



Office of the Auditor General of Ontario

Value-for-Money Audit: Ontario's Provincial Comptrollership Framework



December 2021

Ontario's Provincial Comptrollership Framework

1.0 Summary

In February 2020, the province established the new Office of the Comptroller General in the Treasury Board Secretariat ministry. The Office of the Comptroller General was established to centralize oversight and enhance the accountability and capacity of the province's financial management, enterprise risk management and internal audit functions. The Comptroller General's responsibilities include providing province-wide direction and leadership in these areas while also ensuring transparency in provincial financial reporting. The Deputy Minister of each ministry is responsible for the conduct of his or her ministry's financial business.

To effectively manage the province's finance and accounting-related operations, the Office of the Comptroller General has a centralized finance function, called the Office of the Provincial Controller Division (Provincial Controller Division), which is a division within the Office of the Comptroller General. Each ministry also has its own finance function. Each Ministry finance function reports to its Chief Administrative Officer, an assistant deputy minister, who is accountable to a Deputy Minister.

We found that there is currently no functional reporting relationship between the Directors of Finance and Controllers at each ministry and the Comptroller General's Provincial Controller Division. As such, there is also no functional financial

reporting relationship between ministry finance functions and the Office of the Comptroller General's Provincial Controller Division. Such relationships would better enable the Comptroller General to directly exercise its legislated authority to supervise, direct and control accounting functions.

The Office of the Comptroller General has the authority to direct accounting and financial management at ministries by issuing directives and policies for them to follow. The Office's Provincial Controller Division also can provide accounting advice to ministries when requested, and leads other key processes in the Public Accounts reporting cycle, which includes the preparation of the province's unaudited consolidated financial statements (**Appendix 1** defines key terms). The key processes include the Certificate of Assurance (CoA) attestation, through which ministries confirm their adherence to financial reporting requirements, legislation and directives, and internal controls. (**Appendix 2** shows the annual timelines of these key processes.)

A comptrollership framework with clearer central authority is needed to provide cost-effective leadership and stronger oversight of the preparation of the province's unaudited consolidated financial statements. In particular, this authority is needed to efficiently align ministries' and provincial entities' accounting policies in accordance with Canadian Public Sector Accounting Standards. For example, we found that provincial ministries and agencies have no formal written requirement to notify the Office

of the Comptroller General's Provincial Controller Division about significant transactions or accounting issues when they occur, and do not have a clear directive in place requiring them to follow the accounting advice provided by the Provincial Controller Division. Further, persons in key accounting positions in ministries' finance functions, such as the director of finance and controller, were often not required to hold a professional accounting designation.

We further noted that the Ontario Internal Audit Division (Ontario Internal Audit) does not regularly provide assurance over the ministries' financial reporting controls that support the Certificate of Assurance (CoA) attestation process and effective financial reporting processes. When ministries did identify financial reporting weaknesses, there were no requirements for them to address these in a timely manner. Strengthening these processes presents the opportunity to cost-effectively streamline the annual preparation of the Public Accounts, and reduce the risks that issues may not be identified and addressed on a timely basis, and will further support the province's CoA process and operational and financial decision-making. The following are some of our significant observations:

Certificate of Assurance (CoA) Process

The Office of the Comptroller General's Provincial Controller Division relies on the assurance provided by ministries through their CoA attestations when preparing the Public Accounts.

- Ministries' processes often not consistent or sufficient to support CoA attestations.** There is no consistent approach or minimum set of required procedures that ministries must perform before signing their CoA attestations. Further, neither the Office of the Comptroller General's Provincial Controller Division nor its Ontario Internal Audit Division assesses whether the ministries' processes are sufficient for ministries to conclude that they have adhered to their financial reporting requirements, legislation and directives, and internal controls. We found that ministries generally
 - lacked documented analyses and explanations for how they determined their compliance with CoA attestation statements. Where they did have documentation, such as responses to questionnaires, we found that explanations of the work completed were often lacking or insufficient to provide the attestation. Commonly, ministries referenced routine operational procedures without including sufficient detail to demonstrate that procedures were effective. After reviewing ministries' CoA submissions, the Provincial Controller Division does not conclude whether the overall CoA process indicates that the financial information prepared by ministries for inclusion in the Public Accounts is accurate.
- No requirement exists for ministries to address key weaknesses in financial reporting controls or to inform the Provincial Controller Division of instances of fraud in a timely manner.** We found that ministries can unnecessarily take a long time, even years, to resolve the weaknesses they identify in their CoA processes. The Office of the Comptroller General's Provincial Controller Division does not prescribe specific action plans for ministries to confirm that financial reporting weaknesses identified by ministries in their CoAs have been resolved in less than three years, as recommended in the Provincial Controller Division's CoA instructions to ministries. Further, ministries do not routinely notify the Provincial Controller Division during the year when frauds are identified or the subsequent status and resolution of such frauds, including how they have or have not yet addressed any underlying control issues.
- Ministries have not assessed the operating effectiveness of most of their internal controls.** As part of the Provincial Controller Division's updated April 1, 2017 Internal Controls Policy, ministries were expected to update and assess the operating effectiveness of their internal controls. However, by April 2021, 19 of the 24 ministries reported they had assessed the effectiveness of internal controls for less than half of their significant business processes. Despite

