



# Departmental Audit Committees

Support for Deputy Minister  
as Accounting Officer

**January 2009**

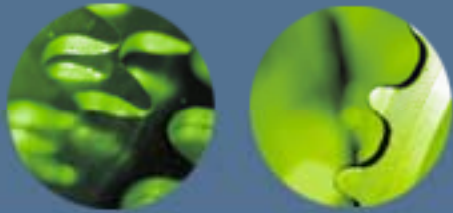
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## Purpose

- FedAA - Measures to Strengthen Accountability, Transparency & Oversight
- Responsibilities of DAC Members
  - Per TB Policy and Directives
- Responsibilities of the DM as AO in Relation to the DAC
  - Why is FMPF and CFO Model Important to the DAC?
- DAC Support to Implement the New CFO Model
  - How Will the PFMG and CFO Model Impact the DM and ADMs?
  - Why is FMPF and CFO Model Important to DM and the DAC?
  - Strategy to Support the DM as AO and the DAC



## FedAA - Measures to Strengthen Accountability

- *FedAA* (Bill C2) amended *FAA*
  - Establishes DM as “Accounting Officer” (AO)
  - Introduces independent Departmental Audit Committee (DAC)
- DM as AO - accountability to answer before Parl. Committees:
  - Measures taken to organize departmental resources
  - Measures taken to maintain an effective system of internal control in dept.
  - Signing of accounts required for preparation of Public Accounts (*FAA* s.64)
  - Other specific duties assigned in relation to administration
- Independent Departmental Audit Committee (DAC)
  - DACs are essential ensure rigorous stewardship and accountability
  - DACs provide the DM as AO with objective advice and review department spending control and accountability processes
  - DACs prepare annual reports with an assessment of departmental internal control and audit systems



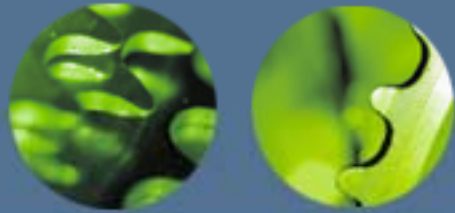
## Responsibilities of DAC Members – Per TB Policy

- Ensure DM as AO has independent, objective advice, guidance, and assurance on adequacy of control and accountability processes:
  - Risk management – review annual wholistic opinion on the effectiveness and adequacy of departmental risk management, control, and governance
  - Effectiveness of internal controls over financial reporting – SIC review
  - Internal and external (OAG) audit functions – and OCG liaison
  - Follow-up on management action plans - Management control framework
  - Financial statements and Public Accounts of Canada reporting
  - Risk and accountability reporting
- *TB Policy on Financial Management Governance* - specific DAC responsibilities to:
  - Act as an independent and objective advisor to the DM as AO
  - Provide guidance to the DM as AO on the adequacy of the department's systems of internal control, financial reporting and financial disclosures



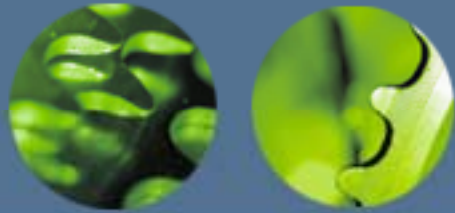
## Responsibilities of the DM in Relation to the DAC

- DM as AO under TB policy is responsible to:
  - Put in place effective procedures to ensure systematic review of control and accountability processes in their departments
  - Ensure DAC receives all of the information and documentation needed or requested to fulfill its responsibilities, subject to applicable legislation
  - Provide the DAC with information on the adequacy of the department's systems of internal control, financial reporting and financial disclosures
  - Review the CAE's annual wholistic opinion with the DAC
  - Review the results of the review of the effectiveness of internal controls over financial reporting (ICFR) with the DAC – to support SIC sign-off
  - Review results of financial disclosures with the DAC
  - Ensure management action plans are prepared that adequately address:
    - internal and external audits
    - results of reviews of the effectiveness of the systems of internal control
    - results of implemented action plans to address issues



