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# Annual Report of the Standing Committee on Audit and Oversight

Activities and Observations for Fiscal Year 2022-2023

June 2023

## ANNUAL REPORT OF THE STANDING COMMITTEE ON AUDIT AND OVERSIGHT



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## 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:***

Lindsay McGlashan, Analyst

Rosemonde Samedy, Analyst

### ***Senate Committees Directorate:***

Maxime Fortin, Committee Clerk

Stéphanie van Beek, Recording Secretary

Brigitte Martineau, Administrative Assistant

## ORDER OF REFERENCE

Extract from the *Rules of the Senate*:

**12-7. (4)** 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, for information purposes; and

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

## EXECUTIVE SUMMARY

The Standing Committee on Audit and Oversight (the committee) has a mandate to provide oversight to the Senate's internal and external audits and related matters. Created in October 2020, the committee reached its full membership in June 2021, following the Senate's nomination of two external members to join the committee's four senator members. With a combination of professional expertise and knowledge of the Senate, the committee is resourced to carry out its mandate with integrity, independence, transparency and accountability.

This report summarizes the work of the committee during the 2022–2023 fiscal year. During that time, the committee prepared a work plan to carry out its mandate, finalized the *Senate Audit and Oversight Charter*, continued its oversight of audits and considered matters related to governance, risk management and internal controls. As part of its work, the committee met with members of the Senate Administration to discuss matters related to operations, considered matters related to an internal audit on cybersecurity, 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. Finally, the committee worked with an executive recruitment firm to begin its search for a highly qualified executive-level candidate to fill the position of Chief Audit Executive to lead the Senate's internal audit function.

This report also presents observations from committee members on some of the main audit and oversight matters noted to date. In continuing its work, the committee is focused on ensuring that it is positioned to provide independent and transparent oversight to support the Senate in its accountability.

## Introduction

The Standing Committee on Audit and Oversight (the committee) has a mandate to provide oversight to the Senate's operations and expenditures.<sup>1</sup> The committee is appointed by, and reports to, the Senate. Acting with integrity, independence, transparency and accountability, the committee is responsible for overseeing, supervising and directing the Senate's internal and external audits, reviewing the Senate Administration's actions plans in relation to those audits, overseeing the adequacy of risk management, governance and internal controls, reviewing the Senate's quarterly financial reports and the audited financial statements for information purposes and 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 and its core principles were established by the Senate in October 2020, following the 2015 report by the Auditor General of Canada on the audit of senators' expenses (the audit). After the audit, there was considerable study and discussion about the related audit and oversight recommendations, notably in 2017 and 2018 by the Standing Committee on Internal Economy, Budgets and Administration (CIBA), its Subcommittee on the Senate Estimates (SEBS) and the Standing Committee on Rules, Procedures and the Rights of Parliament (RPRD).<sup>2</sup> In particular, SEBS 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, overseeing and supervising the internal and external auditors, that it meet regularly and without restriction during intersessional periods and that it conduct its work in a transparent

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<sup>1</sup> Senate, *Journals*, October 1, 2020.

<sup>2</sup> The committee's first annual report to the Senate, *Annual Report of the Standing Committee on Audit and Oversight: Activities and Observations, October 1, 2020 to March 31, 2022*, includes additional details on the history of the committee's creation. See also: Senate, Standing Committee on Internal Economy, Budgets and Administration [CIBA], *Audit and Oversight*, Twenty-first report, November 28, 2017; and 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.

manner, while respecting the rules and conventions related to the confidentiality of in camera meetings.<sup>3</sup>

The independence of the committee from CIBA is an important distinction of the governance model that distinguishes this committee from other Senate committees.<sup>4</sup> The committee's composition, which includes external members, is an important aspect of this independence.

