



SENATE | SÉNAT
CANADA

Annual Report of the Standing Committee on Audit and Oversight

Activities and Observations, October 1, 2020 to March 31, 2022

June 2022

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT



SENATE | SÉNAT
CANADA

For more information please contact us:

by email: AOVS@sen.parl.gc.ca

by mail: The Standing Committee on Audit and Oversight

Senate, Ottawa, Ontario, Canada, K1A 0A4

This report can be downloaded at: www.sencanada.ca/en/committees/aovs/44-1

The Senate is on Twitter: @SenateCA,

follow the committee using the hashtag #AOVS

Ce rapport est également offert en français.

TABLE OF CONTENTS

COMMITTEE MEMBERSHIP	4
ORDER OF REFERENCE	5
EXECUTIVE SUMMARY	6
Introduction	7
Mandate	9
Membership.....	10
Meetings	12
Committee Activities.....	13
A. Audit and Oversight Charter.....	13
B. Intersessional Authority	14
C. External Audits	15
D. Internal Audits.....	16
E. Review of Financial Reports.....	18
F. Committee Reports	18
Observations	19

COMMITTEE MEMBERSHIP

The Honourable Marty Klyne, *Chair*
The Honourable Renée Dupuis, *Deputy Chair*
The Honourable David M. Wells, *Deputy Chair*
The Honourable Percy E. Downe, Member
Hélène F. Fortin, External Member
Robert Plamondon, External Member

***Parliamentary Information, Education and Research Services,
Library of Parliament:***

Raphaëlle Deraspe, Analyst
Lindsay McGlashan, Analyst

Senate Committees Directorate:

Maxime Fortin, Committee Clerk
Brigitte Martineau, Administrative Assistant

ORDER OF REFERENCE

Extract from the *Rules of the Senate*:

12-7. (17) The Standing Committee on Audit and Oversight, which, for the purposes of integrity, independence, transparency and accountability, shall be authorized, on its own initiative, to:

(a) retain the services of and oversee the external auditors and internal auditors;

(b) supervise the Senate's internal and external audits;

(c) report to the Senate regarding the internal and external audits, including audit reports and other matters;

(d) review the Senate Administration's action plans to ensure:

(i) that they adequately address the recommendations and findings arising from internal and external audits, and

(ii) that they are effectively implemented;

(e) review the Senate's Quarterly Financial Reports and the audited Financial Statements, and report them to the Senate; and

(f) report at least annually with observations and recommendations to the Senate.

EXECUTIVE SUMMARY

The Standing Committee on Audit and Oversight (the committee) was created in October 2020, with a mandate to provide oversight to the Senate's internal and external audits and selected financial reports. The committee had its full membership in June 2021 when, on the committee's recommendation, the Senate appointed two external members with extensive experience in finance, accounting, assurance and governance, as well as strong business management skills, to help the committee fulfill its mandate. Since that time, the committee's senator members and external members have worked together to collaborate and share insights.

This report summarizes the work of the committee since its creation, during the 2020–2021 and 2021–2022 fiscal years. During that time, the committee followed a transparent and competitive process to select external members for nomination to the committee; with their appointment, the committee then set a work plan to carry out its mandate, established an intersessional authority to continue its work at the end of the 43rd Parliament and created its governance document in the form of an audit and oversight charter. The committee also met with members of the Senate Administration to discuss matters related to operations, considered matters related to an internal audit, met with the external auditor to discuss the Senate's financial statement audit and considered options for resourcing and modernizing the Senate's internal audit function.

The report also presents observations from committee members on the structure and activities of the committee, and how it can achieve its mandate effectively. Looking closely at its purpose, the committee is focused on ensuring this new model is successful in providing independence and accountability.

Introduction

While the Senate of Canada is one of the country's two foundational legislative chambers established in 1867, the Upper Chamber has continued to evolve over time to modernize its procedures, rules and practices. In recent years, the Senate has made a number of changes to improve its governance and management of resources, and to demonstrate its commitment to transparency and accountability in response to audit findings. Notably, in June 2013, the Senate requested that the Auditor General of Canada conduct an audit of Senate expenses, including senators' expenses. The Auditor General focused much of this work on senators' office and travel expenses, which represents a high profile, but relatively small portion of the Senate's total expenses. In June 2015, the Auditor General reported on his audit of senators' expenses and made a number of recommendations, including that the Senate create a new oversight body with independent members, responsible for overseeing senators' expenses.