this, these ministries still signed off, as part of the annual CoA process, that they had maintained an effective system of internal controls.

Ontario Internal Audit Division and Enterprise Risk Management

- **The Ontario Internal Audit Division provided little assurance over the effectiveness of ministries' financial controls and the CoA process.** We found that Ontario Internal Audit has not been requested to regularly test key financial internal controls at ministries. Between 2017 and 2021, less than 15% of audits conducted by Ontario Internal Audit directly contributed to the accuracy of ministries' internal financial reporting. Further, only an additional 7% of audits included any testing of financial controls. As a result, Ontario Internal Audit has not systematically identified and tested financial internal controls at ministries. Further, Ontario Internal Audit infrequently assesses how ministries prepare their CoA attestations and only confirms to the Provincial Controller Division annually that it is not aware of any significant issues noted in the audits it conducts in a particular year or instances of fraud other than the issues already reported as exceptions by ministries in their CoA attestations.
- **The Enterprise Risk Management Office has not yet reviewed ministries' processes to identify and manage risks.** As a systemic process of understanding and managing risks across ministries and agencies, enterprise risk management can provide information necessary for effective financial management and decision-making. At this time, the Office of the Comptroller General's Enterprise Risk Management Office is not required to routinely conduct risk assessments at ministries, or review in-depth the assessments that ministries prepare, to confirm that all relevant risks have been identified and correctly assessed. The process of review is particularly important for subjective processes such as risk assessment to ensure all relevant risks have been identified and plans are in place to effectively address those risks.

Financial Reporting Process

- **Ministries are not formally required to follow the Provincial Controller Division's accounting advice; and the Provincial Controller Division is not tracking the advice it provides.** The Office of the Comptroller General's Provincial Controller Division does not consistently keep track of the accounting issues it reviews and the recommendations it issues to ministries. Ministries may not implement the Provincial Controller Division's advice prior to submitting year-end financial data to the Provincial Controller Division, which increases the risk of uncorrected accounting issues being included in the province's unaudited consolidated financial statements. For example, a ministry disagreed with the Provincial Controller Division's conclusion over the control of an agency, and therefore inappropriately excluded the entity's assets and liabilities in the information reported to the Provincial Controller Division which resulted in it being inappropriately excluded from the province's unaudited consolidated financial statements. This was raised and addressed with our Office as part of the Public Accounts audit.

Accounting/Finance Role Qualifications and Professional Development

- **Ministry finance positions need to require standardized financial education and experience requirements to efficiently address increasingly complex accounting issues and standards.** We found that the province does not have standardized education (such as a Chartered Professional Accountant (CPA) designation) and experience requirements for finance-related positions across ministries, including for those in senior finance positions. For example, at the six ministries reviewed, none of the directors of finance had a CPA designation and only three of the ministry controller positions required a CPA designation. We also found that seven out of ten accounting memos we reviewed that had insufficient analysis or support were prepared by ministry staff without an accounting

designation. Given the increasing complexity of accounting issues and standards, having accounting professionals in key finance roles further supports the strong understanding of Canadian Public Sector Accounting Standards (PSAS) necessary for financial issue analysis and government accounting and reporting.

- **Ministries' accounting/finance staff were not required to take specific financial, accounting and fraud training courses and updates relevant to their roles.** Individuals in finance/accounting roles in ministries, including individuals without a professional accounting designation, were not required to take specific financial, accounting and fraud training courses or attend updates for new and revised accounting standards relevant to their roles. Further, staff attendance at financial and accounting training sessions was not consistently tracked, so that ministries and the Provincial Controller Division were not aware of which staff did not receive sufficient training to efficiently and effectively complete their work in an environment of increasingly complex accounting issues and standards.

Strategic Direction and Measuring Performance

- **Finalization and broad communication of the Comptroller General's strategic plan will assist in needed organizational change.** At the time of our audit, the Comptroller General was developing a strategic plan to strengthen provincial financial management, including identifying associated priorities and specific initiatives. The effective implementation of initiatives will require compliance and co-operation from all ministries' finance functions and potentially updates to existing requirements in financial management directives and policies. A strategic plan is important for laying the groundwork for addressing change management. This would help build effective and efficient working relationships between the Office of the Comptroller General's finance function, internal audit and risk management functions, and the ministries.

