

Internal Audit and
Risk Management
Services

Internal Audit Guide:
Implementation of Modern
Comptrollership



Internal Audit Guide: Implementation of Modern Comptrollership

Project No: 6672/03

Project Team

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TABLE OF CONTENTS

1. INTRODUCTION.....	1
1.1 Organization of the Guide.....	1
1.2 Purpose, Scope and Limitations of the Internal Audit Guide	1
1.3 Overview of the Modern Comptrollership Initiative	4
2. AUDIT APPROACH.....	7
2.1 Audit Objective.....	7
2.2 Audit Scope.....	7
2.3 Audit Criteria and Sub-Criteria.....	7
3. AUDIT METHODOLOGY.....	11
3.1 Modern Comptrollership Initiative	11
3.2 Reinforced Values and Ethics.....	13
3.3 Integrated Risk Management.....	14
3.4 Integrated Performance Information.....	17
3.5 Rigorous Stewardship (Integrated Management Control).....	19
3.6 Topics Excluded from the Guide	20
APPENDIX A: INFORMATION ON THE MODERN COMPTROLLERSHIP INITIATIVE.....	23
APPENDIX B: ACKNOWLEDGMENTS.....	25
APPENDIX C: GUIDELINES FOR TYPES AND SOURCES OF AUDIT EVIDENCE.....	27
APPENDIX D: LESSONS LEARNED FROM PILOT APPLICATIONS AND PROMISING PRACTICES	39

1. INTRODUCTION

1.1 Organization of the Guide

The Guide is divided into three sections and four appendices, covering all of the requirements suggested by the Treasury Board Secretariat (TBS)'s Centre of Excellence for Internal Audit in the Government of Canada.

Section One (Introduction) explains how the Guide supports the Treasury Board Policy for assurance auditing. It outlines the Modern Comptrollership Initiative and shows how the Guide fits into the newer, more comprehensive Management Accountability Framework.

Section Two (Audit Approach) presents audit objectives, scope, plan, criteria as well as standards for assessment that should be considered when planning individual audit projects. The scope limitations to this Guide are identified to help in making judgments for the planning of an internal audit.

Section Three (Audit Methodology) presents a suggested baseline audit methodology for assessing the foundations for implementing the Modern Comptrollership Initiative, as well as for each of the Initiative's four pillars: reinforced values and ethics, integrated risk management, integrated performance information and rigorous stewardship. Topics excluded from this section are identified, e.g., management reforms (such as...) not covered by Modern Comptrollership.

There are four appendices:

1. Appendix A provides detailed information on the Modern Comptrollership initiative;
2. Appendix B acknowledges the organizations and individuals who contributed to the research, development, testing and refinement of this Guide;
3. Appendix C provides detailed guidance on the types and sources of audit evidence for the criteria and sub-criteria identified in Section 3 of the Guide;
4. Appendix D outlines many of the lessons learned and "promising practices", including baseline audit resource and time requirements, based on the pilot applications.

1.2 Purpose, Scope and Limitations of the Internal Audit Guide

Purpose

The management reform of Modern Comptrollership, is in the early stages of long-term government-wide implementation. This initiative comprises four pillars: reinforced values and ethics; integrated risk management; integrated performance information; and rigorous stewardship. These pillars are supported by three enablers: strategic leadership; motivated people; and clear accountability. Many organizations

have reached a point in the implementation of Modern Comptrollership where they would benefit from the assurance that their transition to sustained progress is sound and likely to lead to success.

This Guide provides professional direction for moving in that direction. It provides high-level guidance to facilitate the development of detailed methodologies for the auditing of the implementation of the Initiative. It also provides website links to facilitate research on new ideas that have developed since the publication of this Guide. In addition, the Guide can help in consultations with client managers, on audit planning.

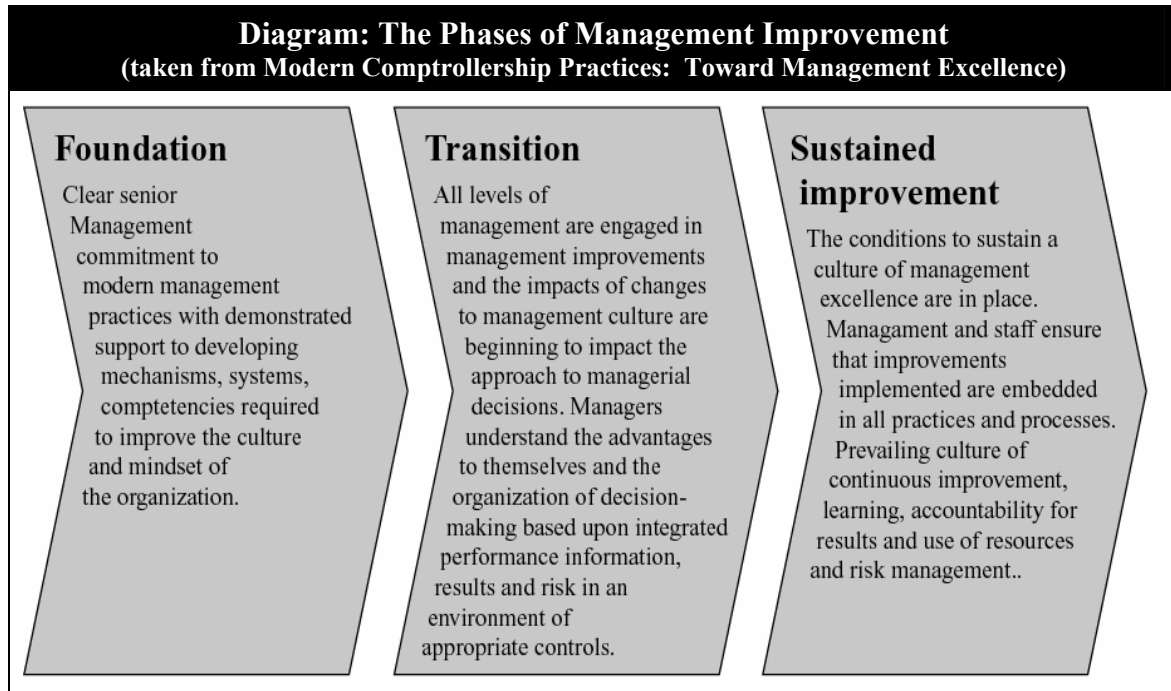
Scope

This Guide provides flexible guidance for internal auditors, adaptable to the needs of their organizations. It provides a:

- a) modular approach to audit the four pillars of modern comptrollership. A total of five audit modules can be applied separately, or together in one assurance project; and
- b) detailed, criterion-based assurance audit methodology, adaptable to the needs of both small and large organizations.

The Guide bases its audit methodology on the organizational “maturity model,” used in the Modern Comptrollership Capacity Check sponsored by TBS. In long-term organizational transformation, there is greater value to assessing progress against key indicators of a robust foundation, rather than against long-term desired outcomes (too vague). The Comptrollership Modernization Directorate of the Treasury Board Secretariat has prepared a number of tools to help line managers assess their progress against this maturity model.

Additional information on Modern Comptrollership, its objectives and current status and tools is available at www.tbs-sct.gc.ca/cmo_mfc



As each organization is at a different stage in the implementation process of Management Improvement, there is no prescribed time at which they should conduct an assurance audit of the implementation of Modern Comptrollership. It is up to each organization to decide when the timing is appropriate for them.

Limitations of the Guide

1. Audit Scope

As this Guide focuses on risks to successful and sustained implementation of Modern Comptrollership, it does not presume to provide for an in-depth assessment on all aspects of the pillars themselves. Additional audit criteria are needed to respond to senior management requests for a complete assessment of the current state of individual pillars.

2. Self-Assessment

The Guide acknowledges the fact that, in some circumstances, the Internal Audit Unit will have had some responsibility for the design and/or the implementation of some aspects of Modern Comptrollership. In these cases, the audit report should clearly note the reliance on self-assessment procedures, including situations where the self-assessment is supervised and/or validated by an independent auditor.

