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# Annual Report of the Standing Committee on Audit and Oversight

Activities and Observations for Fiscal Year 2023-2024

June 2024

## 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](mailto:AOVS@sen.parl.gc.ca)

by mail: The Standing Committee on Audit and Oversight

Senate, Ottawa, Ontario, Canada, K1A 0A4

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## COMMITTEE MEMBERSHIP

The Honourable Marty Klyne, *Chair*

The Honourable David M. Wells, *Deputy Chair*

The Honourable Hassan Yussuff, *Deputy Chair*

The Honourable Colin Deacon, Member

Hélène F. Fortin, External Member

Robert Plamondon, External Member

### ***Other Senators who have participated in the study:***

The Honourable Renée Dupuis (retired)

The Honourable Percy E. Downe

### ***Research and Education, 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) was created in October 2020 to provide oversight to the Senate’s internal and external audits, for the purposes of integrity, independence, transparency and accountability. 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, making it the only Senate committee with non-parliamentarians providing an independent (or outside), expert perspective. This external membership in the audit and oversight committee is an important aspect of the Senate’s governance model.

The committee’s first task was to establish the *Senate Audit and Oversight Charter*, which the Senate adopted in June 2022. Establishing such a charter is a best practice, and work that the committee considered essential to the foundation of the new governance model, which separates the role of the committee responsible for managing the financial and administrative matters of the Senate, the Standing Committee on Internal Economy, Budgets and Administration (CIBA), from the committee responsible for oversight, the Standing Committee on Audit and Oversight (AOVS). These two committees are important pillars of the Senate’s governance structure; the Senate Administration supports these committees, and is responsible for day-to-day management and support functions.

Next, the committee reviewed and reached agreement on the approach to structuring the Senate’s internal audit function, with the conclusion that the Senate would benefit from a flexible model, with in-house internal audit expertise and outsourced specialized skills as needed and, most importantly, a multi-year risk-based internal audit plan following best practices and professional standards. This led to the decision to establish the permanent internal position of a Chief Audit Executive. This individual, while part of the Senate Administration, would be directly accountable to the committee and have both internal and external resources available as needed and on the basis of factors such as institutional knowledge of and familiarity with Senate operations, staff continuity and the technical expertise required.

As the committee set about finding a Chief Audit Executive to lead a new internal audit function, it also continued to consider practices and lessons learned in other legislatures. Over the summer recess, in July 2023, the committee undertook a fact-

finding mission to London, United Kingdom (U.K.), to meet with its counterparts in both the House of Lords and House of Commons. The U.K. study led to some important insights on how the committee can enhance its oversight on key matters and on how it can support the transition to a new internal audit function, which the committee reported on to the Senate in September 2023.

The committee finalized its search and hired a Chief Audit Executive in October 2023. After a successful onboarding, supported by the committee's guidance and the contributions of Senate Administration management, the committee's focus shifted to the Senate's governance, risk management and control arrangements. The Senate's financial statements are audited each year by an external auditor, but there are other areas that could benefit from independent assessments, reviews and audits. The committee was especially interested in developing a better appreciation for how internal audit can add value for the Senate. Accordingly, under the direction of the committee, the Chief Audit Executive led the development of the Senate's first risk-based internal audit plan, which the committee anticipates will be presented to the Senate for adoption in fall 2024, with planned internal audits starting in fiscal 2024–2025.

As well, in December 2023 and March 2024, the committee considered the Senate Administration's institutional risk register, and met with Senate Administration management to discuss key risks and related mitigation measures, as well as matters related to cybersecurity.

With respect to the committee's external audit mandate, in December 2023, the committee met with the external auditor in its oversight of the financial statement audit for the year ended March 31, 2023; after the conclusion of the audit, the committee reviewed the audited financial statements in February 2024 and completed its annual assessment of the external auditor in March 2024. In addition, the committee reviewed the requirements for the Senate's next external auditor, as the contract with the current external auditor concludes with the financial statement audit for fiscal 2023–2024.

This report summarizes the work of the committee during the 2023–2024 fiscal year. It also presents observations from committee members on some of the main audit and oversight matters noted to date.

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

In continuing its work, the committee is focused on ensuring that it is positioned to provide independent, transparent and ongoing oversight to support the Senate in its accountability. In particular, the committee will seek to make certain that the Senate's new internal audit function delivers findings and recommendations that contribute to the efficiency and effectiveness of operations. Moreover, the committee's observations and recommendations to the Senate and its oversight of management's implementation of action plans will support the institution as it looks to continuous improvement.