- **Effective performance of provincial finance and accounting functions is not assessed.** There is no established framework with performance targets in place to assess the effectiveness of the Provincial Controller Division and the finance functions at the ministries. The implementation of an overall performance management framework, as part of the Comptroller General's strategic plan, is important to ensure financial and legislative accountability and compliance is in place to effectively support the current and future needs of internal decision-making and public reporting.

This report contains 13 recommendations, with 25 action items, to address our findings.

Overall Conclusion

Over the last several years, steps have been taken with the intention to improve the province's finance- and accounting-related operations. These include the creation of the Office of the Comptroller General, establishing a central accounting consultations unit within its Office of the Provincial Controller Division (Provincial Controller Division) to provide technical accounting advice to ministries and agencies, and providing updated guidelines and templates as reference materials to ministries and agencies to strengthen and support the financial reporting processes.

The importance of providing reliable and transparent financial information to decision-makers and the public makes the Office of the Comptroller General's function a vital role that needs more oversight linkage with ministries in order to be performed efficiently. The provincial cross-ministry comptrollership framework, including the oversight role of the Office of the Comptroller General, should be strengthened to better support co-ordinated internal accounting and financial decision-making, internal controls and public financial reporting. This would involve establishing functional reporting of the ministries' accounting and financial divisions to the Office of the Comptroller General, which has the decision-making

authority on the province's consolidated financial statements. It would also require reassessing the accounting organizations' structure within ministries to identify key positions requiring formal CPA designations and implementing annual cross-ministry standardized accounting updates. As well, training can be improved in internal control, legislative compliance, Certificate of Assurance and fraud awareness. Improvements in these areas will help the province identify non-adherence to directives or policies in a timely manner; strengthen its Certificate of Assurance process; co-ordinate accounting assessments and decision-making; and prevent the risks that stem from filling positions with less-qualified staff than needed for the effective functioning of the province's finance- and accounting-related operations.

OFFICE OF THE COMPTROLLER GENERAL OVERALL RESPONSE

The Office of the Comptroller General values the work of the Auditor General.

In February 2020, the government announced the creation of the Office of the Comptroller General. The Office of the Comptroller General is committed to enhancing the accountability and capacity of financial and enterprise risk management activities across the government. The Office of the Comptroller General also supports the Ontario Internal Audit Division, which conducts independent audit and advisory engagements in priority areas, including internal controls that support financial reporting in the Ontario Public Service.

The Office of the Comptroller General continues to build upon existing comptrollership training programs. These training programs provided technical training to over 4,500 financial community members in fiscal year 2020/21. The Office of the Comptroller General remains committed to learning programs as a key element of enhancing comptrollership in the province.

We appreciate the opportunity to respond to the Auditor General's report. The recommendations

provided in this report represent a valued contribution to the important work of the Office of the Comptroller General.

2.0 Background

2.1 Office of the Comptroller General

In February 2020, the government announced the creation of the Office of the Comptroller General within the Treasury Board Secretariat to oversee the province's finance function, enterprise risk management, and internal audit functions (see **Sections 2.1.1, 2.1.2 and 2.1.3**). The Office of the Comptroller General is to provide province-wide direction and leadership in provincial finance and accounting reporting, financial management policy, and enterprise risk management while also ensuring transparency in reporting, and building financial and risk management capacity throughout the government. The Provincial Controller Division and Office of the Chief Risk Officer report to the Office of the Comptroller General. The Office also oversees the Ontario Internal Audit Division (Ontario Internal Audit) administratively (that is, day-to-day operations). The Ontario Internal Audit Committee oversees the operations of the Ontario Internal Audit, and a subcommittee of the Treasury Board (the Audit and Accountability Committee) approves Ontario Internal Audit's annual audit plan. The Office of the Comptroller General also takes on broader responsibilities, such as assessing the need for OPS-wide financial, accounting and risk training.

The Office of the Comptroller General is headed by the Comptroller General, a newly created position that was filled in October 2020. The Comptroller General is a Deputy Minister and reports to the Secretary of Cabinet and the President of the Treasury Board (a Cabinet Minister).

Appendix 3 and **Appendix 4** illustrate the organizational changes of the Treasury Board Secretariat before and after its reorganization in 2020/21.