3. Identification of Excluded Audit Criteria

There are certain topics that have been excluded from the potential audit scope of this Guide. These excluded topics include:

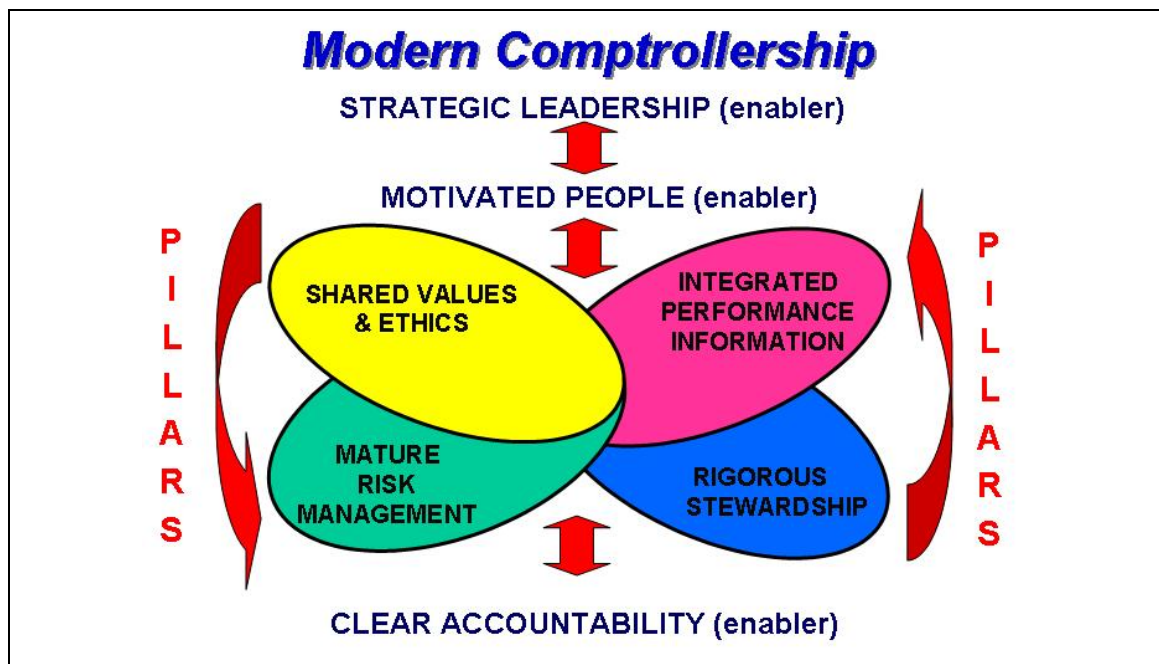
- management reforms not included within the Modern Comptrollership Initiative, such as those related to the Modernization of Human Resource Management; and
- the design, outcomes and impacts of Modern Comptrollership, as this is the focus of Program Evaluation.

1.3 Overview of the Modern Comptrollership Initiative

Modern Comptrollership is a management reform focused on the sound management of resources and effective decision-making. It goes to the heart of the Government of Canada's management framework as described in *Results for Canadians*. In its quest to achieve the highest quality of service to the public, the Government of Canada is committed to excellence in **four areas** that are critical to a well-performing public sector, namely: citizen focus; values; results; and responsible spending. Canadians expect continuous improvement of management practices, increased focus on results, responsible spending and accountability.

The three enablers of Modern Comptrollership are: Strategic Leadership; Motivated People; and Clear Accountability.

The relationship of the four pillars and their enablers is illustrated below.



The Modern Comptrollership Initiative and the Management Accountability Framework (MAF)

The government-wide implementation of the Modern Comptrollership Initiative ends on March 31, 2004. Considerable momentum has been achieved, but much remains to be done. The TBS strategy in the initial years has been to embed Modern Comptrollership into the management practices of all managers and into broader management accountabilities. The Management Accountability Framework (MAF) was developed in 2003 in accordance with this strategy. Much of the Framework is based on the Modern Comptrollership Initiative, as it incorporates all the elements of Modern Comptrollership. The MAF is a means to build upon and sustain the momentum achieved through Modern Comptrollership.

Further information on the MAF can be found at www.tbs-sct.gc.ca/maf-crg/index_e.asp.

2. AUDIT APPROACH

2.1 Audit Objective

The objective of an internal audit to verify the foundations for implementing Modern Comptrollership is to provide assurance to senior management that these foundations are all in place for a successful transition to Sustained Management Improvement.

2.2 Audit Scope

The Guide comprises five inter-related sections, each of which could be an individual audit project:

- a) one section focuses on the implementation of the overall Modern Comptrollership Initiative (MCI); and
- b) the remaining four sections focus on each of the four pillars of Modern Comptrollership: improved values and ethics; integrated risk management; integrated performance information; and rigorous stewardship.

The key enablers for the successful implementation of Modern Comptrollership (Strategic Leadership, Motivated People and Clear Accountability) - are incorporated as conditions within each of the four pillars, as well as the overall Modern Comptrollership Initiative.

2.3 Audit Criteria and Sub-Criteria

Audit criteria and sub-criteria focus on measurable conditions to provide the basis for the assurance audit on the organizational foundations needed to successfully implement Modern Comptrollership. The audit assessments are based on a structured audit methodology, such that:

- a) the internal audit opinion is based on an assessment of the audit's conclusions;
- b) each audit conclusion is based on the assessments of the audit criteria; and
- c) assessment for each audit criterion is based on assessments made of evidence obtained and analyzed in relation to each of the sub-criteria.

The audit criteria and sub-criteria presented in this Guide are based on:

- examination of existing government policy, standards and guidelines;
- consultations with Treasury Board Secretariat, Canadian and Ontario government organizations and with experts with responsibilities for both modern comptrollership and for internal audit; and

- pilot applications of internal audits in one large and one small government organization (Appendix D).