The committee's oversight of the Senate's internal and external audits is a responsibility that was previously assigned to CIBA. In 2022–2023, the AOVS and CIBA committee chairs continued to work together to clarify the division of responsibilities between the two committees. As the committee carries out its audit and oversight mandate, in accordance with the *Rules of the Senate* (the Rules) and the *Senate Audit and Oversight Charter* (the Charter), the committee will continue to do so with regard to ensuring the independence of the committee from those responsible for decisions on the day-to-day management of financial and administrative matters of the Senate Administration.

This second annual report to the Senate on the committee's activities and observations covers the 2022–2023 fiscal year, from April 1, 2022, to March 31, 2023. During this fiscal year, committee members worked collaboratively to establish a strong governance model for the committee, provide independent oversight to audits, consider governance and risk management matters and recruit a Chief Audit Executive to lead the Senate's internal audit function. As well, the Senate Administration provided information and relevant briefings to the committee throughout the year.

## Mandate

Pursuant to Rule 12-7(4), for the purposes of integrity, independence, transparency and accountability, the committee is authorized on its own initiative to supervise and report on the Senate's internal and external audits and other related matters, and to

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<sup>3</sup> Senate, Subcommittee on the Senate Estimates of the Standing Committee on Internal Economy, Budgets and Administration, *Audit and Oversight*, Fifth report, October 26, 2017.

<sup>4</sup> CIBA 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.



report at least annually to the Senate with its observations and recommendations.<sup>5</sup> The committee's mandate is focused on the internal operations of the institution and therefore plays an important role in the Senate's right to self-governance.

## Membership

The committee is currently composed of four senators, representing each of the Senate's recognized parties or parliamentary groups. In addition, it is the only Senate committee to formally include non-parliamentarians, two external members, in its membership. The external members join the senator members in providing independent oversight and advice; such input is considered an important element of an audit and oversight committee. This composition supports committee discussions that are informed by both firsthand insights on the Senate operations and external perspectives on best audit practices and standards. The Rules stipulate that external members may participate in all proceedings but shall not vote on any motion put before the committee. However, any member may include observations and dissenting opinions in any report of the committee.

While the Rules state that the committee will include three senators, the Senate, on November 25, 2021, adopted a sessional order that the committee be composed of four senators and that it be authorized to elect up to two deputy chairs.<sup>6</sup> 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.

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 Standing Committee on Audit and Oversight must not be a member of the recognized party or recognized parliamentary group to which the chair of CIBA belongs.

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<sup>5</sup> Senate, *Rules of the Senate of Canada*, July 2022, [Rule 12-7\(4\)](#).

<sup>6</sup> Senate, *Journals*, November 25, 2021.

The committee's two external members, Robert Plamondon and H  l  ne F. Fortin, joined the committee as of June 8, 2021.<sup>7</sup> The external members of the committee are appointed to serve at pleasure. To ensure 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  l  ne 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.<sup>8</sup>

### Intersessional Authority

Most standing committees can only operate during a session of Parliament, which ends upon dissolution or prorogation. However, on June 7, 2022, the Senate adopted the Charter, which among other matters, established 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 a successor committee, there would be a committee known as the Intersessional Authority on Audit and Oversight. The senators and external members of the committee at the end of the session become 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 are appointed at the start of the next session.

### Meetings

In the 2022–2023 fiscal year, the committee met 11 times to supervise and report on the Senate's internal and external audits and related matters (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.

The steering committee met twice, in May and September 2022. As well, the committee members met three times in March 2023 to lead the interview process with candidates for the position of Chief Audit Executive.

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<sup>7</sup> Senate, Standing Committee on Audit and Oversight [AOVS], *Nomination of External Members*, Fifth report, June 8, 2021. See also the report on the external member renomination at the start of the first session of the 44<sup>th</sup> Parliament, AOVS, *Nomination of External Members*, First report, December 9, 2021.

<sup>8</sup> AOVS, *Nomination of External Members*, First report, December 9, 2021.

