spent on these activities in relation the conduct of internal audits. If the AC becomes concerned that these non-audit activities are impairing the ability of ASD to deliver on its primary vision and mission, the AC will advise the CPHO accordingly and assist in identifying an appropriate solution.

Office of the Auditor General (OAG)

47. The AC met with representatives of the OAG in October, 2008 to review their "One Pass Planning" process.

48. During the meeting the AC ascertained that PHAC was continuing to cooperate appropriately with the OAG.
49. The OAG conducted an audit of “Surveillance of Infectious Diseases” at PHAC. This audit was the second follow-up on the original audit conducted in 1999. Both the original audit and the first follow up (2002) were conducted when the surveillance of infectious diseases was the responsibility of the Ministry of Health. The current follow up resulted in a report to the House of Commons tabled in May 2008.
50. A précis of this audit was included in last year’s AC annual report. The AC’s approach to following up on PHAC’s response to the OAG’s recommendations is described below in the section entitled “Follow Up on Management Action Plans”. The AC is committed to providing advice to the CPHO with respect to management’s responses on an ongoing basis.
51. In March 2009, the AC reviewed the objectives of the planned OAG horizontal audit of “Federal Emergency Management and Critical Infrastructure Protection” as they relate to PHAC and satisfied itself that PHAC was appropriately committed to cooperating with the OAG. Future AC reports will document OAG findings and any planned management action plans in response to these findings.

Central Agencies and Agents of Parliament (other than OAG)

Participation in Professional Development Opportunities offered by the Office of the Comptroller General (OCG) and PHAC

52. Members of the AC participated in a number of these events. The events fall into two classes. First, some events provide training in specific areas of audit committee responsibility such as risk management, financial literacy and the functioning of the federal government’s accountability mechanisms. One member of the AC participated in a pilot of the risk management seminar providing advice on course design and content. Second, other events provide opportunities for Department and Agency Audit Committee (DAAC) members to share best practices and explore overarching issues of concern to all audit committee members. The goal of these sessions is help the OCG and DAAC members build the ability of DAAC’s to make a strong contribution to accountability in the federal government.
53. Although it did not occur until May 2009, this report would be incomplete without mentioning a specific session organized by OCG. This session, which individuals across the country could attend via the Internet or in person, addressed the role of DAACs in helping assure appropriate accountability over stimulus spending. One member of PHAC’s AC attended this session.
54. Two PHAC AC members have already attended all the suggested courses proposed by the Office of the Comptroller General of Canada. PHAC also arranged training

for AC members and the staff of the Audit Services Division on the principles and practices of public health. One member attended this three day session.

Assessment of Management's Arrangements to Support the Audit-related Work of Central Agencies and Other Agents of Parliament

55. The AC wishes to maintain an ongoing dialogue with the OCG with respect to the conduct of its audits. The AC agrees with the need for PHAC to support the audit related work of OCG. However, the AC wishes to maintain a watching brief on the extent to which this work may impinge on ASD's ability to deliver on its core strategic objectives. In this way, the AC can engage representatives of the OCG in a timely manner should concerns arise and seek mutually acceptable solutions. The AC will also be a position to provide meaningful advice to the CPHO on any matters that arise.

Description of Audit-related Work Undertaken by Central Agencies and Other Agents of Parliament

56. The Public Service Commission (PSC) performed an audit on use of delegated authority to make senior permanent appointments in the federal civil service. PHAC was included in this horizontal audit.
57. The AC received a briefing on the results of this audit. The audit identified a number of deficiencies in PHAC practices for these appointments. The AC has requested that the status of PHAC's response to this audit be incorporated into the semi-annual Status Report on Management Actions Plans.