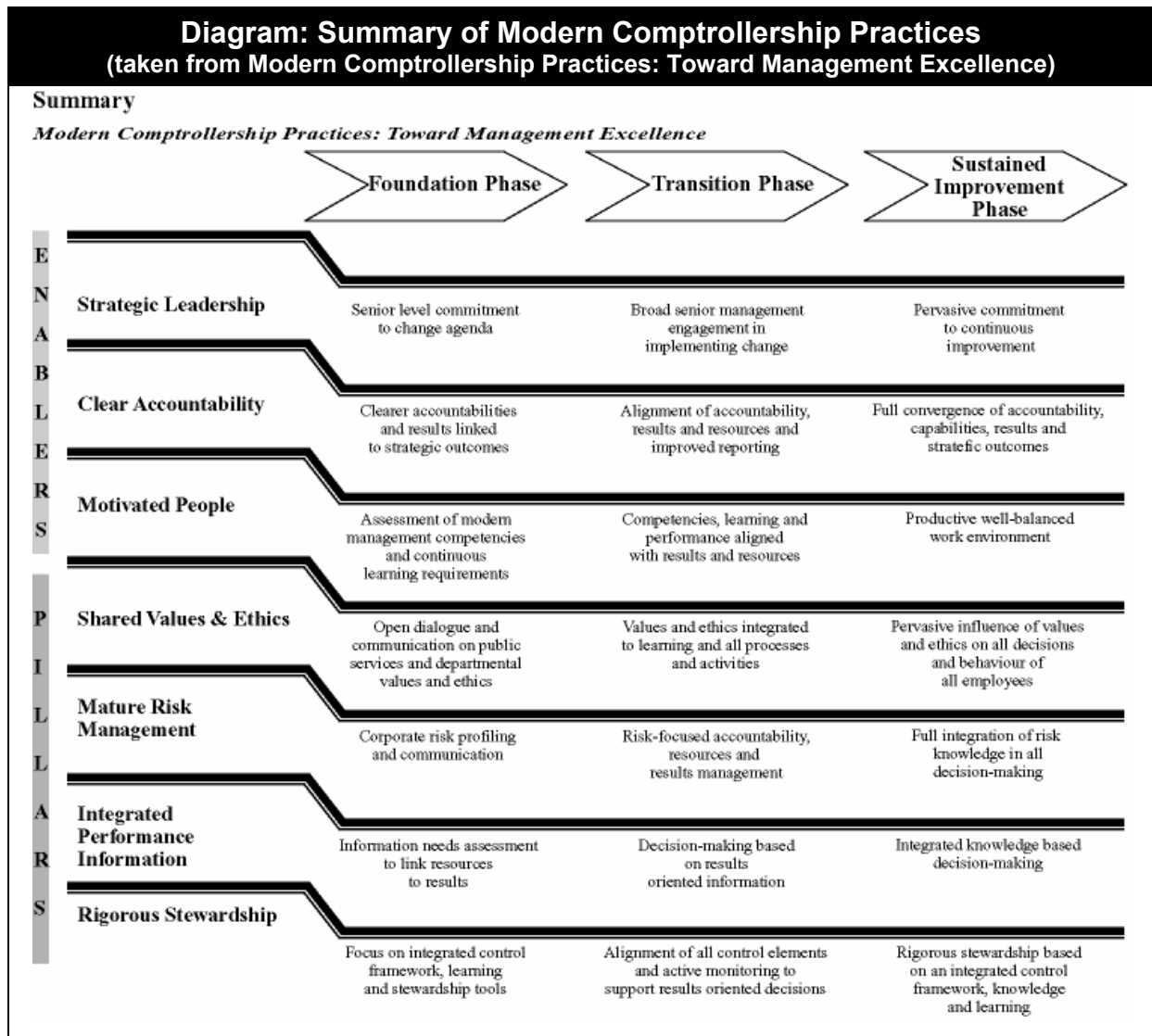
Several sources were used in the development of audit criteria. For example, TBS facilitated the development of audit criteria for the implementation of the Modern Comptrollership Initiative, Integrated Risk Management, and Reinforced Values and Ethics. Additional analysis and consultation led to the development of criteria for Integrated Performance Information and for Rigorous Stewardship.

The pilot applications of the Guide show that, once established, there is a risk that additional impetus for Modern Comptrollership must be sustained through the transition phase. No federal organization has yet completed Management Reform, so there is no basis from which to develop audit criteria for the transition and sustained management improvement stages.

Implementation of the pillars of Modern Comptrollership was designed to be flexible; there is no prescribed implementation timetable or sequence. Accordingly, this Guide has been designed to recognize that federal organizations will proceed differently, and that, as well, implementing some pillars may be more advanced within organizations than others. The suggested audit criteria and sub-criteria can be readily applied in these circumstances.

Recognizing the varying timetables for these four pillars, the audit criteria and sub-criteria can be considered to have been met, to the extent to which the foundations for each pillar are assessed to have been, or be in the process of being, laid.

In those cases where the foundations have been established, the audit should determine whether or not the foundation provides for continuous improvement.



3. AUDIT METHODOLOGY

To facilitate planning audit projects, guidance is provided for the management of the modern comptrollership initiative, as well as for each of the four pillars in relation to three types of information, namely:

- a) key concepts;
- b) important references;
- c) suggested audit criteria and sub-criteria.

This Guide covers only those aspects of the audit process which are unique to this type of audit. Internal auditors should of course follow their audit policy, professional standards and guidance for planning and conducting an internal audit. Internal auditors should take due professional care when conducting all phases of the audit project, such ensuring appropriate supervision of the audit work, and validating the findings with management before submitting the report to senior management.

3.1 Modern Comptrollership Initiative

A) Key Concepts

Capacity Assessment – assesses the state of an organization’s management practices against a common standard.

Action Plan – a plan for filling in the gaps which managers have identified in the Modern Comptrollership baseline capacity assessment, and for building on existing strengths to achieve higher levels of management capabilities.

B) Important References

TBS Comptrollership Modernization Directorate

http://www.tbs-sct.gc.ca/cmo_mfc/index_e.asp

http://www.tbs-sct.gc.ca/cmo_mfc/index_f.asp

TBS Management Accountability Framework

http://www.tbs-sct.gc.ca/maf-crg/index_e.asp

http://www.tbs-sct.gc.ca/maf-crg/index_f.asp

2002 Report of the Auditor General of Canada - April - Chapter 7 - Strategies to Implement Modern Comptrollership

<http://www.oag->

[bvg.gc.ca/domino/reports.nsf/a1b15d892a1f761a852565c40068a492/40333b75eb6c772785256b9500517d55?OpenDocument](http://www.oag-bvg.gc.ca/domino/reports.nsf/a1b15d892a1f761a852565c40068a492/40333b75eb6c772785256b9500517d55?OpenDocument)

<http://www.oag-bvg.gc.ca/domino/rapports.nsf/html/0207cf.html>

2002 Report of the Auditor General of Canada - April - Chapter 7 - Special Insert - Our assessment of the departmental action plans

<http://www.oag-bvg.gc.ca/domino/reports.nsf/a1b15d892a1f761a852565c40068a492/084e85c745b448b385256b9500517fbb?OpenDocument>

C) Suggested Audit Criteria: Modern Comptrollership Initiative

Criterion No. 1.1: A senior corporate committee is governing the implementation of Modern Comptrollership.

Sub-Criteria:

- The organization has a broad strategy which integrates Modern Comptrollership into the organization's management improvement agenda;
- Senior Management receives progress reports on the implementation process and adjusts their action plan accordingly;
- The performance agreements of executives at every level of management reflect individual accountabilities for implementing Modern Comptrollership practices;
- The senior level committee has a communication plan for the implementation of Modern Comptrollership including a method to relay progress to the rest of the organization.

Criterion No. 1.2: The organization has assessed its capacity and identified the gaps in relation to desired outcomes.

Sub-Criteria:

- The capacity assessment addresses and identifies the current state of each of the following areas: values and ethics, risk management, integrated performance information and stewardship;
- The capacity assessment provides the basis for the action plan.

Criterion No. 1.3: The action plan contains measures to close the gaps identified in the capacity assessment and a method to develop the capacity.

Sub-Criteria:

- The action plan addresses key initiatives and enablers (Motivated People, Clear Accountability and Strategic Leadership) addressing expectations for management improvement as identified in the capacity assessment;
- The action plan is integrated into the organization's corporate and business plans;
- The governance structure for implementing Modern Comptrollership is described in the action plan (or elsewhere) and includes a senior management steering role, a strategy for engaging managers and a coordination role;

- The organization develops its capabilities (i.e. through tools, training and technical support).

3.2 Reinforced Values and Ethics

A) Key Concepts

There are four critical concepts to Values and Ethics: Values, Ethics, Wrongdoing and Harassment. These concepts are elaborated on below.

Values – Enduring beliefs that influence opinions, actions and the choices and decisions we make.

Ethics – That dimension of human thought and behaviour which is guided by standards and principles of right conduct. It involves a commitment to do the right thing.

Wrongdoing – an act or omission concerning:

- (a) a violation of any law or regulation; or
- (b) misuse of public funds or assets; or
- (c) gross mismanagement; or
- (d) a substantial and specific danger to the life, health and safety of Canadians or the environment.

Harassment – any improper conduct by an individual, that is directed at and offensive to another person or persons in the workplace, and that the individual knew or ought reasonably to have known would cause offence or harm. It comprises any objectionable act, comment or display that demeans, belittles, or causes personal humiliation or embarrassment, and any act of intimidation or threat. It includes harassment within the meaning of the *Canadian Human Rights Act*.