## 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 and directing the Senate's internal and external audits, overseeing the adequacy of risk management, governance and internal controls 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 Auditor General of Canada's 2015 report on the audit of senators' expenses. After the audit, there was considerable study and discussion among senators about the core principles for establishing an effective audit and oversight committee, with the conclusion that the committee should be independent and report directly to the Senate.<sup>2</sup> Moreover, it was noted that the committee should have continuous access to Senate Administration management and internal and external auditors, be accountable for appointing and overseeing internal and external auditors, meet regularly and without restriction during intersessional periods and conduct its work in a transparent manner, while respecting the rules and conventions related to the confidentiality of in camera meetings.<sup>3</sup>

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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: Standing Committee on Internal Economy, Budgets and Administration (CIBA), *Audit and Oversight*, Twenty-first report, November 28, 2017; Subcommittee on the Senate Estimates of the Standing Committee on Internal Economy, Budgets and Administration, *Audit and Oversight*, Fifth report, October 26, 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.

<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.

The committee's composition, which includes external members, and its independence from the Standing Committee on Internal Economy, Budgets and Administration (CIBA) are two important aspects of its independence.<sup>4</sup>

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 third annual report to the Senate on the committee's activities and observations covers the 2023–2024 fiscal year, from April 1, 2023, to March 31, 2024.

During the 2023–2024 fiscal year, the committee worked collaboratively to provide independent oversight to audits; considered governance and risk management matters; and oversaw the work of the Senate's new head of internal audit, the Chief Audit Executive, and the process of preparing the Senate's first multi-year risk-based internal audit plan. The committee also considered best practices in audit and oversight in other jurisdictions and reflected on how certain practices and lessons learned can contribute to the effectiveness of the Senate's new 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 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.

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<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.

<sup>5</sup> Senate, *Rules of the Senate of Canada*, September 2023, [Rule 12-7\(4\)](#).

## 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 insights on the Senate and external perspectives on best 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, all members 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 David M. Wells and Senator Hassan Yussuff, the latter joining the committee in January 2024, and committee member Senator Colin Deacon, who joined the committee in September 2023. The steering committee is composed of the chair and the two deputy chairs. During the year, Senator Renée Dupuis was deputy chair from April 1, 2023 to January 17, 2024, and Senator Percy E. Downe was a member of the committee from April 1, 2023 to September 20, 2023.

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>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 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  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>

### **Audit and Oversight Charter**

The *Senate Audit and Oversight Charter*, adopted by the Senate in June 2022, 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.<sup>9</sup> 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.

### **Intersessional Authority**

Most standing committees can only operate during a session of Parliament, which ends upon dissolution or prorogation. However, pursuant to the *Senate Audit and Oversight Charter*, 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 senator 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.

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<sup>7</sup> The Standing Committee on Audit and Oversight [AOVS], *Nomination of External Members*, Fifth report, June 8, 2021; and . 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.

<sup>9</sup> Senate, *Senate Audit and Oversight Charter*, June 23, 2022.

## Meetings

In the 2023–2024 fiscal year, the committee met 12 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.

Attendance at those meetings of the committee was as follows:

Member	Affiliation	Meetings Attended/Total
Senator Marty Klyne	Progressive Senate Group	12/12
Senator David M. Wells	Conservative Party of Canada	10/12
Senator Hassan Yussuff	Independent Senators Group	2/2
Senator Colin Deacon	Canadian Senators Group	8/8
Senator Renée Dupuis	Independent Senators Group	9/10
Senator Percy E. Downe	Canadian Senators Group	2/4
Hélène F. Fortin, FCPA	External Member	12/12
Robert Plamondon, FCPA	External Member	12/12

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

In addition, the steering committee met five times during the fiscal year. As well, the committee members met three times, in April, August and September 2023, to lead the interview process with candidates for the position of Chief Audit Executive. Finally, a delegation of committee members attended 13 meetings or briefings as part of the committee’s fact-finding mission to London, United Kingdom (U.K.) in July 2023.

The committee’s approved budget<sup>10</sup> and expenditures for the 2023–2024 fiscal year were as follows:

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<sup>10</sup> AOVS, [Budget 2022-2023](#), Fifth report, June 9, 2023.

