

June 9, 2010

Report of the Audit Committee to the Chief Electoral Officer of Canada for Fiscal Year 2009–2010

Introduction

The Audit Committee of the Office of the Chief Electoral Officer of Canada (Elections Canada) has been established in compliance with the provisions of the *Federal Accountability Act*. It is composed of external members, and its purpose is to provide the Chief Electoral Officer (CEO) with independent advice on matters relating to management controls and reporting of plans and results. This report outlines the second year's activities of the Committee, as required by its Terms of Reference.

Membership and Meetings

The Committee was chaired by Mr. Marc Mayrand, Chief Electoral Officer of Canada, and has as its members Messrs. W.E.R. Little, J.-C. Bouchard and P.G. Boomgaardt. A representative of the Office of the Auditor General (OAG) is routinely invited and attended all meetings. The Chief Audit Executive (CAE) and Internal Audit staff attended all meetings as observers and to respond to questions from the members. As needed, members of senior management and staff attended to make presentations and respond to matters raised by the members.

The Committee met four times during the past fiscal year: in April 2009, August 2009, February 2010 and March 2010; all members attended each meeting. The Committee also had an in-camera session involving only the external members and the CEO.

Committee Terms of Reference

The Committee has written Terms of Reference, which conform to the Treasury Board *Policy on Internal Audit*, issued in July 2009. The Committee is mandated to provide advice on eight key areas of management.

Eight Areas of Oversight Responsibility

Values and Ethics

During the year, Elections Canada performed a self-assessment of its management of values and ethics (V&E) and reported its findings to the Committee. Of particular interest were the unique issues created by the large number of workers required to conduct elections and the distinct approach taken to ensure that the V&E program is effectively implemented for election workers. The Committee endorsed the key recommendations and will monitor their implementation over the coming year.

Risk Management

Last year, in its first year of existence, the Committee devoted considerable time and attention to the risks faced by Elections Canada and its approach to mitigating risks to ensure effective delivery of its mandate. In the current year, the Committee focused on risk-mitigating strategies throughout the briefings and presentations on all topics raised. The Committee is advisory in nature and not engaged in operations; this gives it a unique perspective and enables it to raise concerns about risk and to query the strategies and approaches adopted to mitigate risks. This dimension is particularly prominent in discussions on the Report on Plans and Priorities (RPP) and on the Risk-Based Audit Plan (RBAP). As well, the Committee received briefings on Elections Canada's A-Base review and its plans to modify its Program Activity Architecture.

Management Control Framework

The Committee was apprised of the key management issues and how procedures have been adopted to mitigate concerns and produce the desired results. In particular, the Chief Financial Officer outlined Elections Canada's internal control framework, funding mechanisms and resource allocation strategies. Elections Canada has two parliamentary funding streams – annually voted appropriations as well as a statutory authority. Management has completed a thorough budgetary review and is further strengthening procedures. The Committee will continue to monitor developments and finances by reviewing the periodic internal management reports that it receives.

Office of the Auditor General and Central Agencies

By virtue of regular attendance at Committee meetings by a representative of the OAG, the Committee has been kept informed of matters raised by the OAG as well as its audit plans. The Director of Internal Audit periodically updated members on audit-related matters coming from central agencies. The CAE, as well as some Committee members, attended a Department and Agency Audit Committees symposium and other sessions on internal audit matters sponsored by the Office of the Comptroller General (OCG) to keep abreast of developments in the internal audit area.

Follow-Up of Management Action Plans

The Committee follows a systematic approach to monitoring action plans presented by management to execute its mandate as well as those that respond to external and internal audits. Particular attention was paid to plans and actions for information technology (IT) renewal, with the Committee endorsing the gradual approach that has now been adopted. During the August 2009 and February 2010 meetings, the Committee received updates on plans arising from audits; progress was presented using a score card format.

Financial Statements

The financial statements of Elections Canada were audited by the OAG, who issued an unqualified audit report. The OAG also sent a management letter concerning controls over the inventory of consumable supplies.

Accountability Reporting

During its August 2009 meeting, the Committee reviewed a draft of Elections Canada's Departmental Performance Report (DPR) for the 2008–2009 fiscal year, including the audited financial statements for the year ended March 31, 2009. In February 2010, the Committee reviewed the 2010–2011 RPP. It offered some minor suggestions to strengthen clarity and completeness but, in both cases, was satisfied that Elections Canada was presenting fair and reasonable reports to Parliament.