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Overall, committee members met 12 times during the 2022–2023 fiscal year, including nine times for official committee meetings, twice for interview meetings that were followed by official committee meetings, and once for an interview meeting. Attendance at those meetings of the committee was as follows:

Member	Affiliation	Meetings Attended/Total <sup>a</sup>
Senator Marty Klyne	Progressive Senate Group	12/12
Senator Renée Dupuis	Independent Senators Group	12/12
Senator David M. Wells	Conservative Party of Canada	11/12
Senator Percy E. Downe	Canadian Senators Group	12/12
Hélène F. Fortin	External Member	12/12
Robert Plamondon	External Member	12/12

Note: a. For the official attendance record, consult the minutes of proceedings.

The committee’s approved budget<sup>9</sup> and expenditures for the 2022–2023 fiscal year were as follows:

	2022–2023	
	Approved budget (\$)	Expenditures (\$)
General expenses	100,500	39,499
Witness expenses	–	–
External members	–	52,748
<b>Total</b>	<b>100,500</b>	<b>92,247</b>

Note: The funds allocated to the committee as part of the Senate’s main estimates process for the 2022-2023 fiscal year total \$482,200. The table presents the total expenditure approved by the Senate as a result of the adoption of budget reports by the committee and the actual expenditures.

The external members are remunerated for their work through an annual fee of \$15,000. In addition, they are eligible to be paid \$1,000 per meeting attended and \$250 per briefing session attended. The total of all payments shall not exceed \$60,000 per annum. In 2022–2023, the external members, Robert Plamondon and Hélène F. Fortin, were remunerated \$25,250 and \$25,250, respectively. External

<sup>9</sup> AOVS, [Budget 2022-2023](#), Fifth report, June 9, 2022.

members are also reimbursed for travel expenses, subject to guidelines established by the Senate.

## **Committee Activities**

In 2022–2023, the committee met to continue both the work of developing its annual work plan and its substantive work. During the year, the committee presented reports on the Charter and consequential amendments to the Rules and the *Senate Administrative Rules*, which were adopted by the Senate; provided oversight to the Senate’s internal and external audits; considered options for modernizing the Senate’s internal audit function; met with the Senate Administration to oversee the status of ongoing work; and discussed its priorities for future work of the committee, among other matters.

The committee also met with members of the Senate Administration to discuss the Senate’s new institutional risk management framework and matters related to management control practises. The committee and the Senate Administration shared a view that the new framework should include the practice of sharing information on institutional risks and controls designed to address those risks with the Chief Audit Executive.

For the 2022–2023 fiscal year, the committee carried out activities pursuant to its mandate and completed the work set out in its annual work plan.

### **A. Committee Reports**

In 2022–2023, the committee presented four reports to the Senate, including three substantive reports and one administrative report on the committee’s budget for the fiscal year.

Pursuant to its mandate, in June 2022, the committee presented its first annual report to the Senate on its activities and observations, which covered the 18-month period from its creation on October 1, 2020, to March 31, 2022. The report to the Senate is an important part of the committee’s transparency and accountability. It discussed the process that was followed in the selection of the external members for nomination to the committee, the creation of an intersessional authority to continue the work of the committee at the end of the 43<sup>rd</sup> Parliament, the development of the

Charter and the committee's work to consider options for resourcing and modernizing the Senate's internal audit function.<sup>10</sup>

Also in June 2022, the committee presented two additional reports, on the Charter and on consequential amendments to the Rules and to the *Senate Administrative Rules* necessary for the implementation of the Charter.

## **B. Audit and Oversight Charter**

The Charter was presented to the Senate on June 2, 2022, for consideration by all senators; it was subsequently adopted on June 7, 2022,<sup>11</sup> and published on the Senate's website.<sup>12</sup> The Charter 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. It 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 the Charter to ensure it reflects best practices in oversight in order to effectively serve the Senate, with the first review planned for June 2025.

As noted in the committee's report on the Charter, CIBA repealed the Senate's previous internal audit charter and policy once the new Charter came into force.<sup>13</sup> The committee also proposed consequential amendments to the Rules and the *Senate Administrative Rules*, which were adopted on June 15, 2022.<sup>14</sup> As well, on December 1, 2022, CIBA approved related amendments to the *Senate Administrative Rules* and presented the proposed amendments to the Senate; these were adopted on March 28, 2023.