The Comptroller General is currently developing a strategic plan that aims to enhance the accountability and capacity of financial, internal audit and enterprise risk management activities across the government through various initiatives including:

- developing risk management processes to implement the Enterprise Risk Management Directive, which requires (among other things) that ministries identify and assess their risks, plan and implement actions to address those risks, and monitor and report on them;
- establishing risk, audit and finance function forums with ministries to help them advance their risk management, training and internal controls and to integrate risk management into existing programs and processes;
- developing a new curriculum to build capacity and provide financial, internal audit, risk and accounting training to public sector staff; and
- establishing performance measures to measure the achievement of the strategic plan.

The Comptroller General plans to complete the development of this strategic plan in the 2021/22 fiscal year.

2.1.1 Office of the Provincial Controller Division

The Office of the Provincial Controller Division (Provincial Controller Division) is led by the Provincial Controller and reports to the Comptroller General (see **Section 2.1**). The Provincial Controller is responsible for providing executive oversight, leadership and strategic direction within the Treasury Board Secretariat, and across the government to divisional branches and functions related to accounting and financial management. The Ontario Financing Authority may also provide financial management directives related to the treasury program.

The Provincial Controller Division's specific responsibilities include providing direction to ministries on accounting and finance-related requirements, ensuring the government's public financial reporting is complete and accurate, developing an internal controls framework for ministries, and

offering relevant training to strengthen the capacity and capabilities of the government financial community. The President of the Treasury Board delegates some of the responsibilities under the *Financial Administration Act* to the Office of the Comptroller General and the Provincial Controller Division, such as "supervising, directing and controlling accounting functions." This allows the Office of the Comptroller General and the Provincial Controller Division to issue directives and policies as well as carry out other activities, such as working with ministries on specific transactions that have accounting implications.

The Provincial Controller Division also prepares the Public Accounts (see **Section 2.3.1**) and oversees the preparation of the province's consolidated financial statements that are included in the Public Accounts.

Figure 1 outlines the responsibilities of the Provincial Controller Division in further detail.

2.1.2 Enterprise Risk Management

The 2018/19 provincial budget committed to the creation of the Enterprise Risk Management (ERM) function across all ministries and agencies in response to the September 2018 *Line-by-line Review of Ontario Government Expenditures* report commissioned by the government. The government approved the creation of a 41-staff Office of the Chief Risk Officer (ERM Office) reporting into the Comptroller General; and in January 2021, the Chief Risk Officer position was filled.

The ERM Office oversees the implementation of risk management practices, tools and processes as outlined in the government's February 2017 Enterprise Risk Management Framework, and the April 2020 Enterprise Risk Management Directive. Together, these two documents set out the principles, requirements and responsibilities for efficient risk management applicable to all ministries and agencies and provide implementation guidance. For example, ministries are required to identify and assess risks (that is, potential challenges) to achieving the objectives of their projects, operations and strategic

Figure 1: Responsibilities of the Office of the Provincial Controller Division (Provincial Controller Division)

Source of data: Treasury Board Secretariat

Provides direction to ministries and other central agencies on core accounting and financial management and reporting requirements.

Ensures complete and accurate production of the government's public financial reporting, including consolidation of provincially controlled organizations, and supports ministries and central agencies on the development of programs and initiatives to ensure compliance with accounting practices and standards.

Maintains the Public Accounts of Ontario (Public Accounts) and prepares the consolidated financial statements that are included in the Public Accounts.

Develops and communicates an internal controls framework to ministries.

Improves the efficiency, effectiveness, and integrity of the government's financial systems and processes.

Provides financial policy development and accounting advice to ministries and central agency partners. This includes researching and providing recommendations relating to accounting standards and issues, and leading the development and implementation of controllership policies.

Maintains ongoing relationships within the ministries and agencies (through ministries), as well as in the financial management community (e.g., CPA Canada) and federal and provincial jurisdictions.

Supports the development of financial management and controllership capacity by providing training across the Ontario Public Service.

goals. Using this risk information, ministries are to create and annually update a risk profile of their operations and provide updates on actions taken to address the risks. Each ministry is also required to establish an internal governance structure or committee to oversee this risk management process. The ERM Office will lead the development of risk management practices across the ministries and advise central government decision-makers, such as the Treasury Board, on operations policy development.

The ERM Office will also work with ministries to:

- lead and co-ordinate risk reporting;
- recognize trends among risks identified by ministries;
- build the capacity of staff (that is, provide staff with education and professional development);
- monitor implementation of risk frameworks;
- streamline risk reporting;
- advise ministries on risk management; and

- report on government-wide risks and mitigation strategies to the Treasury Board for the government to use in its decision-making.

2.1.3 Ontario Internal Audit Division

The Ontario Internal Audit Division (Ontario Internal Audit) assists the province in accomplishing its objectives by providing it with internal auditing services.