Internal Audit Function

At each meeting, the Committee was updated on the status of audits and plans. It received and recommended for approval audit reports on a) the Information Technology Renewal Integrated Program Office, b) the Management of the Returning Officers and c) the Special Voting Rules System Redevelopment Project. (The first two reports are published on Elections Canada's Web site, and the third will soon be posted.) The Committee was also informed of an ongoing review of the IT business continuity plan (BCP) and will receive further updates in the coming year. Similarly, the Committee was briefed on the start of an audit of the control framework over the inventory of election supplies; it will receive the results in the coming year.

The Committee places particular emphasis on audit recommendations and management action plans to address audit concerns. It has adopted a systematic approach to reviewing the progress made on implementing these recommendations.

During its March 2010 meeting, the Committee reviewed the draft internal audit plan for the three years 2010–2011 to 2012–2013 and the resources to be deployed. The plan, which is built on a risk-based assessment of Elections Canada's programs and activities, was recommended for approval by the CEO.

The Internal Audit Charter is scheduled to be reviewed by the committee at its next meeting, slated for June 2010.

The Committee is satisfied with both the current status and the plans of the Internal Audit Directorate. Although the group is small and relatively new, it has adopted high standards and is led by a qualified professional; it plans, executes its work and reports with due deference to professional standards. Accordingly, the Committee considers that the internal audit function continues to evolve in line with OCG guidance.

A Look Ahead

In 2010, the Audit Committee plans to review key management activities; these are outlined in the attached schedule. In addition, the Committee plans to address the following specific issues:

- A-Base review follow-up
- IT plan progress review
- Risk-Based Management Framework development
- Human Resources planning

Conclusion

The Committee considers that its second year of activity constitutes satisfactory progress on the start made last year. Members were provided with relevant and transparent information, allowing them to more easily carry out the Committee's mandate. They are pleased with the candour shown by everyone who presented information to them concerning the challenges facing Elections Canada and with the genuine interest that the CEO takes in the views of Committee members. The Committee notes the professionalism and dedication demonstrated by staff as well as their openness and willingness to accept and implement suggestions.

The Committee acknowledges that it is still learning about Elections Canada's considerable challenges and extraordinary environment. However, based on its observations over the past two years, the committee considers that Elections Canada has adopted a systematic and rational approach to addressing its mandate, monitoring results and reporting publicly.

June 2010

Schedule of 2010–2011 Planned Activities

The following table presents the activities planned for 2010–2011. The activities may need to be revised and updated during the year.

	Subject	Activity	June 2010	Aug 2010	Nov 2010	Jan 2011
A Internal Audit Engagements						
A1	Internal Controls on Inventory	Review and recommend for approval	◆			
A2	Management of the Human Resources Information System	Review and recommend for approval			◆	
A3	Procurement and Contracting for Services	Review and recommend for approval				◆
A4	Continuous Auditing	Review and recommend for approval		◆		◆
B Follow-Up of Management Action Plan						
B1	Status report	Review and advise		◆		◆
B2	IT BCP follow-up	Review and advise		◆		
C Oversight of Internal Audit Function						
C1	Internal Audit Charter	Review and recommend for approval	◆			
C2	Adequacy of resources	Review	◆			
C3	Performance of internal audit function/ CAE	Review and advise	◆			
C4	Status of activities	Review and advise	◆	◆	◆	◆
C5	RBAP	Review and recommend for approval				◆
D Office of the Auditor General and Central Agencies						
D1	OAG's year-end audit of financial statements	Review report		◆		
D2	Fraud and errors	Review and advise		◆		
D3	Update on OCG's internal audit activities	Review and advise		◆		
D4	Follow-up of OAG's recommendations	Review and advise	◆			
E Annual Responsibilities						
E1	Values and ethics	Review and advise				◆
E2	Risk management	Review and advise	◆			
E3	Management control framework – <i>TB Policy on Internal Control</i>	Review and advise	◆			
E4	Audited financial statements/DPR	Review and advise		◆		
E5	RPP	Review and advise				◆
F Other Subjects of Interest						
F1	Political Financing – Presentation	Review and advise		◆		

	Subject	Activity	June 2010	Aug 2010	Nov 2010	Jan 2011
F2	Policy, Planning and Public Affairs – Presentation	Review and advise				◆
F3	A-Base review	Review and advise			◆	
G Audit Committee Planning						
G1	Audit Committee Terms of Reference	Review	◆			
G2	Annual plan for coming year	Approve				◆
G3	Meeting schedule for upcoming year	Approve				◆
H Other Activities						
H1	In-camera meetings (as requested)	Discuss	◆	◆	◆	◆
H2	Audit Committee self-assessment	Prepare	◆			
H3	Annual report	Prepare	◆			