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<sup>10</sup> AOVS, *Annual Report of the Standing Committee on Audit and Oversight: Activities and Observations, October 1, 2020 to March 31, 2022*, Third report, June 2, 2021.

<sup>11</sup> AOVS, *Senate Audit and Oversight Charter*, Fourth report, June 2, 2022.

<sup>12</sup> Senate, *Senate Audit and Oversight Charter*, June 23, 2022.

<sup>13</sup> AOVS, *Senate Audit and Oversight Charter*, Fourth report, June 2, 2022..

<sup>14</sup> AOVS, *Amendments to the Rules and SARs - Senate Charter on Audit and Oversight*, Sixth report, June 15, 2022.

### C. External Audit

The committee is responsible for engaging external auditors; overseeing and supervising the Senate’s external audits by reviewing audit plans, monitoring the progress of ongoing audit work and reviewing audit results reports; and reviewing the Senate Administration’s management action plans, if any, to ensure that they adequately address the recommendations and findings arising from external audits, and that they are effectively implemented. 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. The committee is also responsible for reporting to the Senate regarding external audits and other matters. As mentioned in the Charter, the chair of the Standing Committee on Audit and Oversight will communicate in writing with the chair of CIBA on matters that are relevant to both the committees, such as the selection of the external auditor. During 2022–2023, the committee was responsible for oversight of the financial statement audits for the 2021–2022 and 2022–2023 fiscal years.

Prior to the creation of the committee, the external auditor, Ernst & Young, was contracted by the Senate to conduct the financial statement audit for three fiscal years, 2019–2020 through 2021–2022. The contract also included two additional one-year option periods, for fiscal years 2022–2023 and 2023–2024. During the 2022–2023 fiscal year, the committee held several discussions in camera on its oversight of the external auditor. In May 2022, the committee approved the extension of the contract with the external auditor for the first option year, related to the 2022–2023 financial statement audit.<sup>15</sup> Subsequently, in November 2022, the committee approved the second option year, related to the 2023–2024 financial statement audit.<sup>16</sup> In fall 2023, the committee will have to consider its options for an external auditor going forward, starting with the 2024–2025 financial statement audit, and determine how many fiscal years any contract should cover.

Regarding the 2021–2022 financial statement audit, in November 2022 the committee met with the external auditor to review the auditor’s report on the financial statements, as well as the audit results report on its audit findings, which addresses matters that it is required to communicate under professional standards.

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<sup>15</sup> AOVS, *Minutes*, May 3, 2022.

<sup>16</sup> AOVS, *Minutes*, November 23, 2022.

The external auditor explained that its audit work was done in accordance with Canadian auditing standards and that it followed a substantive audit approach, which was the most efficient 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 its presentation, the external auditor also noted that the audit results report highlights significant considerations related to areas of audit focus, actual audit procedures and material corrected or uncorrected audit differences, of which there were none. The external auditor shared that it had excellent cooperation from Senate Administration staff and, in response to a member's question, indicated that the level of audit effort was in line with the planned work. It also explained how it had continued to conduct the audit work remotely. The committee is satisfied that the external auditor has processes and tools in place to ensure that its virtual audit work is effective.<sup>17</sup>

The independent auditor's report stated that the financial statements present fairly, in all material respects, the financial position of the Senate as of March 31, 2022, the results of its operations, the change in the net financial position, the change in net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards. Consequently, the Senate's most recent audited financial statements for the 2021–2022 fiscal year received an unqualified (or clean) audit opinion.<sup>18</sup> To date, the Senate's financial statements have always received an unqualified audit opinion.