These services provide a systematic approach for evaluating and advising the government on the effectiveness of its internal controls, governance processes and risk management. Ontario Internal Audit's work supports the province's operations through a broad set of activities, including assessing the reliability of information produced and used by the province; compliance with legislation and policies; and evaluating the effectiveness of programs, internal control operations and exposure to fraud.

Ontario Internal Audit's annual government-wide audit plan, which outlines the internal audit services it plans to provide across ministries, is approved by a subcommittee of the Treasury Board—the Audit and Accountability Committee. The Audit and Accountability Committee's membership is identical to that of the Treasury Board and it is supported by the Secretary of Cabinet. The Audit and Accountability Committee directs the allocation of Ontario Internal Audit's services across the province based on risk and high-priority audits.

Another committee, the Ontario Internal Audit Committee, supports the Audit and Accountability Committee by reviewing the annual audit plan to see if it targets the most significant risks facing the province, recommending the audit plan for approval, and reviewing the status of significant findings and recommendations. In turn, the Ontario Internal Audit Committee is supported by nine other committees specific to each sector of provincial operations (for example, health and education). Membership on the Ontario Internal Audit Committee and the sector committees may include provincial staff (such as Deputy Ministers) as well as members external to the province.

2.2 Ministry Finance Functions

Each ministry is responsible for its own financial reporting and management processes, such as preparing monthly financial information, reporting and projecting financial results quarterly, and meeting the annual reporting requirements for the Public Accounts of Ontario.

To accomplish this, each ministry has its own finance function, which is responsible for:

- managing, consolidating and reporting financial data in accordance with Canadian Public Sector Accounting Standards (PSAS);
- providing direction regarding financial management and financial reporting requirements to program areas;
- meeting financial and accounting operational requirements;

- complying with legislation within its finance function;
- complying with policies and directives to support responsible financial management, and implementing effective risk management and internal controls practices; and
- training qualified finance staff.

The Controller (sometimes called other names such as Chief Accountant and Corporate Controller) within each ministry generally reports to a Finance Director, who reports to the Chief Administrative Officer of the ministry. These key personnel and their staff perform significant roles as part of the overall Public Accounts of Ontario (Public Accounts) process. Their combined work provides the Office of the Comptroller General's Provincial Controller Division with the financial data for their ministries' operations, and that of the agencies and broader-public-sector entities, under the responsibility of their ministries.

Ministry controllers are responsible for ensuring that accounting transactions are recorded in accordance with Public Sector Accounting Standards and may seek advice from the Office of the Comptroller General's Provincial Controller Division on the accounting treatment of transactions or programs, although this is not a requirement. Ministries manage their ongoing financial business, but the Provincial Controller Division, by issuing directives and policies, can require ministries to perform specific processes, or otherwise direct accounting and financial management at ministries.

The Chief Administrative Officer at each ministry provides strategic leadership in all the ministry's core administration functions, including leadership in the development, implementation and ongoing evaluation of ministry-wide accounting, finance and risk management policies, processes, and standards to align with government-wide policies, standards and guidelines. The Chief Administrative officer advises the Deputy Minister on best practices pertaining to management systems and internal administration.

2.3 Financial Reporting and Management Processes

Ontario's *Financial Administration Act* sets out the foundation for the financial administration and management of the province, including the delegation of financial management authority. It also establishes and governs aspects of how government spending can be approved, how expenditures can be made and how funds can be borrowed.

Administration of the *Financial Administration Act* is shared between the Minister of Finance and the President of the Treasury Board, who is the Chair of the Treasury Board/Management Board of Cabinet (Treasury Board), committees of the Cabinet required by legislation. The *Financial Administration Act* and the *Management Board of Cabinet Act* give the Treasury Board and Management Board of Cabinet broad powers and responsibilities over public money and the programs of ministries and other public entities (defined in **Appendix 1**). Each Deputy Minister is responsible for ensuring the proper conduct of his or her ministry's financial business in accordance with directives, policies and guidelines issued by the Office of the Comptroller General (and its Provincial Controller Division), through a delegation of authority under the *Financial Administration Act*.

2.3.1 The Public Accounts of Ontario

Annually, the Office of the Comptroller General's Provincial Controller Division prepares the Public Accounts of Ontario (Public Accounts), for the fiscal year ending March 31. The Public Accounts is a document that looks back on the fiscal year and compares Ontario's actual financial performance to the goals and financial results projections the province had outlined in its Budget at the start of the year. It includes an annual report, consolidated financial statements, and supplementary information.

The Public Accounts is a key accountability and transparency document used by the province. The readers of the Public Accounts are the public, credit rating agencies, the legislators and other jurisdictions.