The Subcommittee on the Senate Estimates (SEBS) of the Standing Committee on Internal Economy, Budgets and Administration (CIBA) was tasked with addressing the audit and oversight recommendations. In its work, there was much debate on how a new oversight committee should be structured, the mandate of that committee and other considerations for modernizing the governance structure of the Senate. As well, the subcommittee considered audit and oversight principles, best practices and models in other jurisdictions. Recognizing the importance of oversight of all expenses, in October 2017, SEBS recommended the creation of a new committee responsible for oversight of the Senate's spending, with a focused membership and with independent external members. It was further noted that the core principles for establishing an effective audit and oversight committee include, that it be independent, that it report directly to the highest governing authority, that it have continuous access to this authority, Senate management and auditors, that it be accountable for appointing internal and external auditors, that it meet regularly and without restriction during intersessional periods, and that it conduct its work in a transparent manner, while respecting the rules and conventions related to the confidentiality of in camera meetings.¹

In November 2017, following the work and recommendations of its subcommittee, CIBA presented a report recommending that the Standing Committee on Rules, Procedures and the Rights of Parliament (PRPD) develop and propose amendments to the *Rules of the Senate of Canada* (the Rules) to establish the new audit and oversight committee, including the provision of no cross-membership between CIBA and the new committee.² In November 2018, PRPD proposed the related rule amendments and also recommended that CIBA again review whether

¹ Senate, Subcommittee on the Senate Estimates of the Standing Committee on Internal Economy, Budgets and Administration, *Audit and Oversight*, Fifth report, October 26, 2017.

² Senate, Standing Committee on Internal Economy, Budgets and Administration, *Audit and Oversight*, Twenty-first report, November 28, 2017.

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

the new committee should include non-senators as independent external members.³ However, the report was not adopted by the Senate prior to the dissolution of Parliament in September 2019.

Following this extensive work, on October 1, 2020, the Senate adopted a motion to create the Standing Committee on Audit and Oversight (the committee), with a mandate to provide oversight to the Senate's operations and expenditures.⁴ The committee is appointed by and reports to, the Senate. Acting with integrity, independence, transparency and accountability, the committee is responsible for overseeing and directing the Senate's internal and external audit functions and for reporting publicly to the Senate with its observations and recommendations. In carrying out this work, the committee is focused on the effectiveness, economy and efficiency of public expenditures. The committee was created seven months after the start of the COVID-19 pandemic. The committee initially held virtual meetings entirely by videoconference, and then held hybrid meetings.

The independence of the Standing Committee on Audit and Oversight from CIBA is an important distinction of the new governance model, compared to the relationship between CIBA and other Senate committees.⁵ The Senate's appointment of external members to the new audit and oversight committee is also an important element of this independence and an innovative milestone for the Senate.

In the 2020–2021 fiscal year, three senators were appointed to the new committee in November 2021, and they met without delay to elect a chair and deputy chair. Following this organizational meeting, and before the committee could pursue its full mandate, it was only permitted to consider and report on issues relating to the nomination of its external members, until such time as those members were appointed to the committee by the Senate. In the 2021–2022 fiscal year, following the appointment of its external members in June 2021, the committee began its oversight of the Senate's internal and external audits, a responsibility that was previously assigned to CIBA. The committee chairs worked together to ensure a smooth transition and a clear division of responsibilities between the two committees.

In carrying out its mandate, the committee's senator members and external members worked collaboratively, sharing their knowledge of the Senate and their expertise on matters related to audit and oversight. As well, the Senate Administration supported the work of the committee and offered appropriate and timely briefings.

³ Senate, Standing Committee on Rules, Procedures and the Rights of Parliament, *Develop and propose amendments to the Rules of the Senate to establish the Standing Committee on Audit and Oversight*, Tenth report, November 29, 2018.