As well, for the 2021–2022 fiscal year, there was no management letter issued by the external auditor with audit observations to management and those charged with governance, describing any significant deficiencies related to internal controls or any other deficiencies identified in the audit. Although the external auditor did not test internal controls, through the normal course of its audit work it did review certain processes, such as the procurement and payables process and the salaries process. In response to a member's question, the external auditor indicated that based on that limited work, it did not identify any concerns related to internal controls.

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<sup>17</sup> AOVS, *Evidence*, November 23, 2022.

<sup>18</sup> Senate, [Financial Statements of the Senate of Canada for the Year Ended March 31, 2022](#).

As is the usual practice, the committee members and the external auditor also had an in camera discussion, without the presence of Senate Administration management or committee staff.

In December 2022, following the presentation from the external auditor on the audit results for the fiscal year ended March 31, 2022, as part of its oversight of the external auditor, the committee members undertook and completed their first annual assessment of the external auditor. As part of the evaluation process, the committee also received the results of the annual assessment of the external auditor completed by the Senate Administration's Finance and Procurement Directorate.

Regarding the 2022–2023 financial statement audit, the committee met with the external auditor in February 2023 to review the audit plan. In the public meeting, the external auditor presented the 2023 audit plan to committee members and summarized the key aspects of the audit plan. The external auditor noted that the audit for 2022–2023 will be performed to express an opinion on the financial statements in accordance with the Public Sector Accounting Standards. The external auditor also answered questions posed by committee members related to the planning materiality, the audit approach and areas of emphasis, including the planned audit work on salaries and benefits. There was no significant change to the 2023 planned audit approach compared to the 2022 audit plan. As is the usual practice, the committee members and the external auditor also met in camera. In the months ahead, the committee will communicate with the external auditor and Chief Financial Officer to receive updates on the status of the year-end audit work, which is planned for July 2023.

#### **D. Internal Audit**

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

In terms of ongoing internal audits and reviews, the committee met to discuss a report on the findings of a joint Senate and House of Commons cybersecurity review. The work was carried out by a professional services firm between January and March 2022. As well, the Senate Administration provided related updates to the committee throughout the year.



In the past, the Senate has outsourced its internal audits, and does not currently have an internal audit function within the Senate Administration. In the year prior to this report, the committee reviewed different internal audit models, which it discussed with senior officials from the Senate Administration and with external experts, including officials from the Internal Audit Sector of the Office of the Comptroller General of Canada and with the President and Chief Executive Officer of CPA Canada, who is a former Comptroller General of Canada. 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.<sup>19</sup>

In 2022–2023, the committee continued its consideration of a possible internal audit structure for the Senate, concluding that it should be designed to be value-added and serve to enhance the overall efficiency of Senate operations. After thorough analysis, the committee agreed that the Senate’s internal audit function should be led by a Chief Audit Executive, accountable to the committee, and that internal audits may be resourced with internal staff, such as the Chief Audit Executive and supporting staff, as well as outsourced, as needed and on the basis of the technical expertise required.

In line with the Charter, as adopted by the Senate, the Chief Audit Executive will be accountable to and work under the direction of the committee, making it a unique position in the Senate. The Chief Audit Executive will be central to the committee fulfilling its mandate.<sup>20</sup> Under the direction of the committee, the Chief Audit Executive will be responsible for preparing and implementing the multi-year risk-based internal audit plan; reviewing the adequacy of the risk management, control and governance processes in the Senate; and supervising and conducting internal audits, ensuring appropriate independence.

Accordingly, in May 2022, the committee decided to undertake a competitive process to acquire the services of an executive recruitment firm to assist with the selection process for a new Senate employee to fill the position of Chief Audit Executive.<sup>21</sup> That same month, the committee also considered the budget process and a proposed timeline for the nomination of the Chief Audit Executive. The Senate

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<sup>19</sup> AOVS, *Evidence*, March 8, 2022.

<sup>20</sup> Senate, *Debates*, March 29, 2023 (Hon. Marty Klyne).

