## 1.3 BACKGROUND INFORMATION

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. 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 effectively mitigate risks, such as operational failures and directive/policy violations.

The OPS updated its Internal Control Framework (informed by COSO 2013) as a basis for establishing and maintaining an effective internal control system. The updated framework is expected to contribute to:

- Improved understanding of the current state of internal controls and internal control systems, and their contribution to achievement of business outcomes.
- Improvement of the annual internal control attestation process through the Certificate of Assurance, allowing for early identification and management of risks, supporting the achievement of ministry mandates.
- Support and provide input into broader enterprise risk management discussions at senior management tables.

The Internal Control Framework supports the assessment over effectiveness of internal controls, and that:

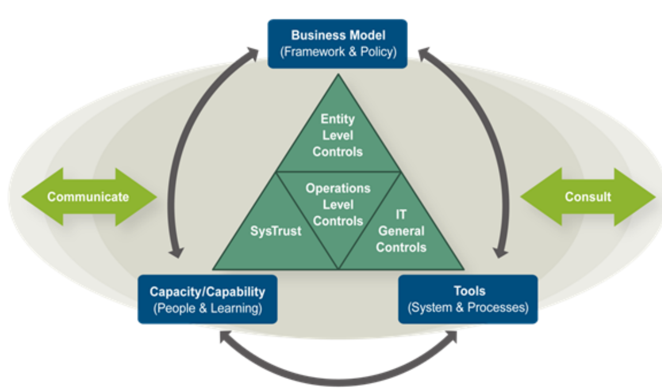
a) Public Accounts of Ontario fairly represent the province's financial position and results of operations, including the application of appropriate accounting policies; and
b) The information presented and disclosed in the Public Accounts of Ontario are free from material misstatement (which could occur due to significant errors or omissions).

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 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 reviewed Internal Controls over Financial Reporting and established several opportunities to improve integration of control activities across the OPS. To address these opportunities OPCD is working with ministries and the Ontario Internal Audit Division to support the implementation of the updated the Internal Control Framework; with guidance and tools developed to allow ministries to effectively transition over the expected three-year period.

## 1.4 CLIENT'S REQUIREMENTS

**Scope of Services and Deliverables -** The Services and Deliverables to be provided by the Vendor will include the following:

**Part One**
Complete an assessment of the OPS Internal Control Framework versus the COSO 2013 Internal Control — Integrated Framework; to effectively establish whether there is alignment between the two Frameworks, and to identify any gaps.

**Part Two**
Assessment of Internal Controls over Financial Reporting, specifically:

1) Review the design and implementation of existing and planned financial reporting processes (limited to a test of one sample for each control activity) that support the preparation of the Consolidated Financial Statement limited to those found within the Office of the Provincial Controller Division.
2) Assess these processes to determine the extent to which they are consistent with the principles in the revised Internal Control Framework.
3) Identify opportunities for improvement and as necessary document existing and planned processes within OPCD, utilizing developed tools (i.e. Business Process Model Notation, Risk Control Matrix) to support the preparation of the Consolidated Financial Statements.

To assist with scoping the engagement the successful proponent will be required to examine the following:

**Part One: OPS COSO-Based Internal Control Framework**

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.

**Deliverable**
The key deliverable for Part One is a comprehensive report detailing the findings and conclusions reached. The report should address the key elements of alignment between the two frameworks: OPS Internal Control Framework and the COSO 2013 Internal Control – Integrated Framework.

In addition, the report should address the OPS Internal Control Framework Implementation Strategy. The assessment of the implementation strategy should include a review of the effectiveness of the three-year plan and highlight any opportunities for improvement.

**Part Two: Assessment of Internal Controls over Financial Reporting within OPCD**

**A. Entity Level Controls**

As mentioned above, the OPS Guide to Entity Level Controls and a Self-Assessment Toolkit were developed to assist ministries in determining what, where, and how improvements can be implemented to strengthen ministry's entity level controls and to standardize the process across the OPS.

**Deliverable:**
Assessment of the design and implementation of Entity Level Controls at OPCD, using the self-assessment toolkit; and verification that controls identified adequately meet the requirements of OPS Internal Control Framework.

**B. 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 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 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.

- **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. Information also feeds into the Provincial Budget.

- **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.

    - **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:**
            - 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.

        - Maintains the Broader Public Sector Operating Ledger and associated Chart of Accounts, processes and training.

    - **Other entities:**
        - Perform consolidation activities for non-BPS sector ministries as well as GBEs and OGOs.

- **Miscellaneous / Other Processes:**

    - **Post close journal entries:** All Ministries are required to complete the G/L close requirements by the timelines established in the Year End Instructions. Any journal entries that ministries request after the Year End close date are reviewed by OPCD and processed only if the impact is considered material.

