Purpose

The Office of the Provincial Controller Division (OPCD), part of the Treasury Board Secretariat, has the mandate to provide leadership, oversight and direction on the stewardship of government assets and to support transparency and accountability in the government's financial reporting.

A key component to fulfilling this mandate is to develop and maintain the Ontario Public Service Internal Control Framework (ICF) on an on-going basis.

This framework provides reasonable assurance that Public Accounts:

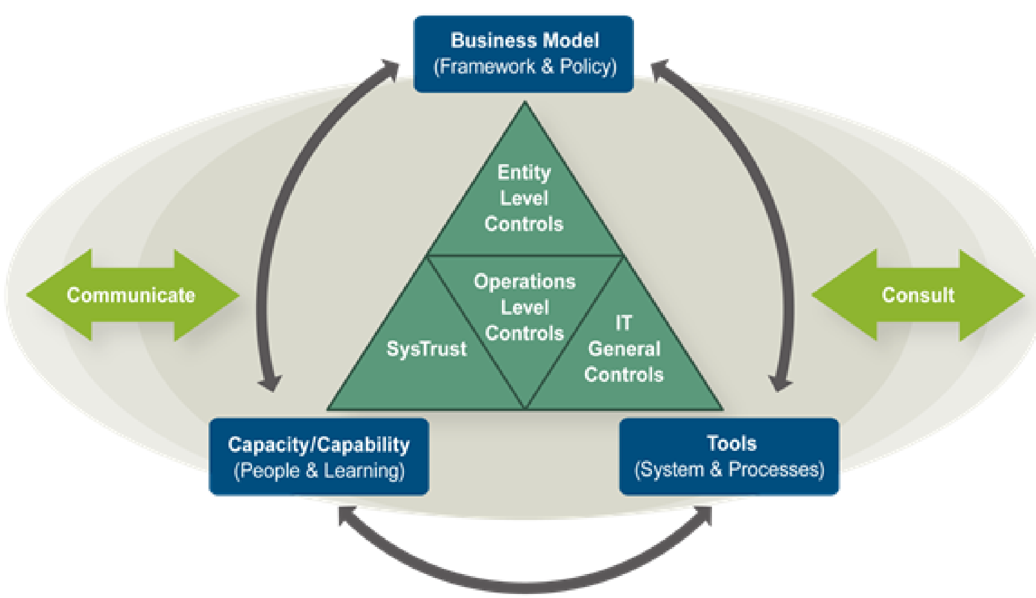
a) fairly represent the province's financial position and results of operations, including the application of appropriate accounting policies, and
b) are free from material misstatement arising through significant errors or omissions; and

This is accomplished through:

a) a single end-to-end enterprise vision of internal control expectations and requirements,
b) effective tools, systems and processes that are continuously reviewed & improved, supported by capable, professional, trained staff,
c) effective outreach and consultation across the OPS, and
d) well established internal control roles and responsibilities across Ministries, the Office of the Provincial Controller Division (OPCD) and Ontario Internal Audit Division (OIAD)

The Financial Management and Control Policy Branch (FMCP), within OPCD is responsible for the development of the OPS internal Control Framework.

OPS Internal Control Framework



In 2013, OPCD engaged an external advisor to review and update the existing OPS Internal

Control Framework in light of updates to the "COSO Internal Control – Integrated Framework". The review of Internal Control over Financial Reporting found opportunities to improve integration of control activities across the OPS. To address these opportunities OPCD, working with ministries and the Internal Audit Division, updated the ICF framework, tools, supports and approach, and has conducted a number of pilots to validate their effective design and to support implementation.

The results of these findings have been built into an implementation plan requiring ministries to fully implement the framework over a three year period.

Commented [OPCD1]: This section could be reworded for clarity.

This engagement is requesting external support to:

Part One – With respect to the entire COSO Framework (Reporting, Operations, Compliance)

Assess the revised ICF framework[1] to confirm alignment with COSO 2013 and identify the extent to which its design reflects a framework that provides reasonable assurance that Public Accounts:

a) fairly represent the province's financial position and results of operations, including the application of appropriate accounting policies, and
b) are free from material misstatement arising through significant errors or omissions;

Part Two – With respect to Internal Controls Over Financial Reporting

a) Review the design and implementation of existing and planned financial reporting processes[2] that support the preparation of the Consolidated Financial Statements within the Office of the Provincial Controller Division.
b) Assess these processes to determine the extent to which they are consistent with the principles in the revised Internal Control Framework
c) Identify opportunities for improvement and as necessary document existing or required processes with OPCD to support the preparation of the Consolidated Financial Statements.

Commented [OPCD2]: These are in the ministries, central agencies and OPCD.

Commented [OPCD3]: Recognize that this is at a point in time and that the processes will be changing with CHIRP == perhaps a focus on key controls under both pre and post-CHIRP might be helpful (would be a value add in providing assurance to the OAG as part of the eventual CHIRP review).

1 Components of OPS Internal Control Framework identified under Background Information- Part One

2 Existing and planned Business Processes identified under Background Information Part Two

BACKGROUND INFORMATION

To assist with scoping the engagement the successful proponent will be required to examine the following as part of the engagement

Part One:

OPS COSO-Based Internal Control Framework

The existence of a comprehensive internal control framework is the foundation for establishing and maintaining an effective internal control system in the OPS and represents one component of a broader enterprise risk management approach for an organization. The effective implementation of the COSO-Based Internal Control Framework by ministries and central agencies will provide a common approach to performing risk assessments and evaluating control activities of existing business processes and financial systems. Assessing, documenting and reporting on risks and controls in a consistent manner will provide OPS with the capability to better understand operating effectiveness of existing controls as well as the organization's ability to achieve intended results and avoid serious problems (i.e., risks) such as operational failures and directive/policy violations.