<sup>21</sup> AOVS, *Minutes*, May 3, 2022.

adopted the committee's budget to hire a recruitment firm in June 2022 and, in August 2022, the steering committee reviewed the results of the bid evaluation process and approved that a recruitment contract be awarded to Odgers Berndtson.

In 2022–2023, the recruitment firm undertook the planning, screening and interview phases for the recruitment of a Chief Audit Executive. As well, the committee further reviewed the responsibilities and the desired attributes, competencies and qualifications for the position. Under the direction of the committee, the successful firm developed a recruitment strategy and work plan. During this phase, the committee also worked with the firm to establish a candidate profile and develop outreach materials about the Senate and the committee to provide to interested candidates. In particular, in October 2022, the steering committee worked to finalize and approve a job description for the position of Chief Audit Executive, with input from Senate Administration Human Resources. Also in October 2022, the steering committee reviewed and approved documents from the recruitment firm, including a briefing document and a job poster on the position.

In terms of future planning, the committee also met in October 2022 to discuss considerations for onboarding and integrating a new Chief Audit Executive, including providing guidance to committee staff on orientation sessions. Committee members also noted the importance of building awareness and understanding of the role of the new internal audit function, to be communicated within the Senate and the Senate Administration.

In December 2022, the committee considered and agreed on the final classification for the Chief Audit Executive position, based on the responsibilities of the position and considering similar executive-level positions in the internal audit sector.<sup>22</sup> The committee also agreed that it will determine the annual rating for the Chief Audit Executive's performance evaluation. In its analysis, the committee received information from Senate Administration Human Resources and the professional services firm that it contracts to evaluate job classifications for the Senate. The committee also received valuable input from its external members and data on the classification level of similar chief audit executive positions in the federal public service for smaller departments that would be most comparable to the Senate. The executive recruitment firm also provided feedback to the committee on market

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<sup>22</sup> AOVS, *Minutes*, December 21, 2022.

expectations based on its initial outreach to professionals in the field early on in the screening phase. These consultations helped to determine a pool of qualified candidates that met the committee's expectations and aligned with the approved job description.

In December 2022, the committee also reviewed a draft internal audit charter, for consultation with a future Chief Audit Executive and the Senate Administration.

As part of the recruitment phase, the firm reviewed 175 candidate profiles and identified a list of candidates for the committee's consideration. In its selection process, the committee reviewed several candidate profiles to identify candidates that met the committee's stated qualifications, competencies and attributes. In March 2023, the committee conducted first-round interviews with several candidates.

In terms of priorities for 2023–2024, the committee will complete the interview and assessment phase for the position of Chief Audit Executive. Once the position is staffed, the committee will oversee the onboarding of the new Chief Audit Executive, consider the resource requirements for establishing the Senate's new internal audit function and continue work on an internal audit charter, taking into consideration the need to liaise with the Senate Administration on internal audit matters. The committee will also oversee internal consultations on a multi-year risk-based internal audit plan, review and approve the plan and oversee its implementation and the related internal audit resource needs. Once the internal audit function has been established, the committee's annual report to the Senate will include the key indicators and main statistics of the internal audit 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 committee is responsible for reviewing the Senate's quarterly financial reports and the audited financial statements. The committee will consider the reports and the financial statements for matters that are relevant to its oversight of the Senate's spending and operations. The committee's review may also inform its oversight of the Senate's multi-year risk-based internal audit plan, as well as the committee's observations and recommendations to the Senate.

The Senate Administration prepares internal quarterly financial reports that are presented to CIBA, which provide actual spending to date as of the end of the quarter, compared both to the same period for the prior year and to budget, and include a summary of budgetary authorities, an analysis of current expenditures and forecasted expenditures. Those quarterly reports are for internal purposes only and are not published. During the 2022–2023 fiscal year, the committee received the Senate's quarterly financial report for the first quarter (Q1), covering the period April 1, 2022 to June 30, 2022, at the end of October 2022, after it had been approved by CIBA. The Q2 and Q3 reports for 2022–2023, covering the periods ending September 30, 2022 and December 31, 2022, were approved by CIBA in April 2023.

