Office of the Provincial Controller Division

CONFIDENTIAL DRAFT– FOR DISCUSSION ONLY

Establishing an Advisory Audit Committee

May 5, 2017

Purpose

1. To identify the proposed structure and approach to establish an Advisory Audit Committee of independent experts to provide advice to the Government of Ontario and the Auditor General (AG)
   - Since the last update on January 13th, OPCD has continued exploring establishing an Advisory Audit Committee, including receiving feedback from TBS Legal, OIAD, CPAGOG, Public Appointments Secretariat, TBS Corporate Services and MBC Support
2. To discuss considerations and next steps

Advisory Audit Committee

- An Advisory Audit Committee would enhance the integrity and efficiency of Public Accounts audits by providing an independent forum for communication and discussion between government staff and the AG
- Specifically an Advisory Audit Committee would provide both parties:
  - Access to independent experts who could provide advice and wise counsel on the planning of the Public Accounts
  - A neutral space to discuss significant financial accounting and reporting issues where there might be disagreement
  - A forum where independent experts in the field of auditing and accounting could provide an appropriate challenge to either party
- The Advisory Audit Committee would not be related to the Standing Committee on Public Accounts and would not make representations to that body

Proposed Structure

- Mandate
  - A statutory mechanism would require the AG to provide independent and qualified individuals the opportunity to review her draft reports prior to being publicly released
  - The Advisory Audit Committee would review and advise on issues related to:
    - Financial statement presentation and disclosure, accounting policies and pronouncements, and non-financial performance information,
    - Any other issues referred to it by the Minister of Finance/President of Treasury Board, or the AG.
  - Purely advisory in nature and not binding on either party

- Composition and Tenure
  - Would consist of up to seven independent members appointed through OIC
  - Members would be selected through a competitive process based on pre-defined competency framework
  - Members would serve for an initial period of up to 3 years, for up to 2 terms
  - Members must attend/participate in the meetings; no substitutes or alternates should attend in place of a member
  - Would report to the Government and the AG regarding substantive matters

- Administrative support provided by OPCD

Meetings

- The Advisory Audit Committee would meet at least three times a year:

Timing	Purpose of Meeting
Q1: April-June	Discuss interim audit issues identified during Public Accounts Audit
Q2: July - Sep	Discuss final Audit Report for Public Accounts Audit and Auditor General's Report
Q3: Oct-Dec Q4:Jan-March	Discuss Audit Planning for next year's Public Accounts Audit

- The Chair may also call a meeting to review any matter at the request of either the AG or the minister of Finance/President of the Treasury Board
- The meeting schedule would be reviewed if the Advisory Audit Committee increased the scope of its work

Budget

- A draft budget for an Advisory Audit Committee has been calculated at $413k per annum. This includes:
  - Per diems and travel costs for the chair and other members
  - Policy and administrative support for the Agency provided by OPCD staff
  - Procurement costs (including translation)

- Per diems are included at $350/Chair, $250/Vice Chair, $200 members as recommended in Agency & Appointments Directive
  - CAC per diems are paid at $1,500/External Chair and $1,200/external members
  - AG Senior Advisory Panel per diems are paid at $300/half day meeting

- Two FTEs are included to provide information, conduct research, help write reports, and administrative support

Considerations

- Does AG's recently established Panel of Senior Advisors obviate the need for an Advisory Audit Committee?
  - Panel discussions and deliberations are confidential to the AG
  - Panel does not provide a forum to discuss and resolve issues where there might be disagreement between the AG and government staff
- Should initial legislation be written for just Public Accounts or with the full scope of review, Public Accounts, VFM, and Special Reports?
  - Current AG practice of one annual report may hinder the work of an Advisory Audit Committee.
- Should Legislation be enacted as part of a new government mandate, or upon renewal of the AG contract in 2023?
  - Amendments to the *Auditor General Act* to authorize the establishment of the Advisory Audit Committee, and an implementation plan set out in regulations
- Should new funding/FTEs be requested or will funding be provided from the existing base?
  - Should members per diems exceed base amounts defined in the Agency & Appointments Directive?

Next Steps

- Address outstanding considerations
- Obtain DMO and MO approval to proceed
- Prepare draft legislation and Treasury/Management Board approval
- Establish TB/MB and LRC timing

Appendix A: Risks and Mitigating Strategies

Risks	Mitigating Strategies
• Establishing the Advisory Agency would be seen as an increase in bureaucracy and costs to the Province	• In line with Best Governance practices (private sector, Alberta), and costs would be managed within the government's existing budget
• The Advisory Agency may be seen as usurping authority	• There is no requirement that the AG must follow the Advisory Agency's advice; the AG retains independence to make its own decisions
• AG may not be supportive, and may see it as an attempt to hamper independence	• May be possible to leverage support from both the controller and AG in Alberta to provide Ontario AG with a basis to support the creation of the Advisory Agency

Appendix B: AG's Senior Advisory Panel

- The Auditor General recently established a panel of Senior Advisors to provide strategic advice and recommendations concerning her Office's work.
- Specific issues for the Panel's consideration and advice will include:
  - The overall state of Ontario's public sector and broader public sector with particular emphasis on current or potential issues and trends
  - Emerging issues that the AG should consider in the selection of audits and the conduct of her work
  - The AG's relevance to stakeholders and areas that may be appropriate for growth or new strategies
  - Opinions on the findings that the AG should report to the Legislature, and
  - Other topics, as requested by the Auditor General.
- The Panel will meet at least twice per year at the call of the AG. Panel members must take an Oath of Office and Secrecy, and complete the Conflict on Interest Disclosure.
- The powers of the Panel are limited to providing non-binding advice and recommending lines of action. The final decision will rest with the AGO.
- There are eight Panel members representing a broad cross-section of prominent individuals in the sectors of accounting, public service and law. Members include:
  - Tim Beauchamp, Former Director, Public Sector Accounting Board
  - Sheila Fraser, Former Auditor General of Canada