Meetings with Representatives of Central Agencies

58. No meetings were held with representatives of central agencies apart from the symposia described above.

Review of the Impact of Government Wide Initiatives to Improve Management Practices on PHAC

59. The AC is currently focusing its attention on four government wide initiatives to improve management practices. These are the steps being taken to improve risk management, financial reporting, internal controls and to increase the awareness of the need for appropriate values and ethics.
60. The AC's initial impression is that management of PHAC is fully committed to these initiatives. However, in common with most federal agencies, PHAC is constrained in the resources it can dedicate to these initiatives. Accordingly, it will be some time before all these initiatives have been satisfactorily implemented.

61. The stance of the AC might be described “impatience, tempered with an acknowledgement of the myriad challenges facing PHAC and the resultant limitations in the speed of progress management can realistically be expected to make”. In other words, the AC will advise the CPHO periodically on whether these four initiatives continue to make satisfactory progress.
62. Risk management is the one area out of the four in which the AC believes that an enhanced commitment is required. As noted in the section above entitled “Assessment of Risk Management”, a briefing on the status of a project to refine PHAC’s risk management processes had to be postponed. The AC plans to report on the status of this process in next year’s annual report.
63. It is important to note, however, that the independent members of the AC are encouraged by PHAC’s response to the recent H1N1 virus outbreak. This is precisely the kind of risk PHAC was created to respond to and the evidence to date is that PHAC is responding effectively.

Follow up on Management Action Plans

Audit Services Division Reports

64. The AC now receives semi-annual progress reports on the implementation of management action plans in respect of internal audits, OAG audits and other Central Agency audits as requested by the AC (e.g. PSC audit of the process for appointing senior officials as described above).
65. The AC has noted that, while management has responded favorably to ASD’s recommendations, the quality of the action plans to implement the recommendations has been uneven. For instance, one auditee was late in reporting its status to the AC and, when it did report, it became clear that management had significantly underestimated the time and resources that it would take to implement the recommendations. The AC expressed its concern over this situation and requested that an updated plan with revised target dates be provided in the next status report. The AC intends to provide advice and counsel to management at it works toward improving this, relatively new, responsibility.
66. Beginning in 2009/10, the AC will receive reports from ASD that assess the adequacy of management’s response to recommendations made in previous audits. This will enable the AC to engage management in a discussion of the response, encourage renewed efforts where necessary and advise as to which recommendations have been satisfactorily resolved.

Financial Statements

Quarterly Financial Statements

67. PHAC does not presently issue quarterly financial statements prepared in accordance with generally accepted accounting principles (GAAP). In the AC's view, such financial statements are an essential component of effective financial management and accountability. However, the preparation of quarterly financial statements will have to follow the preparation of annual financial statements discussed in the next section.

Annual Financial Statements

68. PHAC does not presently have the ability to issue annual financial statements prepared in accordance with GAAP. Further, its systems of control are not yet sufficiently robust that an external audit of the annual financial statements could be conducted efficiently and effectively.
69. The AC views this situation as unsatisfactory as it precludes PHAC from being fully accountable to the House of Commons and the citizens of Canada. The AC understands that PHAC is a new agency and that it has inherited systems of accounting and control that were not designed to provide for appropriate financial reporting.
70. Last year, the AC advised the CPHO (and the CPHO agreed) that the Chief Financial Officer (CFO) should develop an action plan with milestones to move PHAC forward on its financial reporting obligations in a timely way. The AC requested that we be provided with regular progress reports toward audited financial statements for the Agency.
71. The Office of the Chief Financial Officer (OCFO) engaged a professional accounting firm to assess the state of PHAC's readiness for financial reporting in accordance with GAAP and to provide recommendations on the way forward. The resulting report will be reviewed by the AC at its June 2009 meeting.
72. The AC is encouraged by the fact that the CFO has committed to having its financial statements prepared in accordance with GAAP and audited by an external auditor the year following Health Canada's implementation due to shared systems between the two departments. The AC hopes that the OAG will be able to conduct this audit.

Public Accounts Reporting

73. Last year, the AC was advised that PHAC had been selected by the OAG for the audit of the 2007-08 Public Accounts (PA). The AC committed to reporting on any

OAG observations and recommendations arising out of this work in the present report. There were no observations or recommendations received from the OAG as a result of the audit of the 2007/08 audit of the public accounts.