In 2022–2023, the committee also reviewed the Senate's audited financial statements for fiscal year 2021–2022, including the accounting policies disclosed in the notes to the financial statements. As well, the committee reviewed management's annual financial highlights, covering the period April 1, 2021 to March 31, 2022. In its review, the committee met with the Chief Financial Officer in November 2022, at the same time as the meeting with the external auditor on the financial statement audit results. The Chief Financial Officer presented the highlights of the 2021–2022 financial statements, explaining new or significant items and variances between the results for the year as compared to the prior year.<sup>23</sup> The committee was pleased with the high quality of the documents prepared by the Chief Financial Officer, the Comptroller and the Finance and Procurement Directorate, and their clear explanations in answering the committee's questions.

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<sup>23</sup> AOVS, *Evidence*, November 23, 2022.

## F. Other Matters

During the year, the committee worked to establish clear practices in the fulfilment of its mandate, for example, through the *Senate Audit and Oversight Charter*, in its analysis of options for resourcing the Senate’s internal audit function and through a preliminary draft internal audit charter. The committee will continue to look to the best practices and lessons learned in other jurisdictions. In particular, in 2022–2023, the committee considered the work of other legislative audit and oversight committees and independent bodies focused on parliamentary and parliamentarian expenses. In connection with this work, the committee will further examine the practices of its counterparts in the United Kingdom Parliament.<sup>24</sup> The committee plans to continue this study in 2023–2024 with a focus on matters that can strengthen its work, its accountability to the Senate and its oversight of the new internal audit function.

### Observations

In the course of its work, the committee has continued to develop an understanding of the Senate’s key risks, controls and processes. As well, during the year, the committee considered possible areas of focus for its future work or the internal audit function. The committee’s future work will be focused on oversight of the Senate’s external financial statement audit and of the Senate’s internal audit work. As well, with the expertise of its external members and senator members, the committee will consider key areas of oversight for audit committees, such as matters related to business continuity, staffing, talent retention and succession planning, cybersecurity and reputational risks.

The creation of a new Chief Audit Executive position, under the direction of the committee, and the establishment of a new internal audit function within the Senate will be an important upcoming change for the institution and the Senate Administration. The Chief Audit Executive should have access to the people and resources essential to the fulfilment of the internal audit work, in order to ensure that the internal audit function can share valuable observations and insights. During the year, the chairs of the Standing Committee on Audit and Oversight and the Standing Committee on Internal Economy, Budgets and Administration exchanged

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<sup>24</sup> AOVS [agreed](#) to submit a special study budget for a fact-finding mission in London, United Kingdom.

correspondence regarding matters of shared interest. The committee believes that this continued communication and coordination will be essential to the committee's ability to fulfil its mandate and to the success of the internal audit function.

In terms of the effectiveness of the committee, in June 2022, members completed a self-assessment questionnaire covering the activities of the committee up to the end of the 2021–2022 fiscal year. This exercise is a best practice for audit and oversight committees, to help members reflect on the work of the committee and their individual and collective strengths, as well as areas where the committee could be more effective in fulfilling its mandate. The results of the 2021–2022 self-assessment were generally positive; however, members noted that the committee was somewhat limited in its mandate up until this point.

During the 2022–2023 fiscal year, the committee's external members have continued to make important contributions to the work of the committee, from their insights on resourcing the internal audit function, to sharing their expertise on matters related to internal and external audits and governance, risk management and management controls practices. The committee's senator members have also continued to work collaboratively to ensure that the committee's work is anchored by their knowledge of the Senate, to provide meaningful oversight. The committee plans to complete a self-assessment on its activities for the 2022–2023 fiscal year this spring.

The committee will continue to follow best practices and work to the highest standards in its audit and oversight role, as part of the Senate's overall governance structure. The committee members are committed to the important work of the committee, on behalf of all senators, of reviewing the Senate's operations and expenditures for the purposes of integrity, independence, transparency and accountability.