The role of the comptrollership is important in the preparation of the Public Accounts because the Office of the Comptroller General's Provincial Controller Division is ultimately the preparer of the consolidated financial statements. The Provincial Controller, along with the Comptroller General and the Deputy Minister of Finance, are accountable for the Public Accounts. As such, they sign a representation letter, as management, to our Office indicating that the information provided to our Office for the audit is complete and accurate.

They also sign a statement of responsibility that accompanies the Public Accounts that states that the consolidated financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and that management is responsible for maintaining systems of financial management and internal controls. The President of the Treasury Board and the Minister of Finance are responsible for signing the statement of responsibility, as those charged with governance, where they take responsibility for the objectivity and integrity of the Public Accounts.

The key processes involved in the preparation of the consolidated financial statements include:

- the Certificate of Assurance (CoA) attestation process (**Section 2.3.2**);
- the financial reporting process (**Section 2.3.3**); and
- the accounting consultations process (**Section 2.3.4**).

Appendix 2 illustrates how these processes fit into the context of the government's annual Public Accounts reporting cycle.

There are four branches within the Provincial Controller Division that support the preparation of the Public Accounts: the Financial Reporting and Fiscal Support Branch; the Comptrollership Policy and Accounting Consultation Branch (CPAC); the Financial Capacity, Control and Assurance Branch; and the Operations Control and Management Reporting Branch (**Appendix 4** illustrates the Provincial Controller Division's organizational

chart, and **Figure 2** provides further details on each branch). Collectively, these branches ensure that ministries' financial information is collected for the Public Accounts, the CoA attestation process is completed, and financial and accounting reporting advice is provided to ministries when requested. Ministry finance functions provide the Provincial Controller Division with required financial information through reporting packages.

The Office of the Comptroller General's Provincial Controller Division offers training to ministries on the financial reporting process (for example, how to complete certain forms and templates included in reporting packages, how to use the financial report through the Hyperion Financial Management reporting system) and training on technical accounting (for example, existing and upcoming accounting standards).

2.3.2 The Certificate of Assurance (CoA) Attestation Process

Ministries submit unaudited financial information to the Office of the Comptroller General's Provincial Controller Division for various reasons, including for the preparation of the Public Accounts' consolidated financial statements. The Provincial Controller Division relies on ministries signing a Certificate of Assurance (CoA) as a key tool attesting to (that is, confirming) the accuracy of their submitted financial information. The CoA consists of a standard set of statements formulated by the Provincial Controller Division regarding compliance with financial reporting requirements, legislation and directives, and internal controls, with which ministries confirm compliance. (**Appendix 5** provides a summary of the CoA attestation statements, last updated in 2020/21.)

To complete the CoA, provincial program areas, which are organized administratively in branches and divisions within Ontario's 25 ministries (as of summer 2021), annually conduct self-assessments of their internal controls systems to support their ministry's attestation as to the reliability of the financial information submitted to the Provincial Controller

Division, the program areas' compliance with laws and policies, and their prudent use of resources in their operations. Each ministry self-evaluates the effectiveness of these systems to provide assurance on:

- the reliability of its financial reporting, including budget reports, financial statements and other reports for internal and external use;
- its compliance with applicable laws, regulations, directives and policies; and
- the effectiveness of its operations, including the appropriate oversight to safeguard the province's assets.

Each ministry also supports its overall ministry CoA attestation with CoA attestations it collects from board-governed agencies it oversees. Board-governed agencies (defined in **Appendix 1**) prepare CoA documents to submit to their reporting ministry, where they attest to their compliance with legislative and policy requirements, as well as confirm the operation of their financial internal controls. The accuracy of consolidated agencies' financial reporting is confirmed through an annual audit of each agency's financial statements.

The Deputy Minister of each ministry, along with the Chief Administrative Officer and Finance Director, signs the annual CoA based primarily on ministry program areas' attestation self-assessments, as well as board-governed agencies' CoAs, and Ontario Internal Audit's assessment of controls supporting the integrity, security, and availability and reliability of the Integrated Financial Information System (the province's general ledger system) and the payroll IT system. **Figure 3** provides a description of the five components a ministry must include in its CoA submission. Instances of non-compliance identified by a ministry in the CoA are referred to as "exceptions." The Provincial Controller Division reviews ministries' annual submissions to assess any potential impacts of reported CoA exceptions on the Public Accounts.

This remains an important area for ministries to assure themselves, prior to the work by the Office of the Auditor General, that internal controls are operating effectively.