B) Important References

TBS Office of Public Service Values and Ethics

http://www.tbs-sct.gc.ca/veo-bve/index_e.asp

http://www.tbs-sct.gc.ca/veo-bve/index_f.asp

TBS Policy on the Internal Disclosure of Information Concerning Wrongdoing in the Workplace

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/tb_851/idicww-diicaft_e.asp

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/TB_851/idicww-diicaft_f.asp

TBS Policy on the Prevention and Resolution of Harassment in the Workplace June 1, 2001

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/hw-hmt/hara_e.asp

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/hw-hmt/hara_f.asp

TBS Values and Ethics Code for the Public Service

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/TB_851/vec-cve_e.asp

http://www.tbs-sct.gc.ca/pubs_pol/hrpubs/TB_851/vec-cve_f.asp

C) Suggested Audit Criteria: Reinforced Values and Ethics

Criterion No. 2.1: The organization has a formal statement of Values and Ethics.

Sub-Criteria:

- The statement is accessible to all employees;
- The statement covers both values and ethics as reflected in the Government of Canada's initiatives.

Criterion No. 2.2: The organization has taken unequivocal steps to reinforce the importance of public service values and ethics in the delivery of results to Canadians. These unequivocal steps include:

- Leadership;
- Promotional Tools;
- Learning and Training;
- Increased Efforts to Foster a Respectful Workplace Through the Prevention and Resolution of Harassment;
- Method for Employees to Report on Wrongdoing; and
- Implementation of the TB Code of Values and Ethics.

Sub-Criteria:

- The organization has identified clear and comprehensive steps in the six areas;
- The organization has identified the people responsible for taking the steps. For those steps to be completed, this responsibility is reflected in their performance agreements;
- The organization has identified how they will take (or have already taken) the steps by identifying resources available and by providing employees with access to learning, training and development opportunities or materials.

3.3 Integrated Risk Management

A) Key Concepts

Before proceeding to the specific criteria of Integrated Risk Management, the following section presents a few key concepts with which the auditor should be familiar.

There are six critical concepts to Integrated Risk Management, which are elaborated below:

Risk – refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization’s objectives.

Strategic Risks – Risks that are driven by uncertainties concerning government policy, budget, or a change in stakeholder requirements that relate to the overall direction that the government is taking.

Risk Management – is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, mitigating and communicating risk issues.

Integrated Risk Management – is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective. It is about making strategic decisions that contribute to the achievement of an organization’s overall corporate objectives.

Integrated Risk Management Framework – provides guidance to adopt a more holistic approach to managing risk. The application of the Framework is expected to enable employees and organizations to better understand the nature of risk, and to manage it more systematically.

Risk Profile – A broad understanding of the operating environment is an important first step in developing the corporate risk profile. The risk profile, developed at the corporate level, is intended to examine both threats and opportunities in the context of an organization’s mandate, objectives and available resources.

Information and knowledge at both the corporate and operational level is collected to assist organizations in understanding the range of risks they face, both internally and externally, their likelihood and their potential impacts.

B) Important References

TBS Risk Management Directorate

<http://publiservice.tbs-sct.gc.ca/rm-gr/home-accueil.asp?Language=EN>

<http://publiservice.tbs-sct.gc.ca/rm-gr/home-accueil.asp?language=fr>

2003 Report of the Auditor General of Canada - April - Chapter 1 - Integrated Risk Management

<http://www.oag->

[bvg.gc.ca/domino/reports.nsf/a1b15d892a1f761a852565c40068a492/a46a9aa6d45e7b2e85256cfb004a3dd4?OpenDocument&Highlight=0,Risk](http://www.oag-bvg.gc.ca/domino/reports.nsf/a1b15d892a1f761a852565c40068a492/a46a9aa6d45e7b2e85256cfb004a3dd4?OpenDocument&Highlight=0,Risk)

<http://www.oag-bvg.gc.ca/domino/rappports.nsf/html/20030401cf.html>

C) Suggested Audit Criteria: Integrated Risk Management

Criterion No. 3.1: A corporate level senior organizational committee provides leadership and active support on Integrated Risk Management.

Sub-Criteria:

- The committee is composed of people who have the authority and responsibility for the whole organization;
- The committee meets periodically to give direction to and track progress on implementing Integrated Risk Management.

Criterion No. 3.2: The organization has a framework for Integrated Risk Management.

Sub-Criteria:

- The framework defines a systematic process to identify, assess and mitigate risk and to identify risk tolerance;
- The framework guides implementation of integrated risk management across the organization;
- The direction of Integrated Risk Management is linked to other organizational management frameworks.

Criterion No. 3.3: The organization has a profile of strategic corporate risks.

Sub-Criteria:

- The risk profile identifies the risk events and impacts thereof, the objectives at risk, the considerations, the key mitigating strategies, the timeframes and risk tolerances;
- The risk profile is used in business planning;
- Strategic risks are included in annual planning which are made available to the public.

Criterion No. 3.4: Organizational planning addresses strategic risks.

Sub-Criteria:

- The corporate plan addresses all strategic risks;
- Annual corporate, branch and regional plans address key risk areas.

3.4 Integrated Performance Information

A) Key Concepts

Performance Measures – Indicators that provide information (either qualitative or quantitative) on the extent to which a policy, program or initiative is achieving its outcomes.

Performance Reporting – The process of communicating evidence-based performance information. Performance reporting supports decision-making, serves to meet accountability requirements and provides a basis for citizen engagement and a performance dialogue with parliamentarians.

Results – Refers to the consequence attributed to the activities of an organization, policy, program or initiative. Results is a general term that often includes both outputs produced and outcomes achieved by a given organization, policy, program or initiative. In the government’s agenda for results-based management and in Results for Canadians, the term result refers exclusively to outcomes.

Outcome – An external consequence attributed to an organization, policy, program or initiative that is considered significant in relation to its commitments. Outcomes may be described as immediate, intermediate or final, direct or indirect, intended or unintended.

Strategic Planning – Strategic planning is a tool to help organizations make decisions consistent with its approach to achieving an organization’s mission, goals, and objectives. It is an action oriented process of making and implementing decisions about the use of human and financial resources. This process helps management better position an organization to respond to changes in its environment.

Business Planning – Business and operational planning systems and processes

Evaluation – The systematic collection and analysis of information on the performance of a policy, program or initiative to make judgments about relevance, progress or success and cost-effectiveness and/or to inform future programming decisions about design and implementation.

Evaluation can support managers’ efforts to track and report on actual performance and help decision-makers objectively assess program or policy results. This distinguishes evaluation from internal audit. Evaluation should contribute to improvements in policy, as well as program design and delivery.

B) Important References

TBS Managing for Results Self-Assessment Tool

http://www.tbs-sct.gc.ca/rma/account/transmod/tm_e.asp

http://www.tbs-sct.gc.ca/rma/account/transmod/tm_f.asp

C) Suggested Audit Criteria: Integrated Performance Information

Criterion No. 4.1: A senior corporate committee provides leadership and active support on Integrated Performance Information.

Sub-Criteria:

- The committee is composed of people who have the authority and responsibility for the whole organization;
- The committee meets periodically to review the status of integrated performance information and to give direction to improve it, where necessary.

Criterion No. 4.2: The organization has a framework for performance measurement.

Sub-Criteria:

- The organization has a structure to relate internal management to results achieved strategically and operationally;
- Measures are developed in accordance with a strategic plan and are based on operational needs;
- The organization has established both internal and external service standards (as applicable) and employs performance measures to evaluate its success in achieving those standards;
- Performance measures are reviewed on a regular basis to ensure their adequacy.

Criterion No. 4.3: The organization uses performance information in strategic planning and in annual business planning.

Sub-Criteria:

- Performance information is linked to high level organizational objectives and expressed through to operational processes;
- Corporate planning focuses on improving achievement of strategic outcomes.

Criterion No. 4.4: The organization uses integrated information to report internally and externally on its performance.

Sub-Criteria:

- The Departmental Performance Report (DPR), the Departmental Report on Plans and Priorities (RPP) and any other mandated external reports include integrated performance information (i.e. link financial and non financial information);
- Reports are complete;
- External and internal reporting practices share common Performance Information.