**Deliverables:**

Assessment of the design and implementation of existing and planned financial reporting processes that support the preparation of the Consolidated Financial Statement, limited to those found within the Office of the Provincial Controller Division. In addition, verification that controls identified adequately meet the requirements of OPS Internal Control Framework. At a minimum, we expect the following:

- Conduct operations risk assessment using steps outlined in OPS Guide to Risk and Control over Government Operations and Risk Control Matrix.
- Assess current state workflows and business process diagrams (i.e. flow of information and documents through the business processes), where documented;
- Perform business process walkthroughs with key stakeholders and control owners.
- Document existing business processes using Business Process Model & Notation. Where workflows and/or business process diagrams do not exist, document this information based on assessment of policies/procedures and walkthroughs with respective teams within OPCD.
- Identify/evaluate risk and validate whether sufficient and appropriate controls have been designed to manage risks across in-scope branches within OPCD.
- Develop and provide action plans to remediate the identified control design gaps.
- Recommendations to improve the control environment where gaps in controls and/or processes are identified.
- Alignment of control activities to the principle(s) of Internal Control Framework to demonstrate compliance with the Framework.
- Develop audit programs for each in-scope business processes which can be used by management as a self-assessment tool and by internal audit to test the operating effectiveness of controls.
- Completion of Risk Control Matrix toolkit.

The engagement report should include a conclusion on the sufficiency of current processes to support Public Accounts reporting. In addition, identification of others methods and/ or approaches for consideration should also be included.

**C. System /General Ledger used to prepare Public Accounts**

The above financial reporting processes are supported by the following Systems/ General Ledger:

**IFIS Consolidated Operating General Ledger (COG)**
The COG is the consolidated financial reporting ledger for the Ontario government. It is an Oracle based system and is a part of IFIS. All consolidated financial reporting data from the following sources are uploaded to COG:

- Ministries
- Broader Public Sector (BPS) which include hospitals, school boards, colleges and LHINs
- Non-BPS (e.g. other Government Organizations and Government Business Enterprises)

At the end of the fiscal year, each of these entities works in conjunction with the Treasury Board Secretariat to roll up their financials into the COG in support of Public Accounts reporting.

**IFIS Broader Public Sector Operating General Ledger (BOG)**
Broader Public Sector organizations and Sector Ministry agencies are reported in the BPS Operating General Ledger and consolidated with the financial statements of the Province of Ontario.

BPS organizations include: public hospitals, specialty psychiatric hospitals, school boards, school authorities and colleges. Starting 2016-17 Public Accounts, the results of these sectors for purposes of the Statement of Operations will now be presented on a line-by-line basis, as opposed to the one-line basis of consolidation which has been reported in the Province's consolidated financial statements since 2005-06. The change in presentation is intended to enhance the consistency and comparability of Ontario's financial statement presentation for these sectors with the results reported by other governments.

**IFIS Operating General Ledger (OG)**
Each Ministry uses the OG as their financial record keeping system. At the end of the fiscal year, these Ministries work in conjunction with the Treasury Board Secretariat to roll up their financials into the COG in support of Public Accounts reporting.

A key component of ensuring reliability over financial reporting is supported through the completion of the annual SysTrust audit of IFIS and WIN. The annual SysTrust audit provides assurance that controls within in-scope program areas, at three specific ministries (i.e. MOF, MGCS and TBS) exist and operate effectively to ensure completeness, accuracy and timeliness of processing transactions.

**Corporate Hyperion Information Reporting Project (CHIRP) - Future State**
The Corporate Hyperion Information Reporting Project is a part of, and supports, the transformation of the back office as part of the business modernization initiatives occurring across the OPS. The key objectives of the project are to:

(i) standardize the consolidation processes with an integrated audit trail for provincially consolidated results;
(ii) distribute access and data management into the hands of the data owners;
(iii) augment data accuracy and eliminate non-value added activities (e.g. time spent checking between systems and spreadsheets);
(iv) implement workflow and automation where appropriate; and
(v) develop a scalable solution on frequency and types of data.

The toolset that is being implemented is the Hyperion Financial Management (HFM) application, together with related data management and reporting components. The system will replace the current consolidation processes and systems (BOG & COG, as well as associated spreadsheets), and automate many existing manual processes. The application will be designed and built to allow for future in-year external reporting while meeting current yearly reporting requirements. It will centralize consolidation data in a new repository, eliminate the direct submission/provision of data and provide improved reporting capabilities. The new solution will deliver financial transparency, an integrated audit trail, robust data storage, automated reporting, and standardized data collection processes.

**Deliverables:**
IFIS Consolidated Operating General Ledger (COG), IFIS Broader Public Sector Operating General Ledger (BOG) and Corporate Hyperion Information Reporting Project (CHIRP) are in-scope for the purposes of this engagement [IFIS Operating General Ledger (OG) is out of scope]. The vendor should report on the results of the design and implementation testing, at OPCD, related to IT General and Application Controls, across the systems/ GLs identified.

**Overall Deliverable**

**Overall Report**

- A comprehensive report that covers the analysis and results of both Part 1 and Part 2. The report should include an assessment of the overall approach to support Public Accounts reporting, and identify any areas of improvement.