⁴ Senate, *Journals*, October 1, 2020.

⁵ The Standing Committee on Internal Economy, Budgets and Administration is responsible for providing strategic direction, recommending administrative rules and policies for adoption by the Senate, exercising its governance functions and ordering, delegating and supervising management functions.

This first annual report to the Senate on the committee's activities and observations covers the 18-month period since its creation on October 1, 2020, to March 31, 2022, which includes activities in the 2020–2021 and 2021–2022 fiscal years. However, the committee did not have its full membership until the 2021–2022 fiscal year, specifically in June 2021. As well, there was an intersessional period between the end of the second session of the 43rd Parliament on August 15, 2021, and the start of the 44th Parliament on November 22, 2021. During that time, and until members were appointed to the successor committee in the new Parliament, the work of the committee was carried out by the Intersessional Authority on Audit and Oversight.

Going forward, the committee will report at least annually to the Senate, shortly after the end of each fiscal year covering the period of April 1st to March 31st.

Mandate

Pursuant to Rule 12-7(17), the committee has a mandate to supervise and report on the Senate's internal and external audits and other related matters.⁶ For the purposes of integrity, independence, transparency and accountability, the committee is authorized to self-initiate work related to its prescribed mandate, including to:

- a) retain the services of and oversee the Senate's internal and external auditors;
- b) supervise the Senate's internal and external audits;
- c) report to the Senate regarding the internal and external audits, including audit reports and other matters;
- d) review the Senate Administration's action plans to ensure:
 - (i) that they adequately address the recommendations and findings arising from internal and external audits, and
 - (ii) that they are effectively implemented;
- e) review the Senate's quarterly financial reports and the annual audited financial statements; and
- f) report at least annually with observations and recommendations to the Senate.

⁶ Senate, *Rules of the Senate of Canada*, October 2020, [Rule 12-7\(17\)](#).

Membership

For the first time in the Senate's history, a committee has been created to formally include non-parliamentarians in its membership. Between October 1, 2020, and June 7, 2021, the committee consisted of three senators, with the chair and vice chair acting as the steering committee. The three senators exercised the powers of the committee as prescribed by the Senate, namely, limited to the process of recruiting the two external members needed to complete the committee's membership, whose appointment was adopted by the Senate on June 8, 2021. On June 8, 2021, a fourth senator was appointed by a sessional order adopted by the Senate. The four senators and two external members were members of the intersessional authority between the end of the second session of the 43rd Parliament (August 15, 2021) and the beginning of the 44th Parliament (November 22, 2021). The committee is currently composed of four senators, representing each of the Senate's recognized parties or parliamentary groups, and two external members. The external members join the senator members in providing independent oversight and advice. The Rules stipulate that external members may participate in all proceedings but shall not vote on any motion put before the committee. However, all members may include observations and dissenting opinions in any report of the committee.

To ensure proper governance and separation of authorities, the Rules state that no senator shall be a member of both the Standing Committee on Audit and Oversight and CIBA, the latter being the committee charged with all matters of a financial or administrative nature relating to the internal management of the Senate. As well, the chair of the committee must not be a member of the recognized party or recognized parliamentary group to which the chair of CIBA belongs.

In the 2020–2021 fiscal year, the committee held its first meeting on November 25, 2020, and elected Senator David M. Wells as chair of the committee and Senator Renée Dupuis as deputy chair, who together acted as the steering committee. Following the committee's first organizational meeting with a quorum of senators, the work to nominate its two external members was quickly underway. On December 1, 2020, the committee presented its first report, to establish a transparent process to assist the committee in selecting its external members.⁷ Without delay, the committee began its work to recruit and select two highly qualified executive-level candidates, through a fair and transparent process. The committee met with former chairs and members of CIBA's former Audit Subcommittee and with senior officials in the Senate Administration to inform the committee's decisions on a desired profile for its external members. Given that this was the first time that non-parliamentarians would be appointed to a Senate committee, the committee members also undertook the important task of drafting terms and conditions of appointment, which clarify the tenure, remuneration and

⁷ Senate, Standing Committee on Audit and Oversight [AOVS], *Nomination of two external members for the committee*, First report, December 1, 2020.