## DAC Support to Implement the New CFO Model

- *FedAA* Action Plan
  - Comptroller General was also mandated to strengthen internal audit and financial management in support of AOs:
    1. ***New Policy on Internal Audit*** adopted by TB Ministers in April 2006 established role of CAE and independent DAC; and
    2. ***New Financial Management Policy Framework (FMPF)*** drafted to establish a strengthened financial management framework for the GoC
- FMPF in it's entirety comprises “the CFO Model” - characterized by:
  - New departmental FM governance structure that establishes the appointment of a CFO as strategic advisor to the DM (as AO), ADMs, and the DAC;
  - Specifies responsibilities of the DM, CG, CFO, ADMs and the DAC across five disciplines: financial management governance; internal control; financial resource management; financial information and reporting; and financial management systems.



## How Will the CFO Model Impact the DM and ADMs?

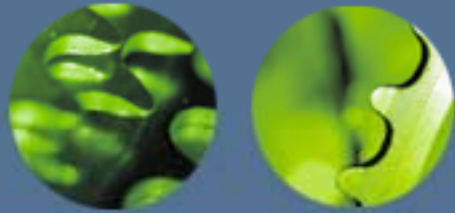
- FMPF / CFO Model represents a move from current regime – (operational / transactional focus) to a robust FM regime defined by:
  - Strategic advice, new standards, evidence requirements, and sign-off disciplines, with separate independent DAC assurance
- Tomorrow's regime based on strengthened FM across the department as seen through the lens of accountability:
  - move to a strengthened financial management governance structure
  - move to a strong ADM / CFO attestation and challenge function on MCs / TB Submissions and resource allocations / reprofiling – reviewed by DAC
  - move from limited attention on controls to audit-ready internal controls (across financial and business systems) that are: designed, documented, implemented, tested, and signed-off / disclosed annually by DM and CFO
  - move to high quality and fairly stated audited dept'l financial statements
  - move to integration of financial and non-financial performance information for decision support



## Why is FMPF and CFO Model Important to DM and the DAC?

- Directly supports the DM as AO and the DAC to discharge *FedAA* and *FAA* legal accountabilities
  1. Strengthens the departmental Financial Management Framework and governance, and sets robust management disciplines for audit and the senior management team
  2. Provides the foundation to secure a strengthened financial management and internal audit regime across the department
  3. Ensures readiness to implement CAE and CFO Models - given recent approvals of TB *Policy on Internal Audit* and TB *Policy on Financial Management Governance*
  4. Directly supports DM, DAC and management team in MAF / quality assurance / risk assessments / audit results / annual wholistic opinion results / reviews of effectiveness of ICFR





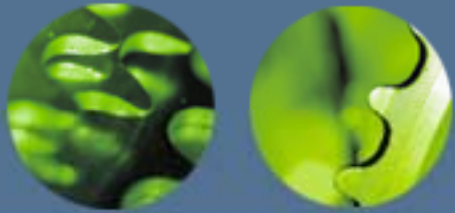
## Strategy to Support the DM as AO and the DAC

- Imperative that CFO support DM as AO and Program ADMs in discharging their new FM accountabilities with a concrete strategy:
  1. strengthen the fundamentals of financial management and stewardship across the department, move towards the adoption of the TB *Financial Management Policy Framework* (FMPF) and CFO Model, and strengthen strategic advisory capabilities;
  2. strengthen the departmental business intelligence and financial reporting mechanisms to strategically meet resource management, internal control, and integrated information decision support needs; and
  3. expand capabilities and capacities of the professional FM cadre through more strategic advisory and financial analysis capacity (*for all managers*).



## Expected Tangible Outcomes of the Strategy

1. Adoption of the FMPF and CFO Model achieves real value for management and key stakeholders – DM, ADMs, Managers, and DAC
2. A new FMF is embedded in the financial management governance of the department – strengthens oversight for DM and DAC
3. Stakeholders, especially the DM and ADMs, achieve a high awareness of their FMPF and CFO Model expectations
4. Comprehensive advice / enablers effectively support ADMs and DM
5. Monitoring and a strong challenge function to support the DM, CFO and ADMs in meeting their FMF expectations



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