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

	2023–2024	
	Budget (\$)	Expenditures (\$)
Accounting and Audit Services	—	32,075
Management Consulting Services	—	8,050
Training and Membership Fees	—	1,270
Travel: Fact-Finding Mission	—	35,142
External Members	—	87,672
<b>Total</b>	<b>304,268</b>	<b>164,209</b>

Note: The funds allocated to the committee as part of the Senate's main estimates process for the 2023-2024 fiscal year total \$304,268.

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. External members are also reimbursed for travel expenses, subject to guidelines established by the Senate. In 2023–2024, the external members, Robert Plamondon and H el ene F. Fortin, were remunerated \$37,500 and \$49,500, respectively. The latter includes amounts related to participation in the delegation for the committee’s fact-finding mission.

### **Committee Activities**

In 2023–2024, the committee carried out activities pursuant to its mandate and completed the substantive work set out in its annual work plan. During the fiscal year, the committee provided oversight to the Senate’s internal and external audits; undertook a fact-finding mission and presented a report on its study of audit and oversight practices in the U.K. Parliament; discussed best practices in governance arrangements; hired a Chief Audit Executive and worked to establish the Senate’s internal audit function; met with the external auditor to discuss the audit of the financial statements for the year ended March 31, 2023; met with Senate Administration management to oversee the status of ongoing work; and discussed priorities for future work of the committee, among other matters. As well, the committee and CIBA exchanged correspondence throughout the year, while the steering committee members of both committees met to discuss matters of shared



interest. Finally, in February 2024, the committee approved its work plan for the upcoming 2024–2025 fiscal year.<sup>11</sup>

The Senate Administration supported the work of the committee, with regular briefings from the Chief Audit Executive between November 2023 and March 2024 and from the CFO and the Comptroller and Deputy CFO between December 2023 and March 2024. The committee also met with members of the Senate Administration to discuss the Senate’s new institutional risk management framework and matters related to the revised institutional risk register and received information from the Human Resources and Information Services directorates during the year. The committee acknowledges the contributions of the Senate Administration in providing information and briefings so that the committee could fulfil its oversight responsibilities in a timely and effective manner.

#### **A. 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 2023–2024, the committee was responsible for oversight of the financial statement audit for the 2022–2023 fiscal year.

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<sup>11</sup> AOVS, *Minutes*, February 14, 2024.

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, which the committee approved in May and November 2022.<sup>12</sup>

In fall 2023, the committee discussed the process for hiring an external auditor to conduct the audit of the Senate’s financial statements for fiscal years 2024–2025 through 2026–2027, with two additional one-year option periods. The committee considered the evaluation procedures and basis of selection, including bidder requirements, the statement of work and timelines for deliverables.<sup>13</sup> In December 2023, it was agreed that the committee request the Finance and Procurement Directorate to issue a request for proposals to retain the services of an external auditor for the audit of the Senate's financial statements. Accordingly, a competitive procurement process took place in January and February 2024.

Subsequently, a contract to conduct the financial statement audits for fiscal years 2024–2025 through 2026–2027, with two additional one-year option periods, will be awarded to the Senate’s current external auditor. In its oversight and evaluation of the external auditor, and following best practices, the committee will continue to consider the auditor’s independence and safeguards in place against threats to institutional familiarity. Annually, the external auditor confirms its independence to the Senate. As well, as part of the committee’s annual evaluation of the external auditor, the committee has not identified any concerns related to its independence. Regarding the 2022–2023 financial statement audit, the committee met with the external auditor in February 2023 to review the audit plan.<sup>14</sup> There was no significant change to the planned audit approach compared to the previous year and, as is the usual practice, the committee members and the external auditor also met in camera. In line with its oversight of the external audit, the committee inquired about the progress of the year end audit work, in summer and fall 2023. In the fall, the committee was informed of delays in the financial statement process, beyond the usual timing.

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<sup>12</sup> AOVs, *Minutes*, May 3, 2022 and *Minutes*, November 23, 2022.

<sup>13</sup> AOVs, *Minutes*, December 6, 2023.

<sup>14</sup> AOVs, *Evidence*, February 15, 2022.

In December 2023, the committee met with the external auditor to review the auditor's draft audit results report on its audit findings, which addresses matters that it is required to communicate under professional standards. The external auditor explained that the audit work was done in accordance with Canadian auditing standards and that it followed a substantive 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 its presentation, the external auditor also noted that the draft audit results report highlights areas of audit emphasis, fraud considerations, audit procedures and corrected or uncorrected audit differences, of which there were none that the auditor considered material to the financial statements.