Risk and Accountability Reporting

Corporate Risk Profile

74. This remains an area of keen interest by the AC. The AC's views with respect to risk management have been discussed earlier in this report. The AC hopes to be in a position to include a significant update of its views and advice in this area in its next annual report.

Report on Plans and Priorities

75. The AC reviewed the Report on Plans and Priorities (RPP) for 2009/10 during its January 2009 meeting. AC noted significant improvement from previous year and provided advice to the CPHO for the 2009/10 RPP.
76. Since the RPP was already in the final stages of production the AC provided advice to the CPHO with respect to the next RPP. The advice was primarily to make the next report more concise and readable so that members of Parliament can more easily appreciate the salient factors and challenges that PHAC faces.
77. The RPP should focus more on relating specific outputs and, where possible, outcomes that result from PHAC activities as identified in their Program Activity Architecture (PAA).

PHAC Performance Report

78. PHAC has initiated a project to strengthen its ability to report effectively on its performance. The starting point of the project is to develop a "Management Resource and Results Structure" that integrates financial and operational information. The OCFO has taken on responsibility for this project. The AC has asked to be regularly briefed on the status of the project as it responds to concerns raised by the AC that performance reporting needs to be improved.
79. The AC reviewed the 2007/08 PHAC Performance Report at its June 2008 meeting and found significant improvement. The AC requested that in the future it have an early opportunity to review the Departmental Performance Report.

CPHO Annual Report

80. The AC reviewed the first annual report of the CPHO on the status of public health in Canada and provided its advice to the CPHO.

Members of the Audit Committee:

Dr. David Butler-Jones
Chair of the Audit Committee

Kenneth Fyke, C.M., B.S.P., M.H.S.A., LL.D (Hon.)
Vice-Chair of the Audit Committee

Dr. Andy Macdonald, B.Eng., MBA, PhD

John (Jon) W. Singleton, FCA CISA B.Sc. (Hons.)

Appendix 1: Structure and Timing of Meetings

1. Meetings of the AC are generally two days long with approximately half day assigned to a formal meeting chaired by the CPHO. The rest of the meeting is informal and attended by the independent members of the AC. This provides time to consider agenda items such as the following:
 - receiving briefings on strategic and operational issues within particular functions;
 - reviewing draft internal audit reports and management action plans in detail; and
 - reviewing PHAC reports such as the Report on Plans and Priorities, Corporate Risk Profile, Departmental Performance Report and the CPHO's Annual Report on the state of public health in Canada.
2. Senior executives and managers from the functional units provide briefings and then participate in a discussion with the independent members of the AC. These briefings are essential for the independent members of the AC. To be in a position to provide effective advice to the CPHO, the independent members need to become familiar with the operations of PHAC and to understand the challenges PHAC faces in achieving its mandate and strategic objectives.
3. This in-depth review enables the independent members to more fully understand issues raised, suggest revisions and to gain an appreciation of the plans management has put in place to address the issues. This facilitates the provision of useful advice to the Chair of the AC (CPHO) during the formal AC meeting.

Appendix 2: AC Approach to Internal Audit Reports

1. Internal audit reports are the most important deliverable of the ASD. The AC expects these reports to be objective, relevant and useful to PHAC management both in improving the operations of the area subject to audit and to achieving PHAC's strategic objectives.
2. Where management agrees with recommendations for improvement made by the ASD, the AC is committed to both assessing the appropriateness of, and following up on, management's remedial actions plans. The AC will advise the CPHO as to its view of the appropriateness and adequacy of management's response to ASD recommendations. The AC believes that its role in following up on ASD recommendations will have a salutary effect on the timely implementation of key recommendations.
3. Where management does not agree with a recommendation of the ASD, the AC will provide the CPHO with its views as to the most appropriate way to resolve the issue.