Criterion No. 4.5: The organization is strengthening Program Evaluation to enhance performance information.

Sub-Criteria:

- Program Evaluation contributes to improved performance information;
- The organization uses evaluation information to improve decision-making;
- The organization increases Program Evaluation’s capacity to assist organizations in developing performance measures;
- Risk-based evaluation plans are reviewed regularly.

3.5 Rigorous Stewardship (Integrated Management Control)

A) Key Concepts

Internal Audit – process for ensuring adequate attention to results and recommendations of internal audit (assurances).

Assurance Services – objective examinations of evidence for the purpose of providing an independent assessment of risk management strategies and practices, management control frameworks and practices, and information used, both financial and non-financial, for decision-making and reporting.

Assurance services are provided through audit engagements, where the internal auditor is mandated to issue a report that contains an overall conclusion in relation to specific and suitable criteria.

Resources – include: assets [physical assets, cash, receivables, investments, inventory]; liabilities (debt); expenditures; and revenues].

Framework – Formal statement providing context and broad guidance with respect to business line results or policy themes or clusters. May address an initiative at a point in time or be intended to apply indefinitely.

Policy – Formal direction under the legal authority of the Treasury Board that imposes specific responsibilities and accountabilities for action on organizations, agencies and other players.

B) Important References

TBS Centre of Excellence for Evaluation (CEE)

http://www.tbs-sct.gc.ca/eval/common/us-nous_e.asp

http://www.tbs-sct.gc.ca/eval/common/us-nous_f.asp

TBS Centre of Excellence for Internal Audit

http://www.tbs-sct.gc.ca/ia-vi/common/contact_e.asp

http://www.tbs-sct.gc.ca/ia-vi/common/contact_f.asp

TBS Policy on Internal Audit

http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/ia-vi/pia-pvi_e.asp

http://www.tbs-sct.gc.ca/pubs_pol/dcgpubs/ia-vi/pia-pvi_f.asp

C) Suggested Audit Criteria: Rigorous Stewardship (Integrated Management Control)

Criterion 5.1: The management of resource inputs (finance, people, assets, and records), client services and business transformation is guided by management frameworks integrated at the organizational level.

Sub-Criteria:

- Approved frameworks exist for the management of resource inputs (finance, people, assets and records), client services and business transformation;
- The management frameworks are used to guide the whole organization.

Criterion 5.2: The organization is building a sound internal audit function as an integral part of Modern Comptrollership.

Sub-Criteria:

- The organization has an internal audit committee chaired by the Chief Executive Officer at the Deputy Minister level;
- The internal audit function is improving its audit capacity, using a risk based process, to progressively increase the level of assurance services for the audit universe;
- The organization tracks the progress of management action plans developed in response to internal and external audit recommendations;
- The organization makes audit reports accessible to the public in both official languages on a timely basis.

3.6 Topics Excluded from the Guide

Audit criteria in this Audit Guide were established for the foundation phases of each pillar of Modern Comptrollership during extensive consultations with internal audit and modern comptrollership representatives in central agencies and federal organizations. The following criteria were not considered to be part of the minimum conditions necessary for implementing Modern Comptrollership. However, they may be used to suit the needs of each individual organization. They have been presented below in order to help auditors conduct better planning.

Topics Excluded	Rationale
Reinforced Values and Ethics	
TBS Conflict of Interest and Post-Employment Policy	The policy came into effect January 1, 1986 and therefore does not meet the purpose of the criteria to investigate the implementation of Modern Comptrollership (i.e. what is new to the modernization effort).
TBS Policy on the Prevention and Resolution of Harassment in the Workplace	Although any enhancements to the policy are included in the criterion, the policy itself is not new to the modernization effort, and therefore does not meet the requirements of a criterion for this audit guide.
Integrated Risk Management	
The organization has established criteria for each category of risk and the types of payments required prior to completing the verification.	Although this is not part of the foundation stage, this concept could be considered in either the transition or sustained improvement phase.
Organization tracks progress of implementing IRM	Part of the criteria to implement overall process of Modern Comptrollership
Integrated Performance Information	
Resource Allocation	Covered only as it is a part of the framework for integrated financial management.
Budgeting and Forecasting	Covered only as it is a part of the framework for integrated financial management.
Measuring Client Satisfaction	This is an evidence gathering technique.
Cost Management Information	Covered only as it is a part of the framework for integrated financial management.
Rigorous Stewardship	
Knowledge management.	Not considered as integral to the foundation stage, it should be considered in later transition phases as well as in desired outcomes.
The organization takes timely and effective action to address deficiencies in management practices and controls.	The Guide covers internal operational controls only to the extent that they are improved by integrated management frameworks for the elements of rigorous stewardship.
The Manager must ensure that transactions are properly reviewed to ensure reliable information.	The Guide covers internal operational controls only to the extent that they are improved by integrated management frameworks for the elements of rigorous stewardship.
Quality assurance processes used to assess the adequacy of the account verification system must be tailored to reflect the risk level of the transactions under review.	The Guide covers internal operational controls only to the extent that they are improved by integrated management frameworks for the elements of rigorous stewardship.

APPENDIX A INFORMATION ON THE MODERN COMPTROLLERSHIP INITIATIVE

Modern Comptrollership is a progressive step in the continuum of management improvement in the federal government. The development of new and the modernization of existing public policies and programs have increased in complexity in recent years as a result of several factors. The environment within which the federal public service operates is continually changing. Increasingly knowledgeable and informed clients and citizens expect responsive and accessible government services. The effects of the global economy and the related challenges of Canadian companies competing effectively in that market challenge us to reflect upon public service policies, programs and service delivery mechanisms. Evolving federalism challenges us to forge mutually beneficial partnerships with other levels of government, the not-for-profit sector and the private sector in order to better serve Canadians. The judicious application of technology presents opportunities to enhance service delivery while reducing costs. Elected officials and public service managers are expected to make informed choices for the right policies and programs that are delivered through optimal mechanisms and are suited to the needs of Canadians. The modern public service manager lives this reality every day. Modern Comptrollership is about ensuring that the current and future generations of federal public service managers are equipped with the requisite skills, competencies and understanding of their roles and responsibilities to function effectively in this environment and that they are well supported by their organizations in terms of the four pillars of Modern Comptrollership.

What is modern about comptrollership? Traditional comptrollership focuses primarily on financial information. Modern Comptrollership supports the effective stewardship of resources of all types throughout the federal government with greater attention to results for Canadians. It is about working smarter for better results: better informed decisions, better public policies and better service delivery. Modern Comptrollership is intended to provide managers with integrated financial and non-financial performance information, a sound approach to risk management, appropriate control systems and a shared set of values and ethics.

Modern Comptrollership is about people and infrastructure. On the people side, roles and responsibilities related to comptrollership have evolved for managers and functional specialists. The people challenges are: 1) to build awareness and acceptance of these changing roles and responsibilities; 2) to articulate the requisite Modern Comptrollership competencies and skills; 3) to self-assess the extent to which we meet the competency profile; and 4) to develop learning plans to build the required capacity. In terms of infrastructure, organizations must create an environment conducive to Modern Comptrollership and provide the appropriate delegations of authority, mature integrated information systems, appropriate controls and tools to support their managers and functional specialists to manage in this complex reality. Modern Comptrollership is also about a different relationship between organizations and agencies and the Treasury Board Secretariat as the Government of Canada's management board.

Every organization is expected to integrate Modern Comptrollership as a key element of their management improvement agenda, but each has flexibility on the timing and approach. Included in this process is the designation of a project leader by the Deputy Head, and development of a broad strategy for integrating Modern Comptrollership into the organization's management improvement agenda. In most cases, a dedicated project management office is also required. Once an approach and strategy have been decided, the next step is assessing the current state of Modern Comptrollership in the organization. For this purpose, a comptrollership capacity assessment tool has been developed. It allows an organization to perform a self-assessment of Modern Comptrollership capacity. The assessment process is flexible but typically it covers everything relating to Modern Comptrollership throughout the organization, including horizontal issues. The Capacity Assessment will provide the basis for creating a comptrollership modernization action plan, or adding features to the organization's overall management improvement framework and action plan.