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

permissible expenses and duties and responsibilities of the external members. Throughout, the committee consulted with the Office of the Law Clerk and Parliamentary Counsel.

To identify potential candidates, the committee retained the services of an executive recruitment firm through a competitive process. With the assistance of the successful firm, the committee held several planning sessions in March and April 2021 to develop a recruitment strategy and work plan. During this phase, the committee established a candidate profile and developed outreach materials about the Senate and the committee to provide to interested candidates. As part of its recruitment strategy, the committee provided direction to the firm on preferred target markets for potential recruitment, such as professional associations or organizations with similar board-level positions. Finally, the committee established specific timelines for the recruitment phase so that members could carefully review candidate assessment reports and conduct interviews with the goal of completing this process in order to recommend candidates to the Senate before the end of June 2021.

As part of the recruitment phase, the firm reviewed more than 200 candidate profiles and identified a list of candidates for the committee's consideration. In its nomination process, the committee reviewed close to 30 candidate profiles and created a short list of highly qualified individuals to meet the committee's stated qualifications, competencies and attributes. The committee conducted interviews with top candidates and selected two exceptional nominees, with decades of experience in the fields of accounting, auditing, financial oversight and governance, for the Senate's consideration.⁸

On June 8, 2021, the Senate adopted the committee's fifth report, which proposed the nomination of its two external members, Robert Plamondon and H el ene F. Fortin.⁹ The external members of the committee are appointed to serve during pleasure. So that the terms do not expire at the same time, one external member, Robert Plamondon, was appointed to serve for a period not to exceed four years and the other external member, H el ene F. Fortin, was appointed to serve for a period not to exceed five years. Thereafter, all terms for external members should not exceed five years, and should be staggered to ensure continuity. External members are limited to serving a maximum of two terms.

In the 2021–2022 fiscal year, at the end of the second session of the 43rd Parliament, the work of the committee continued with the same membership under the Intersessional Authority on Audit and Oversight. At the start of the first session of the 44th Parliament, the committee adopted a report recommending that its external members be reappointed in the new session of Parliament.¹⁰

While the Rules state that the committee will include three senators, on November 25, 2021, the Senate adopted a sessional order that the committee be composed of four senators and

⁸ AOVS, *Nomination of External Members*, Fifth report, June 8, 2021.

⁹ Ibid.

¹⁰ AOVS, *Nomination of External Members*, First report, December 9, 2021.

that it be authorized to elect up to two deputy chairs. Shortly thereafter, on December 8, 2021, committee members met to elect the chair and vice chairs. Currently, the committee is chaired by Senator Marty Klyne, joined by deputy chairs, Senator Renée Dupuis and Senator David M. Wells, and committee member Senator Percy E. Downe. The steering committee is currently composed of the chair and the two vice chairs.

Meetings

The committee met four times in the 2020–2021 fiscal year, with one organizational meeting and three meetings to consider and report on issues related to the nomination of its external members. In the 2021–2022 fiscal year, the committee met eight times, with one meeting to conclude its work on the nomination of its external members, one meeting to consider the committee’s future business, one organizational meeting at the start of the 44th Parliament and five meetings to supervise and report on the Senate’s internal and external audits and related matters (which is further detailed in the section on committee activities). The notices of meetings and the proceedings, including minutes and transcripts of public meetings, are published on the Senate’s website. The attendance at committee meetings is reflected in the minutes.

As well, the Intersessional Authority on Audit and Oversight met twice during the 2021–2022 fiscal year, between the end of the 43rd Parliament and the beginning of the 44th Parliament, to continue the work of the committee.

For the 2020–2021 and 2021–2022 fiscal years, attendance at meetings of the committee, or its intersessional authority, was as follows:

Member	Affiliation	Meetings Attended/Total	
		2020–2021	2021–2022
Senator Marty Klyne ^a	Progressive Senate Group	–	9/9
Senator Renée Dupuis	Independent Senators Group	4/4	10/10
Senator David M. Wells	Conservative Party of Canada	4/4	9/10
Senator Percy E. Downe	Canadian Senators Group	4/4	9/10
Hélène F. Fortin ^b	External Member	–	8/8
Robert Plamondon ^b	External Member	–	8/8

- Notes:
- a. Senator Klyne was first appointed to the committee through a sessional order on June 8, 2021.
 - b. The external members were appointed to the committee on June 8, 2021, and they do not attend organizational meetings.