Figure 4 shows the reporting structure for the CoA process. In 2008/09, the CoA was expanded to include a compliance with internal controls attestation in addition to its focus on financial information. Board-governed agencies started completing attestations in 2015/16, and in 2017 the internal controls assurance statements were formally aligned with the COSO Framework (a set of international best practice principles for internal controls). In addition to relying on the CoA as a key tool attesting to the accuracy of ministries' financial information, similar to the ministries, the Provincial Controller Division also relies on Ontario Internal Audit's annual

assessment of controls supporting the processing integrity, security, and availability and reliability of the general ledger and the payroll IT systems that ministries use to process transactions.

Ontario Internal Audit's Forensics Investigation Team (Forensic Team) reviews the fraud awareness schedules that are part of the CoA package and confirms to the Provincial Controller Division that all relevant engagements or investigations the Forensic Team conducted are reflected in the ministries' CoA submissions. Ontario Internal Audit also reviews the CoA submissions and reports to the Provincial Controller Division if any audit engagements it conducted

Figure 2: Branches of the Office of the Provincial Controller Division and Selected Responsibilities (Provincial Controller Division)

Source of data: Treasury Board Secretariat

Branch of Provincial Controller Division	Selected Responsibilities
Financial Reporting and Fiscal Support Branch	<p>Comprised of two units:</p> <ol style="list-style-type: none"> 1. Financial Reporting and Analysis Unit: co-ordinates and directs the financial reporting process across ministries to produce the Public Accounts, advises on compliance with government accounting practices, supports government financial planning and reporting and prepares the consolidated financial statements. 2. Consolidation and Fiscal Support Unit: supports ministries and central agencies regarding advice on applying significant policy initiatives—specifically those related to consolidated organizations, pension accounting and the hydro sector—and compiles the consolidated financial information submitted by ministries.
Controllership Policy and Accounting Consultation Branch (CPAC)	<p>The Controllership Policy and Accounting Consultation Branch (CPAC) was formed in 2018. CPAC is comprised of two units: Controllership Policy Development Unit (CPD) and the Accounting Consultation Unit (ACU). CPD leads the development of controllership policies to support the achievement of government business objectives. The ACU focuses on providing accounting and financial management advice on Treasury Board submissions and related ministry business cases; providing accounting and financial reporting advice on government transactions; and providing guidance regarding new standards or changes to accounting standards.</p>
Financial Capacity, Control and Assurance Branch	<p>Facilitates the annual Certificate of Assurance (CoA) attestation process (Section 2.1.3), the oversight and leadership of the province's internal control framework, maintains the central repository for enterprise financial management information, tools and resources, develops and provides training programs for the government's financial community and provides input on internal audit engagements.</p>
Operations Control and Management Reporting Branch	<p>Manages accounting operations and maintains the chart of accounts for the Integrated Financial Information System (IFIS – the province's general ledger).</p> <p>On a monthly basis and at year end, provides period close instructions and support to ministries for the close of the general ledger and sub-ledgers.</p>

Figure 3: The Five Components of a Certificate of Assurance (CoA) Submission

Prepared by the Office of the Auditor General of Ontario

Component	Description
1. Ministry Attestation Memo (Certificate of Assurance Attestation)	Confirms that the ministry has maintained an effective system of internal controls to provide reasonable assurance regarding the reliability of financial reporting; compliance with applicable legislation, regulations, directives and policies; and the effectiveness of operations, and has applied appropriate oversight to safeguard the Province's assets.
2. Ministry Exception Report and Related Briefing Notes	Discloses all significant issues or non-compliances with CoA requirements (e.g., internal control deficiencies), including potential impact on Public Accounts, compensating controls, and plans and proposed timelines for remediation.
3. Ministry Fraud Risk Assessment Letter	A signed letter that confirms management has put in place a system to identify and respond to the risk of fraud. The letter should have attached a copy of the Fraud Awareness Schedule.
4. Ministry Fraud Awareness Schedule	Discloses instances of actual, suspected or alleged fraud (if any), including potential impact on Public Accounts and plans and proposed timelines for remediation.
5. Ministry Internal Controls Framework Implementation Progress Report	Update on the ministry's progress of implementing the Office of the Provincial Controller Division's Internal Controls Framework.

resulted in significant deficiencies that are not reported in the submissions.

2.3.3 The Financial Information Reporting Process

The Office of the Comptroller General's Provincial Controller Division is responsible for the financial reporting process of the Public Accounts reporting cycle (**Figure 5** shows the reporting structure for the financial reporting process). This process includes preparing the province's consolidated financial statements, in accordance with Canadian Public Sector Accounting Standards (PSAS), for inclusion in the Public Accounts. These consolidated financial statements comprise the financial information of all ministries, consolidated provincial agencies (agencies), broader-public-sector entities (for example, school boards, colleges, hospitals) and government business enterprises (profit-oriented entities such as Ontario Power Generation, the Liquor Control Board of Ontario, Ontario Lottery and Gaming Corporation and Ontario Cannabis Retail Corporation) as defined in **Appendix 1**.