For areas of audit emphasis, the external auditor tested large key items and other transactions based on random sampling, performed substantive analytics comparing current and prior year balances or amounts, and verified certain amounts through confirmations of those balances. The external auditor also provided an overview of its approach to fraud considerations, as required by professional standards, this approach includes inquiries of those charged with governance and management, and audit work that looks for unusual transactions or anomalies using a data analytics tool. The external auditor also highlighted that, in accordance with Canadian Auditing Standards, additional work was completed related to IT systems. No additional risks were identified as a result of that work.<sup>15</sup>

Regarding corrected and uncorrected audit differences, the external auditor identified two immaterial misstatements related to prior year differences that also affected the financial statements for fiscal 2022–2023. The first relates to capital assets that were not appropriately capitalized in the prior year, with a related understatement of amortization expense in fiscal 2022–2023. The second relates to capital assets that were not appropriately tracked with a related understatement of amortization expense in fiscal 2022–2023; this amount was corrected by management. Additionally, a third immaterial item was identified by management, related to the understatement of compensatory leave accrual, which management also corrected in the financial statements.<sup>16</sup>

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<sup>15</sup> AOVS, *Evidence*, December 20, 2023.

<sup>16</sup> Ibid.

The external auditor indicated that the majority of the audit work was completed in June and July 2023 and thanked the Senate Administration for being responsive and timely in its support. Further, the external auditor explained that certain audit procedures are completed up to the date that the financial statements are approved, and that as such, subsequent events and additional work was still outstanding as of December 2023.<sup>17</sup> 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 February 2024, CIBA approved the audited financial statements for the year ended March 31, 2023, agreed that they be tabled in the Senate and adopted a motion to share the financial statements, management's internal financial highlights report on the audited financial statements and the external auditor's audit results with the Standing Committee on Audit and Oversight.<sup>18</sup> The committee subsequently received the independent auditor's report. The independent auditor's report states that the financial statements present fairly, in all material respects, the financial position of the Senate as of March 31, 2023, 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 2022–2023 fiscal year received an unqualified (or clean) audit opinion. To date, the Senate's financial statements have always received an unqualified audit opinion.<sup>19</sup>

The committee noted that the financial statements for fiscal 2022–2023 were published 11 months after year-end, which is not aligned with best practices or the timing set out in the audit plan. As such, this did not meet the committee's expectations. The committee is of the view that the lack of timeliness of the financial statements undermines the relevance of those statements. The committee discussed the delays, and is satisfied that efforts will be made to ensure that the financial statements are published in a more timely manner going forward.

As in the prior year, there was no management letter issued by the external auditor for fiscal 2022–2023 with audit observations to management and those charged with

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<sup>17</sup> Ibid.

<sup>18</sup> CIBA, *Minutes*, February 8, 2024.

<sup>19</sup> Senate, [Financial Statements of the Senate of Canada for the Year Ended March 31, 2022](#).

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, to understand how a transaction is recorded in the financial statements, from initiation to recognition.

Following the completion of the financial statement audit for the fiscal 2022–2023, as part of its oversight of the external auditor, the committee members undertook and completed their annual assessment of the external auditor in February and March 2024. 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. The chair of the committee conveyed the results of the assessment to the external auditor.

To demonstrate transparency and accountability, the Senate’s financial statements should be approved and made public in a timely manner. The committee will continue to monitor the timing of the financial statements for the upcoming fiscal year with a view to their timelier publication and report observations, if any, to the Senate.

In the coming months, the committee will communicate with the external auditor and Chief Financial Officer to receive updates on the status of the year-end audit work for the fiscal 2023–2024 financial statement audit, which is planned for June and July 2024.

## **B. Internal Audit**

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

### ***Internal Audit Function***

In 2022–2023, 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 is accountable to and works under the direction of the committee, making it a unique position in the Senate. Under the direction of the committee, the Chief Audit Executive is responsible for preparing and implementing a 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.