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

The committee had an approved budget of \$482,000 for each of the 2020–2021 and 2021–2022 fiscal years. The committee did not incur any expenses in the 2020–2021 fiscal year. The committee’s expenditures for the 2021–2022 fiscal year were as follows:

	2021–2022	
	Approved budget (\$)	Expenditures (\$)
General expenses	–	60,000
Witness expenses	–	–
External members		48,123
Total	482,000	108,123

The external members are remunerated for their work through an annual fee of \$15,000 and are eligible to be paid \$1,000 per meeting attended and \$250 per briefing session attended, the total of which shall not exceed \$60,000 per annum. External members are also reimbursed for travel expenses, subject to guidelines established by the Senate. In 2021–2022, following their appointment on June 8, 2021 and up to March 31, 2022, the external members, Robert Plamondon and H el ene F. Fortin, were remunerated \$24,123 and \$24,000, respectively.

Committee Activities

In 2020–2021, following the committee’s formation, considerable work was done to recruit the external members and to establish the terms and conditions of their appointment. In 2021–2022, following the appointment of its two external members and with its full membership, the committee was able to pursue its full mandate and met to discuss an annual work plan to begin its substantive work. To date, the committee has drafted its guiding governance document by way of a charter, provided oversight to the Senate’s internal and external audits, considered options for modernizing the Senate’s internal audit function, met with Senate Administration to oversee the status of ongoing work and discussed its priorities for future work of the committee, among other matters.

A. Audit and Oversight Charter

In 2021–2022, the committee drafted, reviewed and finalized its Audit and Oversight Charter, a foundational governance document for the committee. It outlines the committee’s purpose, authority and responsibilities, and explains the role of the committee in the context of the Senate’s overall governance framework.

With its full membership, the committee began drafting its charter in August 2021. The committee followed a thorough approach in composing its charter, which included a review of the Senate's existing internal audit policy and charter, extensive internal discussions and reflections on the committee's mandate, centred on the principles of integrity, independence, transparency and accountability. The committee, or its intersessional authority, met several times to review drafts of the charter, with the support of the committee staff, and agreed to a version for consultation with the Senate Administration. The committee consulted with the Interim Clerk of the Senate, the Office of the Law Clerk and Parliamentary Counsel, the Chief Corporate Services Officer and Clerk of CIBA, the Chief Financial Officer, table officers and other key members of the Senate Administration on elements of the charter.

The charter will be presented as a report to the Senate for consideration by all senators and published on the committee's website. The charter recognizes that the Rules establish the committee's mandate and set out procedures to be followed; in the case of any discrepancy, the Rules shall take precedence over any practice outlined in the charter. The committee will periodically review its charter to ensure it reflects best practices in oversight in order to effectively serve the Senate.

B. Intersessional Authority

Most standing committees can only operate during a session of Parliament, which ends upon dissolution or prorogation. However, there are two Senate committees that can continue work between sessions, under an intersessional authority—CIBA and the Standing Committee on Ethics and Conflict of Interest for Senators. As noted in their respective reports on the creation of an audit and oversight committee, both CIBA and PRPD recognized the importance of the new committee being permitted to continue its work through an intersessional period.

On June 8, 2021, the Senate adopted the committee's fourth report, which proposed an interim measure to allow the Senate's audit and oversight work to continue under the Intersessional Authority on Audit and Oversight following the end of the second session of the 43rd Parliament.¹¹ Accordingly, the committee could meet periodically to monitor the financial operations of the Senate at regular intervals throughout the fiscal year, without being interrupted by a dissolution or prorogation of Parliament. As noted in the committee's fourth report, the "committee believes that its mandate to supervise, review and report on the Senate's internal and external audits, action plans and financial statements, as stated in rule 12-7(17), is one that focuses on the internal operations of the institution and that its study and actions therefore play an important role in the Senate's right to self-governance."¹² And further, "that the inherent unpredictability about the duration of the current parliamentary session should not, as far as possible, interrupt its work."¹³

¹¹ AOVS, *Intersessional Authority*, Fourth report, June 1, 2021.