APPENDIX B

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Federal Organizations (Representatives from Modern Comptrollership and Internal Audit):

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Consultants: Jean-Pierre Boisclair, senior auditors from Consulting & Audit Canada, Robert Half (Ray Foote and John Thomas).

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Tom Scrimger & Cameron Dawson - Canadian Heritage

Diane Potvin – NAFTA Secretariat

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2. HRSDC Pilot Internal Audit Report: Basil Orsini, Marcelle Laliberté & Laurie Samuels (HRSDC Internal Audit) & external quality assurance by Jean-Pierre Boisclair
3. Finalizing Internal Audit Guide: Basil Orsini & Laurie Samuels (HRSDC Internal Audit)
4. CTA Pilot Audit Team: Marc Balzamo (CTA Internal Audit) & Laurie Samuels (HRSDC Internal Audit)
5. Ontario Government Consultations: Lesley de Boerr (Ontario Internal Audit) & Laurie Samuels (HRSDC Internal Audit).

APPENDIX C

GUIDELINES FOR TYPES AND SOURCES OF AUDIT EVIDENCE

This section outlines the types and sources of evidence gathered for the audit on the Implementation of Modern Comptrollership. The evidence is organized according to the five Modern Comptrollership Pillars. The left hand column outlines the criteria and sub-criteria by which each pillar was audited. It also contains a section called Comments (As applicable) to identify links to authoritative sources. The right hand column outlines the type and source of audit evidence gathered and is organized A through E for each of the audit criteria.

- a) Analytical, e.g., Internal Audit documented analysis of interviews, documents etc.
- b) Third Party (External), e.g., Testimonials and Documents from TBS and OAG.
- c) Observation, e.g., Direct observation by the auditor of a situation.
- d) Documents, e.g., Plans, briefing notes, statistics.
- e) Written/Oral Assertions, e.g., Individual or group interviews and individual assertions.

PILLAR: Modern Comptrollership Initiative (MCI)	Types and Sources of Audit Evidence
	<p>(A) An analysis conducted of the assessments for each criteria to determine if the foundations have been met:</p> <p>The criteria will be considered met when the foundations are found to satisfactorily:</p> <ul style="list-style-type: none"> - have been implemented; - in the process of being implemented; - have formal plans for implementation; <p>and/or</p> <p>In those cases when the foundations have been established, the audit will determine whether or not continuous progress/transformation is being made toward the desired outcomes.</p>
<p>CRITERIA 1.1: A senior corporate committee is governing the implementation of Modern Comptrollership.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The organization has a broad strategy which integrates Modern Comptrollership into the organization's management improvement agenda. 2. Senior Management receives progress reports on the implementation process and adjusts their action plan accordingly. 3. The performance agreements of executives at every level of management reflect individual accountabilities for implementing Modern Comptrollership practices. 	<p>(A) Analysis of the evidence for each sub-criterion to formulate an audit assessment of the criteria</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS e.g. Comptrollership Modernization Directorate. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Meeting records showing the existence of one committee or separate committees comprised of senior level employees that provide high level strategic direction on the Modern Comptrollership initiative and each of the separate Modern Comptrollership pillars.

PILLAR: Modern Comptrollership Initiative (MCI)	Types and Sources of Audit Evidence
<p>4. The senior level committee has a communication plan for the implementation of Modern Comptrollership including a method to relay progress.</p>	<ul style="list-style-type: none"> • Documentation showing that senior management receives reports on implementation activities. • Accountability for implementing Modern Comptrollership is encompassed in Executive Performance Agreements. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer and/or leader responsible for Modern Management in department/branch/regional organization. • Secretary of the senior corporate committee that provides leadership on Modern Management.
<p>CRITERIA 1.2: The organization has assessed its capacity and identified the gaps in relation to desired outcomes.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The capacity assessment addresses and identifies the current state of each of the following areas: values and ethics, risk management, integrated performance information and stewardship. 2. The capacity assessment provides the basis for the action plan. 	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS e.g. Comptrollership Modernization Directorate. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • An approved capacity check that includes the areas of values and ethics, risk management, integrated performance information and rigorous stewardship. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer and/or leader responsible for Modern Management in department/branch/regional organization.
<p>CRITERIA 1.3: The action plan contains measures to close the gaps identified in the capacity assessment and a method to develop the capacity.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The action plan addresses key initiatives and enablers (Motivated People, Clear Accountability and Strategic Leadership) addressing expectations for management improvement as identified in the capacity assessment. 2. The action plan is integrated into the organization’s corporate and business plans. 3. The governance structure for implementing Modern Comptrollership is described in the action plan (or elsewhere) and includes a senior management steering role, a strategy for engaging managers and a coordination role. 4. The organization develops its capabilities (i.e. through tools, training and technical support). <p><u>COMMENTS on Modern Comptrollership Initiative</u> TBS’ Management Accountability Framework provides deputy heads and all public service managers with a list of management expectations that reflect the different elements of current management responsibilities: http://www.tbs-sct.gc.ca/maf-crg/index_e.asp</p>	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS e.g. Comptrollership Modernization Directorate. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Approved action plan that addresses key organizational initiatives and address expectations for management improvements as identified in the capacity check. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer and/or leader responsible for Modern Management in department/branch/regional organization.

PILLAR: Values and Ethics	Types and Sources of Audit Evidence
	<p>(A) An analysis conducted of the assessments for each criteria to determine if the foundations have been met:</p> <p>The criteria will be considered met when the foundations are found to satisfactorily:</p> <ul style="list-style-type: none"> - have been implemented; - in the process of being implemented; - have formal plans for implementation; <p>and/or</p> <p>In those cases when the foundations have been established, the audit will determine whether or not continuous progress/transformation is being made toward the desired outcomes.</p>
<p>CRITERIA 2.1: The organization has a formal statement of Values and Ethics.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The statement is accessible to all employees. 2. The statement covers both values and ethics as reflected in the Government of Canada’s initiatives. 	<p>(A) Analysis of the evidence for each sub-criterion to formulate an audit assessment of the criteria</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS Office of Values and Ethics. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • A documented statement clearly outlining the organization’s values and ethics. • Distribution or accessibility to the statement via a tangible mechanism such as a handbook on values and ethics. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer and/or leader responsible for Values and Ethics in department/branch/regional organization.
<p>CRITERIA 2.2: The organization has taken unequivocal steps to reinforce the importance of public service values and ethics in the delivery of results to Canadians. These unequivocal steps include:</p> <ul style="list-style-type: none"> • Leadership; • Promotional Tools; • Learning and Training; • Increased Efforts to Foster a Respectful Workplace Through the Prevention and Resolution of Harassment; • Method for Employees to Report on Wrongdoing; and • Implementation of the TB Code of Values and Ethics). <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The organization has identified clear and comprehensive steps in the six areas. 2. The organization has identified the people responsible for taking the steps. For those steps to be completed, this responsibility is reflected in their performance agreements. 	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS Office of Values and Ethics. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Records showing the existence of Organizational V&E Champion(s). • Records showing the existence of a V&E Advisory Board. • Written documentation showing V&E encompassed in Executive Performance Agreements. • Existence of a V&E Website. • Existence of a V&E Handbook. • Records showing the existence of Value Commitments. • Records showing the existence of organizational Core Values. • Documentation showing V&E is Incorporated into a Training Course. • Records showing the existence of initiatives to foster ongoing dialogue on V&E such as learning events.