In June 2022, CIBA repealed the Senate's previous internal audit charter and policy.<sup>20</sup> In December 2022, the Audit and Oversight Committee reviewed a new draft internal audit charter, for consultation with the Senate Administration. The draft was updated to incorporate some procedural considerations and, in December 2023, the committee reviewed a revised draft internal audit following consultations with the new Chief Audit Executive. The draft internal audit charter outlines the purpose, authority, and responsibilities of the Senate's internal audit function. It serves as a roadmap for guiding the activities of the internal audit team and ensuring alignment with industry best practices and guidance from the Institute of Internal Auditors. At the end of February 2024, the draft internal audit charter was shared with CIBA for review, to confirm that it reflects the needs and objectives of the institution. Once finalized, it will be made available internally to the Senate Administration and reviewed periodically.

In 2023–2024, the committee engaged and oversaw the onboarding of the new Chief Audit Executive and considered the resource requirements for establishing the Senate's new internal audit function. During his first months at the Senate, the Chief Audit Executive met with senators and directors of the Senate Administration to present the role and scope of the internal audit function.

### ***Fact-Finding Mission***

During the year, the committee considered the work of other legislative audit and oversight committees and independent bodies focused on parliamentary and

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<sup>20</sup> AOVS, [Senate Audit and Oversight Charter](#), Fourth report, June 2, 2022.



parliamentarian expenses. In connection with this work, the committee undertook a fact-finding mission to consider the practices of its counterparts in the U.K. Parliament.<sup>21</sup> Over several meetings and briefings, a delegation of committee members met with parliamentarians from the U.K. Parliament's audit and risk assurance committees and representatives from the administration, as well as representatives from the U.K. Independent Parliamentary Standards Authority.

In November 2023, the committee presented a report on this mission to the Senate, with a focus on matters that can strengthen its work, its accountability to the Senate and its oversight of the new internal audit function.

### ***Risk Management***

During the year, in its oversight of risk management, the committee considered the risk management framework and the institutional risk register and met with the Senate Administration's CFO and the Director of Planning in December 2023 and March 2024. The Senate Administration's new institutional risk management framework was effective April 1, 2023. The list of risks was updated by Senate Administration management in November 2023, and the institutional risk register with updated mitigation measures was shared with the committee at the start of March 2024. In its oversight of risk management, the committee discussed several risks rated as "high" or "very high" and had a heightened interest in cybersecurity matters. The committee had a robust discussion on cybersecurity risks and mitigation measures with the Senate Administration's Information Services Directorate in March 2024.

In its audit and oversight work, the committee has reflected on the Senate's key risks, controls and processes. The committee is satisfied that there is a clear segregation between the risk management function, led by the CFO, and the independent internal audit function, led by the Chief Audit Executive. As well, the committee noted that the institutional risk register appears comprehensive.

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<sup>21</sup> AOVS [agreed](#) to submit a special study budget for a fact-finding mission in London, United Kingdom.

***Multi-Year Risk-Based Internal Audit Plan***

To prepare the draft multi-year risk-based internal audit plan, the Three-Year Risk-Based Assurance Plan 2024-2027, the Chief Audit Executive used significant analyses of key Senate documents and the results of interviews with senators, CIBA, members of the Audit and Oversight Committee, key personnel within the Senate Administration and the Senate's external auditor. The Chief Audit Executive considered the Senate's operating context, including the role of the Senate and the responsibilities of the Senate Administration, and how that context informs the role and scope of the Senate's internal audit function.

The multi-year risk-based internal audit plan sets out the assurance universe, the audit planning methodology and the risk approach. The assurance universe includes operational activities, compliance with authorities, horizontal risks and emerging issues. In particular, the Chief Audit Executive's consultations focused on identifying auditable units and applying a risk rating to those areas.

The committee met regularly with the Chief Audit Executive between November 2023 and March 2024 to oversee the approach to developing the plan and the progress of that work. In December 2023, the Chief Audit Executive presented a proposed timeline for the first draft of the multi-year risk-based internal audit plan, detailing the various steps and consultations and targeted timeframes. The Chief Audit Executive briefed the committee on the progress of initial detailed analyses and consultations in February 2024, and presented additional information on the planned approach and methodology in March 2024.

Subsequently, in April 2024, the committee discussed a framework for establishing the internal audit plan and received the first draft of the multi-year risk-based internal audit plan. The plan includes the proposed audit coverage, the planned levels of assurance and the proposed plan for resourcing those audits. Following its review, the committee made several recommendations and approved the framework for the multi-year risk-based internal audit plan with a view to preparing a revised preliminary draft plan; the next step is consultation with CIBA, planned for the end of May 2024.

In terms of priorities for 2024–2025, the committee will continue to oversee internal consultations as part of finalizing the multi-year risk-based internal audit plan, review

and approve the plan and present it to the Senate for approval, 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.