¹² Ibid.

¹³ Ibid.

The members of the committee at the end of the second session of the 43rd Parliament became the members of the Intersessional Authority on Audit and Oversight, with authority to continue the work of the committee, until members of a successor committee were appointed at the start of the 44th Parliament.

The Audit and Oversight Charter proposes to permanently establish the committee's intersessional authority. In particular, during a period of prorogation or dissolution of Parliament and up until the Senate appoints senators to be members of the successor committee, there would be a committee known as the Intersessional Authority on Audit and Oversight.

C. External Audits

The committee is responsible for engaging external auditors; reviewing audit plans; monitoring the progress of ongoing audit work; and reviewing audit reports, accompanying action plans and their implementation. In particular, the committee is responsible for the oversight of the financial statement audit for the 2021–2022 fiscal year. As the committee did not have its full membership until June 2021, it did not oversee the Senate's previous financial statement audit for the 2020–2021 fiscal year.

In February 2022, the committee met with the external auditor to review their audit plan for the 2021–2022 financial statement audit. In the public meeting, the external auditor summarized key aspects of the audit plan and answered questions posed by committee members. The external auditor explained that their audit work is done in accordance with Canadian auditing standards, and that they follow the most efficient audit approach in order to express an opinion as to whether the financial statements are fairly presented in all material respects in accordance with the Canadian Public Sector Accounting Standards. In the meeting, committee members highlighted the importance of the financial statement audit, and the significance of both the high quality of past audits and the fact that there have been no significant problems raised by the external auditor in that work. Further, committee members expressed their views on the importance of continuing with the high quality of audit work and its adherence to professional standards. As well, it was noted that, beyond the financial statement audit, internal audit can play an important role in performing more targeted reviews in considering the Senate's risks and internal controls.¹⁴

The COVID-19 pandemic has had an impact on the operations of the Senate and its administrative and support functions. The Senate's external auditor explained how they had adapted to conducting audit work during the pandemic and their understanding of how organizations manage the risks associated with remote work. The external auditor also shared their observations that while the pandemic has impacted certain expenses of the Senate (e.g., a decrease in travel expenses), they have not identified any new specific risks that would impact

¹⁴ AOVS, *Evidence*, February 15, 2022.

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

the financial statement audit. The committee is satisfied that the external auditor has processes and tools in place to ensure that its virtual audit work is effective.

In the months ahead, the committee will communicate with the external auditor and the Chief Financial Officer to receive updates on the status of year-end audit work planned for June 2022.

In addition to the auditor's report on the financial statements, the external auditor will present an audit results report on their audit findings, addressing matters that they are required to communicate under professional standards. As well, if applicable, the external auditor will issue a letter with audit observations to management and to those charged with governance, describing any significant deficiencies related to internal controls or any other deficiencies identified in the audit. The Senate Administration is responsible for responding with management action plans that address any audit observations. The audit results report is expected to be delivered in fall 2022.

CIBA is responsible for approving the management action plans that result from audit observations, while the Standing Committee on Audit and Oversight is responsible for monitoring the progress and implementation of those plans. There are no outstanding management action plans related to past external audits on the financial statements.

In its oversight of the external auditor, the committee will conduct an annual performance evaluation of the external auditor and the effectiveness of the external audit function. Typically, this annual performance evaluation takes place following the completion of the fiscal year financial audit cycle. As part of this work, the committee will consult with the Senate's Chief Financial Officer.

D. Internal Audits

The committee is responsible for hiring internal auditors; approving the risk-based internal audit plan; monitoring the progress of ongoing internal audits; and reviewing internal audit reports, accompanying action plans and their implementation.