PILLAR: Integrated Risk Management	Types and Sources of Audit Evidence
	<p>(A) An analysis conducted of the assessments for each criteria to determine if the foundations have been met:</p> <p>The criteria will be considered met when the foundations are found to satisfactorily:</p> <ul style="list-style-type: none"> - have been implemented; - in the process of being implemented; - have formal plans for implementation; <p>and/or</p> <p>In those cases when the foundations have been established, the audit will determine whether or not continuous progress/transformation is being made toward the desired outcomes.</p>
<p>CRITERIA 3.1: A corporate level senior organizational committee provides leadership and active support on Integrated Risk Management.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The committee is composed of people who have the authority and responsibility for the whole organization. 2. The committee meets periodically to give direction to and track progress on implementing Integrated Risk Management. 	<p>(A) Analysis of the evidence for each sub-criterion to formulate an audit assessment of the criteria</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • OAG audit reports (as applicable). • TBS; e.g. Risk Management Directorate. <p>(D) Documents</p> <ul style="list-style-type: none"> • Records showing the existence of a corporate level committee comprised of senior level employees (e.g. an audit and evaluation committee) that meets frequently to discuss IRM. • Records indicating that the committee approves corporate level risk documentation such as a risk profile or framework for integrated risk management. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer responsible for Internal Audit. • Senior Committee Advisor. • Senior Officer and/or leader responsible for Risk Management in department/branch/regional organization.
<p>CRITERIA 3.2: The organization has a framework for Integrated Risk Management.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The framework defines a systematic process to identify, assess and mitigate risk and to identify risk tolerance. 2. The framework guides implementation of integrated risk management across the organization. 3. The direction of Integrated Risk Management is linked to other organizational management frameworks. 	<p>(A) Analysis of the evidence to formulate an audit assessment</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • OAG audit reports (as applicable). • TBS; e.g. Risk Management Directorate. <p>(D) Documents</p> <ul style="list-style-type: none"> • An approved framework or policy with the purpose of guiding the implementation and direction of IRM across the organization. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer responsible for Internal Audit. • Senior Officer and/or leader responsible for Risk Management in department/branch/regional organization.

PILLAR: Integrated Risk Management	Types and Sources of Audit Evidence
<p>CRITERIA 3.3: The organization has a profile of strategic corporate risks.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The risk profile identifies the risk events and impacts thereof, the objectives at risk, the considerations, the key mitigating strategies, the timeframes and risk tolerances. 2. The risk profile is used in business planning. 3. Strategic risks are included in annual planning which are made available to the public. 	<p>(A) Analysis of the evidence to formulate an audit assessment</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • OAG audit reports (as applicable). • TBS; e.g. Risk Management Directorate. <p>(D) Documents</p> <ul style="list-style-type: none"> • An approved corporate document that identifies risks at the corporate level, possible mitigation strategies, possible risk tolerance levels and/or specifies timelines to implement the possible mitigation strategies. • Risk Profile included in strategic and annual plans. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer responsible for audit. • Senior Officer and/or leader responsible for Risk Management in department/branch/regional organization.
<p>CRITERIA 3.4: Corporate planning is linked to integrated risk management.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The corporate plan addresses all strategic risks. 2. Annual corporate, branch and regional plans address key risk areas. <p>COMMENTS on Integrated Risk Management</p> <p>TBS' Risk Management Website provides information on Integrated Risk Management, the Risk Management Policy as well as information on tools, training and development: http://publisservice.tbs-sct.gc.ca/rm-gr/home-accueil.asp?Language=EN</p>	<p>(A) Analysis of the evidence to formulate an audit assessment</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • OAG audit reports (as applicable). • TBS; e.g. Risk Management Directorate. <p>(D) Documents</p> <ul style="list-style-type: none"> • Documents at the corporate, branch and regional level (i.e. business plans, strategic plans, corporate plans) address key organizational risks. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer responsible for Internal Audit. • Senior Officer responsible for Corporate Planning. • Senior Officer and/or leader responsible for Risk Management in department/branch/regional organization.

PILLAR: Integrated Performance Information	Types and Sources of Audit Evidence
	<p>(A) An analysis conducted of the assessments for each criteria to determine if the foundations have been met:</p> <p>The criteria will be considered met when the foundations are found to satisfactorily:</p> <ul style="list-style-type: none"> - have been implemented; - in the process of being implemented; - have formal plans for implementation; <p>and/or</p> <p>In those cases when the foundations have been established, the audit will determine whether or not continuous progress/transformation is being made toward the desired outcomes.</p>
<p>CRITERIA 4.1: A senior corporate committee provides leadership and active support on Integrated Performance Information.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The committee is composed of people who have the authority and responsibility for the whole organization. 2. The committee meets periodically to review the status of integrated performance information and to give direction to improve it, where necessary. 	<p>(A) Analysis of the evidence for each sub-criterion to formulate an audit assessment of the criteria</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS, e.g. Results Based Management Directorate. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Meeting records indicating the existence of a corporate level committee comprised of senior level employees. • Documentation showing that the committee has frequent discussions on Performance Information including topics such as the integration of information, future indicators, modifications, targets and others. • Documented discussions on Performance Information including topics such as the integration of information, future indicators, modifications, targets and others. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Secretary of the senior corporate committee that provides leadership on Integrated Performance Information.
<p>CRITERIA 4.2: The organization has a framework for performance measurement.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The organization has a structure to relate internal management to results achieved strategically and operationally. 2. Measures are developed in accordance with a strategic plan and are based on operational needs. 3. The organization has established both internal and external service standards (as applicable) and employs performance measures to evaluate its success in achieving those standards. 	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS, e.g. Results Based Management Directorate. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • An approved framework with the purpose of identifying strategic outcomes and reporting on program performance. • An approved process for proposing, reviewing and approving Key Performance Indicators. • Approved and documented Internal and External Service Standards.

PILLAR: Integrated Performance Information	Types and Sources of Audit Evidence
<p>4. Performance measures are reviewed on a regular basis to ensure their adequacy.</p>	<p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer(s) and/or leader responsible for Performance Information in department/branch/regional organization
<p>CRITERIA 4.3: The organization uses performance information in strategic planning and in annual business planning.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. Performance information is linked to high level organizational objectives and expressed through to operational processes. 2. Corporate planning focuses on improving achievement of strategic outcomes. 	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS, e.g. Results Based Management Directorate • OAG audit reports (as applicable) <p>(D) Documents</p> <ul style="list-style-type: none"> • Documented connections between regional and corporate planning • An approved and documented Strategic Planning Framework that identifies a common infrastructure to align organizational planning activities. • An approved and documented standardized business plan template to align corporate initiatives to strategic objectives and identify outcomes and supporting performance indicators. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer(s) and/or leader responsible for Performance Information in department/branch/regional organization
<p>CRITERIA 4.4: The organization uses integrated information to report internally and externally on its performance.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The Departmental Performance Report (DPR), the Departmental Report on Plans and Priorities (RPP) and any other mandated external reports include integrated performance information (i.e. link financial and non financial information). 2. Reports are complete. 3. External and internal reporting practices share common Performance Information. 	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS, e.g. Results Based Management Directorate. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Documentation showing that reporting is done through a variety of reports and management instruments such as Reports on Plans and Priorities and Departmental Performance Reports. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer(s) and/or leader responsible for Performance Information in department/branch/regional organization.
<p>CRITERIA 4.5: The organization is strengthening Program Evaluation to enhance performance information.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. Program Evaluation contributes to improved performance information. 2. The organization uses evaluation information to improve decision-making. 3. The organization increases Program Evaluation’s capacity to assist organizations in developing performance measures. 4. Risk-based evaluation plans are reviewed regularly. 	<p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS Centre of Excellence for Evaluation. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Documented evaluation information on program relevance/rationale, design and delivery, and program impacts is utilized to improve decision making. • Documentation that programs are evaluated on a cyclical basis. <p>(E) Testimonial</p> <ul style="list-style-type: none"> • Senior Officer responsible for Evaluation.