### ***Monitoring Internal Audit Reports and Action Plans***

In terms of previous internal audits and reviews, which were outsourced by the Senate, the committee monitored management's progress against two outstanding recommendations related to an independent joint Senate and House of Commons cybersecurity review. The work was carried out by a professional services firm between January and March 2022. The Senate Administration provided related updates to the committee throughout the year.

### **C. Review of Financial Reports**

The committee is responsible for reviewing the Senate's quarterly financial reports and the audited financial statements, for information purposes. The committee considers 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, and reviewed by its Subcommittee on Senate Estimates and Committee Budgets. The reports 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 2023–2024 fiscal year, the committee received the Senate's quarterly financial report for the first quarter (Q1), covering the period April 1, 2023 to June 30, 2023, at the end of October 2023, after it had been approved by CIBA. After year end, in April 2024, the committee also received the third quarter (Q3) report for 2023–2024, covering the period ending December 31, 2023.

During the year, there was a departure from the usual process, and a separate quarterly financial report was not prepared or reviewed at the end of the second quarter (Q2) of fiscal 2023–2024, for the period ending September 30, 2023. Accordingly, the committee did not receive this report for information. Instead, actual and committed expenditures for Q2 were included in the Q3 report. This does not meet the committee’s expectations and is not aligned with best practices. Regular and timely preparation of internal quarterly financial reports is part of the Senate’s internal control framework. Further, the committee’s review of the quarterly financial reports, for information, is part of its own audit planning process and its process for identifying items that might require further review. The committee notes that following best practices quarterly financial reports should be prepared shortly after the quarter end, generally within 60 days, and that this timing should be established as a performance indicator.

In 2023–2024, the committee also reviewed the Senate’s audited financial statements for fiscal year 2022–2023, 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, 2022 to March 31, 2023. In its review, the committee met with the Chief Financial Officer in December 2023 and in February 2024. 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.

## **Observations**

In carrying out its mandate, the committee has discussed a few observations which it would like to highlight in this annual report.

### **A. Internal Audit Plan and Establishing the Internal Audit Function**

The committee oversaw the process of establishing the Senate’s first multi-year risk-based internal audit plan. In April 2024, the committee undertook a detailed review to ensure that the multi-year risk-based internal audit plan is appropriately focused. The members provided feedback on the framework for preparing the plan and on the initial draft of the plan and had a discussion on the proposed approach, risk assessments and elements of the plan, including the planned work, its sequencing

and the resources required. At the end of May 2024, the committee approved a draft plan for consultation.

The next step is to present the multi-year risk-based internal audit plan and related resource requirements to the Senate for approval. The committee acknowledges the foundational work of the Chief Audit Executive in preparing the plan, and the professionalism and openness of Senate Administration management in sharing their perspectives. Their collaboration, in addition to the input from members of the committee and CIBA, will ensure that the planned assurance work is value added and contributes to a robust governance structure. The Chief Audit Executive also met separately with all groups of senators, to be informed of different perspectives to incorporate into the preparation of the multi-year risk-based internal audit plan.

Under the direction of the committee, the Chief Audit Executive will lead a professional and independent internal audit function to execute the multi-year risk-based internal audit plan. With access to the people, information and resources essential to the fulfilment of the planned assurance work, the Senate's internal audit function will be positioned to share findings, action plans and recommendations.

During the past year, the chairs of the Audit and Oversight Committee and CIBA exchanged correspondence regarding matters of shared interest. This continued communication and coordination will be essential to the success of the Senate's internal audit function, including the next phase of establishing in-house internal audit capacity, with the necessary expertise, resources and tools to implement the multi-year risk-based internal audit plan.

During its fact-finding mission, the committee consistently heard from the U.K. Parliament's audit and oversight bodies, including its audit committees and the Independent Parliamentary Standards Authority (the independent authority responsible for MP pay and business costs) about the importance of taking a collaborative and supportive approach when dealing with audit and oversight matters and management. The committee shares this view and has worked to establish an open relationship with Senate Administration management. Going forward, the committee will continue to work with the Senate Administration in this spirit of collaboration, through the work of the Chief Audit Executive and the new internal audit function, focusing on areas where risks have been identified or where practices, processes or controls can be strengthened.