In 2021–2022, the committee met to discuss the Senate's internal audit structure and focused on this work as a priority. The committee believes that the internal audit function should be designed to be value-added and serve to enhance the overall efficiency of Senate operations. The committee reviewed different internal audit models and met with senior officials from the Senate Administration and with external experts to discuss their views on the advantages and disadvantages of the various models and how best to structure and resource the Senate's internal audit function. As well, the external members of the committee shared their extensive experience with the structure and responsibilities of audit and oversight committees and with different internal audit models. Under the direction of the chair, the external members collaborated to provide the committee with meaningful analyses on this matter.

In its considerations of this matter, the committee met in public with officials from the Internal Audit Sector of the Office of the Comptroller General of Canada, and with the President and

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

Chief Executive Officer of CPA Canada, also formerly Comptroller General of Canada. The committee had a productive discussion with these expert witnesses on their practical experiences and their views on the value of the internal audit function.¹⁵

In its analysis, the committee discussed the value that internal audit can bring to the Senate Administration and how to balance that value against the resources required. The committee agreed that the Senate's internal audits should be designed to continue to provide independent objective assurance. The committee also reflected on the important attributes that a chief audit executive should bring to the internal audit function to ensure its effectiveness. Throughout, the senator members have shared their institutional knowledge and important contextual information.

The committee will continue its consideration of the structure and resourcing of the Senate's internal audit function and will report to the Senate on its recommendations and conclusions, with a view to ensuring the new model is in place in the 2022–2023 fiscal year. As part of this work, the committee is also reviewing the role and responsibilities of a chief audit executive who would be accountable to the committee. Under the direction of the committee, the chief audit executive would be responsible for preparing the risk-based internal audit plan; reviewing the adequacy of the risk management, control and governance processes in the Senate; and supervising and conducting the internal audit function, ensuring appropriate independence. The committee may also directly engage other internal auditors on areas that require specific technical expertise.

In terms of ongoing internal audits and reviews, the committee met to discuss the nature, timing and extent of the joint internal audit of the information technology and cybersecurity controls for the Senate and the House of Commons. The work was carried out by a professional services firm between January and March 2022. The committee met with the auditors in spring 2022 to discuss a report on the results of this work.

The committee also inquired about the status of management action plans from past internal audits. Senate Administration management indicated that they had implemented all recommendations resulting from past internal audits related to Senate expenses (2018–2019) and to the timing of claim reimbursement (2017–2018).

In terms of priorities for 2022–2023, the committee hopes to conclude its considerations for modernizing the Senate's internal audit function, engage a chief audit executive and review and approve a multi-year, risk-based internal audit plan. As well, the committee will consider the Senate's risk management, performance management and control management framework, in its oversight of the Senate's internal audit function. Going forward, the committee's annual report to the Senate will include the key indicators and main statistics of the internal audit

¹⁵ AOVS, *Evidence*, March 8, 2022.

function and its performance, including the number and types of completed and planned audits, as well as significant observations and recommendations.

E. Review of Financial Reports

The Senate's quarterly financial reports are internal financial reports that present spending to date compared to budget and include a summary of budgetary authorities, an analysis of current expenditures and forecasted expenditures. The reports are prepared by Senate Administration management for internal purposes, and are not published. The committee is mandated to review the quarterly financial reports. In doing so, the committee will consider the reports for information on matters that are relevant to its oversight of the Senate's spending and operations. The committee's review of the reports may also inform its oversight of the Senate's internal audit plan, as well as the committee's observations and recommendations to the Senate.

With respect to the 2021–2022 fiscal year, the committee will review the quarterly financial reports for the second and third quarters (Q2 and Q3), covering the periods July 1, 2021 to September 30, 2021 and October 1, 2021 to December 31, 2021, respectively; and the annual financial highlights, covering the period of April 1, 2021 to March 31, 2022. The committee received the Q2 and Q3 reports at the end of March 2022, after they had been approved by CIBA. The committee has noted that its review of the quarterly financial reports could be more effective if the reports were received during the year, in a timelier manner closer to the end of the quarter.

The committee will also review the Senate's audited financial statements, including the accounting policies disclosed in the notes to the financial statements. The Senate's last audited financial statements for the 2020–2021 fiscal year received an unmodified audit opinion.