The OPS has updated its Internal Control Framework (informed by COSO 2013) as a basis for establishing and maintaining an effective internal control system. The updated framework focuses on the following four streams; Entity Level Controls, Operation Level Controls, IT General Controls and SysTrust.

- **Entity Level Controls**
  Entity level controls are pervasive across a department, division, and ministry. They include the "tone from the top" consisting of the organization's culture, values and ethics, governance, transparency and accountability mechanisms. To assist ministries address 14 out of 17 principles within the Internal Control Framework, OPCD developed an Entity Level Control toolkit. The toolkit is useful in prompting discussions and helps determine what, where, and how improvements can be implemented.

- **Operation Level Controls**
  These controls operate at the program, process, or transaction level. Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Tools and resources have been developed to assist ministries with regular assessments performed to evaluate organization's ability to avoid risks and threats to its day to day operations.

- **IT General Controls**
  These controls are controls embedded in the IT processes and services. IT General Controls relate to the environment, within which computer-based application systems are developed, maintained and operated. Tools and resources have been developed to support ministry's attestation that it has maintained effective internal controls and ensured the integrity and reliability of its IT systems.

- **SysTrust**
  Each year, an audit of internal control systems and procedures is performed to assess the reliability of the Integrated Financial Information System (IFIS) and Workforce Information Network (WIN). The audit provides assurance that controls exist and operation effectively to ensure completeness, accuracy and timeliness of processing transaction during a specified period and is performed in support of the Certificate of Assurance (CoA) also supports the signing of the Public Accounts.

Part Two: Business Processes

Accountability for the preparation of the Consolidated Financial Statements of Ontario rests with the Provincial Controller, within the Treasury Board Secretariat. A Statement of Responsibility is signed by the Deputy Ministers of Treasury Board Secretariat and Finance and the Provincial Controller. Accountability for individual ministry results rests with the relevant Deputy Head. The Provincial Controller relies on assurance of the effectiveness of internal controls relating to financial and nonfinancial systems as provided through the annual Certificate of Assurance (CoA) process. This assurance is an important element of the annual audit of the Public Accounts and is requisite to obtaining the audit opinion issued by the Office of the Auditor General of Ontario on the province's consolidated financial statements.

Supporting processes for preparing the Consolidated Financial Statements are as follow:

- **Certificate of Assurance:** The Certificate of Assurance is an ongoing process that provides annual assurance to the Office of the Auditor General of Ontario (OAGO) that the government has a strong internal control framework. As a multi-billion dollar organization, the CoA helps evaluate the effectiveness of controls and financial reporting standards, and therefore it is a critical tool used to obtain an unqualified audit opinion on the Public Accounts from the OAGO.

- **Period Close process:** Effective fiscal year 2009-10, IFIS Operating General Ledger (OG) period close has been on a complete accrual basis each month. At each period close all necessary accruals and adjustments are prepared and entered in the general ledger to ensure that general ledger account balances are complete and accurate so that the financial position of the Province can be correctly determined at a point in time.

  - **Consolidation Process:** The purpose of consolidation is to provide users of the government's financial reports with a full and fair presentation of the government's financial position and activities, which includes the activities of government controlled organizations. The consolidation exercise focuses on capturing the activities of those government organizations that operate outside of the Consolidated Revenue Fund (CRF) but which form part of the Government Reporting Entity (GRE) in accordance with Public Sector Accounting Standards (PSAS). Within the consolidation process there are two sub processes

  - **Broader Public Sector entities:**
    - The BPS team in OPCD provides expertise and accounting advice to enable the preparation of financial information for the consolidated entities of the Ministries of Health and Long-Term Care, Education, and Training, Colleges and Universities. Information feeds Public Accounts and the Provincial Budget
    - The team maintains the Broader Public Sector Operating Ledger and associated Chart of Accounts, processes and training
  - **Other entities:**
    - The external reporting team performs the consolidation of controlled organizations within the non-BPS sector ministries.
    - …

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  - **Provision of Advice on Complex Accounting Issues:** OPCD provides advice and assessments on matters with accounting policy, consolidation, fiscal, accountability and transparency implications.

  - **Pension Accounting Process:**
  - OPCD performs pension accounting activities to prepare and calculate pension expenses for Ontario's pension plans.
- **Consolidated Financial Statements of the Province and other supporting schedules**

- **Note Disclosure / Schedules:** As part of the annual reporting process, ministries are required to prepare and provide their actual financial results for the fiscal year ended March 31 for inclusion in the consolidated financial statements of the Province. In preparing these financial statements, the Office of the Provincial Controller Division requires supplementary financial information and schedules beyond what is available in IFIS (the OPS financial System). The additional information is required to compile the consolidated results of all ministries and their controlled organizations, as well as to prepare the supporting note disclosures required under public sector accounting standards.

- **Miscellaneous / Other Processes:**
    - Post close journal entries

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Part B.1: Systems used to prepare Public Accounts

- COG;
- BOG;
- OG
- CHIRP (Future)

Commented [g6]: Provide high level description of each.