## **B. Accountability and Transparency**

Transparent and timely reporting are fundamental to effective accountability. The committee encourages the Senate to consider how the Senate Administration can increase its transparency on strategic objectives and priorities, significant risks facing the institution, key performance indicators, accomplishments and financial information, as well as ensuring that information is available in a timely manner.

The Senate currently publishes planned annual spending at the start of the fiscal year, quarterly proactive disclosure reports on expenditures and contracts within 60 days of the quarter end and annual financial statements, which are audited by an independent external auditor. The Senate also publishes an annual report on the activities and expenditures of Senate Committees. In addition, the Senate Administration prepares an annual report on strategic priorities and commitments and an annual report, *Accomplishments of the Senate Administration*; however, this information is not publicly available.

The committee noted that the U.K. House of Lords and House of Commons both have clearly defined strategic objectives and priorities, which are published in accountability reports, including corporate business plans, annual strategic plans and annual reports. Moreover, their respective management boards monitor corporate key performance indicators (or KPIs), which are also presented in accountability reports. These practices underline the importance of transparency and accountability in supporting effective governance.

In particular, an annual report is an important tool that can provide more than financial information; it can shed light on how public money has been spent, including information on an organization's strategic priorities and objectives, risks, operations, governance and measures of success. Good practices in preparing an annual report include presenting a balanced view of progress against objectives and linking strategy to performance measures and risks. Presenting information in an understandable and clear way and making a link between financial and non-financial information is also important.

## **C. Enhancing Oversight**

In its oversight, the committee will continue to monitor the timeliness of financial reports to ensure the Senate's approach is aligned with best practices. Pursuant to its



mandate, the committee is responsible for oversight of the external audit of the Senate's financial statements and for reviewing the financial statements and internal quarterly financial reports for information. Following best practices, financial information, including the published financial statements and internal quarterly financial reports, should be available shortly after the period end. Regarding these matters, the timing of when information is shared with the committee could also be improved, to allow more meaningful oversight of the financial statements and the internal quarterly financial reports.

As an example, the U.K. Parliament's audit committees have oversight of external audit matters, and each committee reviews the integrity of the respective annual accounts ahead of their formal consideration and prior to their submission and sign-off by the accounting officer. In this way, the members of those audit committees, including its external members, are able to share insights and expertise early in the process, ahead of the formal approval of the financial statements.

As another example, the Senate's internal quarterly financial reports for the second quarter ended September 30, and the third quarter ended December 31, are typically considered at the same time, which means that information on the second quarter ended September 30, is not reviewed or available to share with the committee until several months after that quarter end (after the third quarter). For this past year, exceptionally, there was no quarterly financial report prepared at the end of the second quarter. This does not follow best practices and did not meet the committee's expectations. Going forward, the committee's oversight could be enhanced with timelier access to the financial reports which it receives for information.

### ***Committee Effectiveness***

In terms of the effectiveness of the committee, in April 2024, members completed a self-assessment questionnaire covering the activities of the committee up to the end of the 2023–2024 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. In regard to the last point, the importance of communication and collaboration between the committee and the Senate

Administration, CIBA and the institution as a whole, will be essential for the committee to be a valuable partner as part of the Senate's governance.

## Conclusion

During the 2023–2024 fiscal year, the committee's members have worked collaboratively to fulfil the audit and oversight mandate. The committee's senator members have offered a range of perspectives and ensured that the committee's work was anchored by their knowledge of the Senate, to provide meaningful oversight. Adding to this understanding, the external members have continued to offer invaluable insights, sharing their expertise on matters related to internal and external audits and governance, risk management and management controls practices. Their support included a briefing on governance considerations; observations on risks and related mitigation strategies; sharing best practices from their experience on other oversight committees and how other organizations deal with similar institutional opportunities and challenges; and advice on other key matters during the year, including the process for engaging a Chief Audit Executive and for establishing the criteria for selecting the next external auditor.

Looking ahead, through its oversight, the committee will support the next steps in implementing the multi-year risk-based internal audit plan, with the aim of ensuring that the work of internal audit is positioned to provide evaluation and analysis on the existence, effectiveness and adequacy of risk management, control and governance processes in the Senate. The committee aims to contribute to the institution's continuous improvement with internal audit findings and recommendations. In its work, the committee will challenge and support, acting as a trusted partner, with a view to improving the efficiency and effectiveness of operations. To carry out its mandate and add value for the Senate, the committee members recognize the importance of collaborating with senators, CIBA and Senate Administration management.