F. Committee Reports

Between 2020–2021 and 2021–2022, the committee presented seven reports to the Senate, including five reports during the second session of the 43rd Parliament and two during the first session of the 44th Parliament.

In fiscal 2020–2021, the committee presented its first report on December 1, 2020, noting that it would establish a transparent process to assist the committee in selecting its external members.¹⁶ On February 8, 2021, the committee presented its second report, requesting \$125,000 in funding to engage the services of counsel, technical, clerical and other personnel to help the committee with that work.¹⁷ In fiscal 2021–2022, the committee presented a third

¹⁶ AOVS, *Nomination of two external members for the committee*, First report, December 1, 2020.

¹⁷ AOVS, *Special Study Budget 2020-2021 (External Members)*, Second report, February 8, 2021.

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

report to request that same funding, since the committee did not complete the selection of its external members by the end of the previous fiscal year.¹⁸

On June 1, 2021, the committee presented its fourth report to recommend that the Senate adopt a temporary measure to establish the Intersessional Authority on Audit and Oversight, so that the committee could continue its work following the end of the second session of the 43rd Parliament.¹⁹

On June 8, 2021, the committee nominated its two external members by presenting its fifth report to the Senate. As noted in the report, and as required by the Rules, the nominations were supported by the three senator members of the committee. In its report, the committee explained its selection process and outlined the remuneration, permissible expenses and terms and conditions of appointment.²⁰ The Senate adopted the report on that same date and the external members were appointed to the committee. Due to the beginning of a new Parliament in fall 2021, the committee had to present a report to recommend the reappointment of its external members, which was adopted by the Senate.²¹

Finally, on December 9, 2021, pursuant to Rule 12-26(2), the committee presented an administrative report on the expenses it incurred during the second session of the 43rd Parliament.²²

Observations

The Standing Committee on Audit and Oversight represents a modernization of the Senate, supported by senators. This newly created committee is part of the Senate's governance structure and the appointment of its two external members represents an historic milestone for the Senate. The committee is pleased to report that its experience with this new model, drawing on the extensive expertise of its external members, has been very positive. All committee members adapted quickly, shared their experience and expertise and collaborated to make informed decisions and carry out their responsibilities. This committee model has shown great potential and continuous progress. The committee members are committed to building on this effective beginning to carry out the committee's work, on behalf of senators, of reviewing the Senate's operations and expenditures for the purposes of integrity, independence, transparency and accountability.

The committee plans to complete a self-assessment in the 2022–2023 fiscal year. This exercise is a best practice for audit and oversight committees, to help members reflect on the work of

¹⁸ AOVS, *Special Study Budget 2021-2022 (External Members)*, Third report, April 20, 2021.

¹⁹ AOVS, *Intersessional Authority*, Fourth report, June 1, 2021.

²⁰ AOVS, *Nomination of External Members*, Fifth report, June 8, 2021.

²¹ AOVS, *Nomination of External Members*, First report, December 9, 2021.

²² AOVS, *Rule 12-26 - Expenses incurred by the committee during the Second Session of the Forty-third Parliament*, Second report, December 9, 2021.

ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT

the committee and their individual and collective strengths, as well as areas where the committee could be more effective in fulfilling its mandate. Since its creation, the committee has worked collaboratively to set its priorities for carrying out its mandate. With the expertise of its external members and the knowledge of its senator members, the committee has established its charter, recommended an intersessional authority to continue its work between sessions and leveraged the knowledge of its members and Senate Administration to review the Senate's independent internal audit function. The committee believes that the Senate's future internal audit plan should be appropriately risk-based and aligned with the needs of the Senate in order to add value.

In the course of its work, the committee has also started to develop an understanding of the Senate's key risks, controls and processes. This knowledge will guide the committee's future work and ensure that it is well positioned to fulfill its oversight responsibilities. Looking ahead, the committee will consider certain key issues for audit and oversight committees, such as matters related to corporate and financial systems, cybersecurity, business continuity, staffing, talent retention and succession planning, and reputational risks. The committee will continue to develop its understanding of the Senate's governance, risk management and controls, and will provide observations and recommendations on the Senate's internal audit function.