PILLAR: Integrated Performance Information	Types and Sources of Audit Evidence
COMMENTS on Integrated Performance Information. TBS' Results Based Management site provides information on PRAS, DPRs and accountability generally: http://www.tbs-sct.gc.ca/rma/rbm-gar_e.asp	

PILLAR: Rigorous Stewardship	Types and Sources of Audit Evidence
	<p>(A) An analysis conducted of the assessments for each criteria to determine if the foundations have been met: The criteria will be considered met when the foundations are found to satisfactorily:</p> <ul style="list-style-type: none"> - have been implemented; - in the process of being implemented; - have formal plans for implementation; <p>and/or</p> <p>In those cases when the foundations have been established, the audit will determine whether or not continuous progress/transformation is being made toward the desired outcomes.</p>
<p>CRITERIA 5.1: The management of resource inputs (finance, people, assets, and records) client services and business transformation are guided by management frameworks integrated at the organizational level.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. Approved frameworks exist for the management of resource inputs (finance, people, assets and records), client services and business transformation. 2. The management frameworks are used to guide the whole organization. 	<p>(A) Analysis of the evidence for each sub-criterion to formulate an audit assessment of the criteria</p> <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • An approved Financial Management Framework that sets out the major elements of financial management covering the acquisition of resources, a resource allocation process and resource management. • An approved Framework for Human Resources. • Principles of HR Management disseminated to managers. • Documented Learning Policy. • Documented employability approach. • Documented E-Learning Strategy. • Documented policy suite facilitating resources within the organization. • Documented approach to organization design and classification. • Documented approach to succession management. • Approved Leadership Competency Profile. • An approved Material Management and Contracting Framework based on a Material and Contracting Management Policy that covers the life cycle, acquisition, operation, use and maintenance and disposal for goods and services obtained for contracting and procurement, and for assets management. • An approved framework for records management developed based on a Records Management Policy to ensure appropriate, effective, consistent management of records throughout the information lifecycle.

PILLAR: Rigorous Stewardship	Types and Sources of Audit Evidence
	<ul style="list-style-type: none"> • Approved Strategic Framework which is used to guide and integrate diverse client services, client service improvement, and the development of new strategies for client service. • Renewal Agenda to better anticipate and respond to the changing needs and expectations of Canadians (i.e. creating a service culture, revitalizing a policy framework, MSC). <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer(s) responsible for Financial Management. • Senior Officer(s) responsible for Human Resources. • Senior Officer(s) responsible for Materiel Management. • Senior Officer(s) responsible for Records Management. • Senior Officer(s) responsible for Client Services. • Senior Officer(s) responsible for Business Transformation.
<p>CRITERIA 5.2: The organization is building a sound internal audit function as an integral part of Modern Comptrollership.</p> <p>SUB-CRITERIA:</p> <ol style="list-style-type: none"> 1. The organization has an internal audit committee chaired by the Chief Executive Officer at the Deputy Minister level. 2. The internal audit function improving its audit capacity, is using a risk-based process, to progressively increase the level of assurance services for the audit universe. 3. The organization tracks management action plans in response to internal and external audit recommendations. 4. The organization makes audit reports accessible to the public in both official languages on a timely basis. 	<p>(A) Analytical</p> <ul style="list-style-type: none"> • Profile of planned resource allocations for assurance audits as compared to non-assurance audit activities over several years. • Table outlining the average investment in professional development per internal audit employee. • Number of staff with professional credentials. <p>(B) Third Party (External)</p> <ul style="list-style-type: none"> • TBS, e.g. Centre of Excellence for Internal Audit. • OAG audit reports (as applicable). <p>(D) Documents</p> <ul style="list-style-type: none"> • Meeting records showing that the audit and evaluation committee is chaired by a senior level executive, meets with sufficient regularity and recommends audit reports for approval. • An approved plan or long term strategy for resourcing and building capacity to achieve comprehensive assurance audit coverage of areas of greatest risk and significance. • An approved plan to transfer full responsibility for integrated risk management from internal audit to management. • Final internal audit reports that include management action plans addressing the recommendations made. • Final internal audit reports are written in both official languages and are accessible to the public. <p>(E) Written/Oral Assertions</p> <ul style="list-style-type: none"> • Senior Officer responsible for audit. • Senior Officer responsible for audit planning. • Secretary to the audit and evaluation committee.

PILLAR: Rigorous Stewardship	Types and Sources of Audit Evidence
<p>COMMENTS on Rigorous Stewardship</p> <p>TBS' Centre of Excellence for Internal Audit provides leadership and support for internal audit in the federal public service: http://www.tbs-sct.gc.ca/ia-vi/common/us-nous_e.asp</p> <p>TBS' Evaluation site offers a broad collection of resources: http://www.tbs-sct.gc.ca/eval/eval_e.asp</p>	

APPENDIX D

LESSONS LEARNED FROM PILOT APPLICATIONS AND PROMISING PRACTICES

Lessons Learned from Pilot Applications

Human Resources and Skills Development Canada

The audit team from HRSDC, assisted by consultants, held the extensive consultations, research, development and pilot applications of the internal audit guide. The pilot at HRSDC was an instrumental part of the strategy to finalize a guide for the consideration of the external advisory committee. Key lessons include the following:

1. an internal audit methodology had to be developed, as external research revealed that federal internal audit units had not planned or undertaken assurance audit work in the area of modern comptrollership, although they expressed interest in and recognized the importance of the subject;
2. assurance audit methodology can be applied successfully to management reforms, such as the four pillars of modern comptrollership; more specifically:
 - a) senior management at HRSDC accepted the audit results, and
 - b) new internal auditors were capable of fulfilling professional standards when completing the work with a normal level of audit supervision;
3. the broad scope of the subject matter requires that the internal audit guide provide high-level guidance, while avoiding detailed prescriptions, on the complete set of factors, together with substantial references for internal auditors to tailor to the needs of their organizations; and
4. approaches to defining the audit universe and developing long-term audit plans need to be revised to include the four pillars of modern comptrollership.

Canadian Transportation Agency (CTA)

A second pilot audit of the Implementation of Modern Comptrollership took place at the Canadian Transportation Agency in February 2004. The audit itself was a success with both the criteria and sub-criteria holding up in a small organization. A few minor changes to the wording of the criteria were discussed post-audit to better suit the structure of a small organization.

Resource Requirements- HRSDC & CTA

These timelines will change depending on the objectives and scope of the audit, size of the organization, number of auditors, and the amount of time allocated. The pilot applications at HRDC and CTA showed that the following timelines can be expected as follows:

Planning	3 weeks
Examination	3 weeks
Reporting.....	2 weeks

Audit resource requirements vary from two auditors in a smaller organization up to four auditors in a large organization.

Ontario Government Internal Audit

The Ontario Public Service Internal Audit Division has engaged the services of HRDC internal audit to modify the criteria and sub-criteria for the audit guide on the Implementation of Modern Comptrollership. Meetings are being held with Directors of Audit and Modern Comptrollership subject matter experts across nine ministries of the Ontario Public Service. The purpose of these meetings was two fold: 1) to inform them of the audit methodology based on a maturity model and obtain their views on the method for conducting the audit; and 2) to obtain their input on how the criteria and sub-criteria should be modified to reflect the provincial government's view of Modern Comptrollership.

The overall reaction to the audit methodology has been quite positive. Copies of the HRDC Final Audit Report were distributed to give executives an idea of the types of findings they might expect to find while conducting the audit. Directors of Audit see the benefits of assessing their ministry against foundational criteria. As far as the criteria itself, executives and subject matter experts have been extremely helpful with regards to the modification of the criteria as well as editorial refinements. There is a keen interest in applying the Audit Guide in one audit cluster which comprises four ministries. The audit guide will be completed by the end of June 2004.

Promising Practices

The TBS Comptrollership Modernization Directorate published an article entitled "Auditing Strategic Change: The Case of Modern Comptrollership" in their December 2003 newsletter. It can be found at http://www.tbs-sct.gc.ca/cmo_mfc/resources2/mcinfo/edition8/mcinfo02_e.asp.