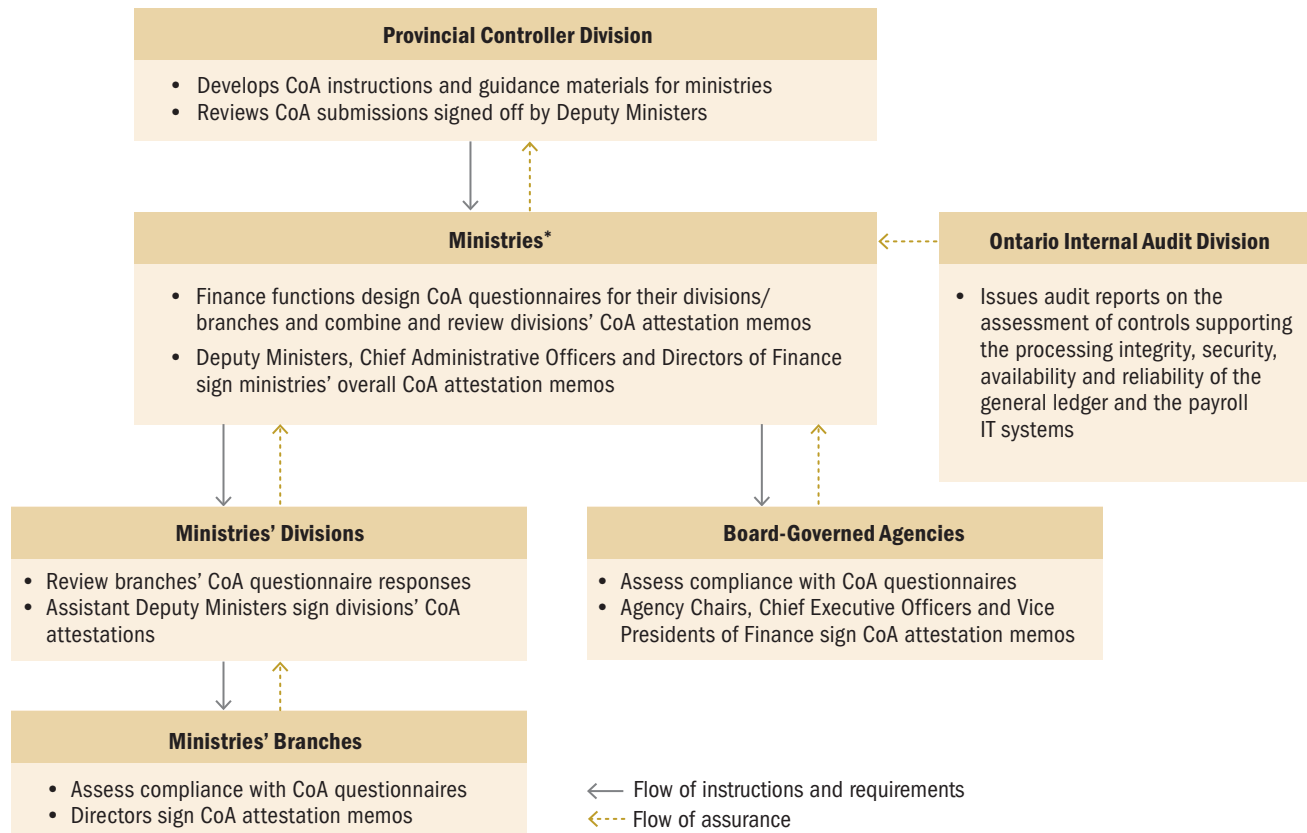
Annually, the Provincial Controller Division issues instructions to the ministries outlining the year-end financial reporting timelines and deliverables. Ministries, in turn, are responsible for completing requirements for their own operations and communicating and obtaining the completed deliverables from their agencies, broader public sector entities, and government business enterprises. The government business enterprises' net balances are included in revenues through a process commonly referred to as one-line consolidation.

In 2020/21, ministries' own financial results represented approximately half of the province's \$181 billion in consolidated expenses. The remaining financial results consisted of consolidated expenses reported by agencies and broader-public-sector entities, pension expense and interest on debt, which were added to ministries' financial results to produce the consolidated financial statements.

Larger agencies and broader-public-sector entities report their audited financial results to their responsible ministry for consolidation purposes. The responsible ministry then reports this information, along with the financial information for its

Figure 4: Reporting Structure for the Typical Certificate of Assurance (CoA) Process

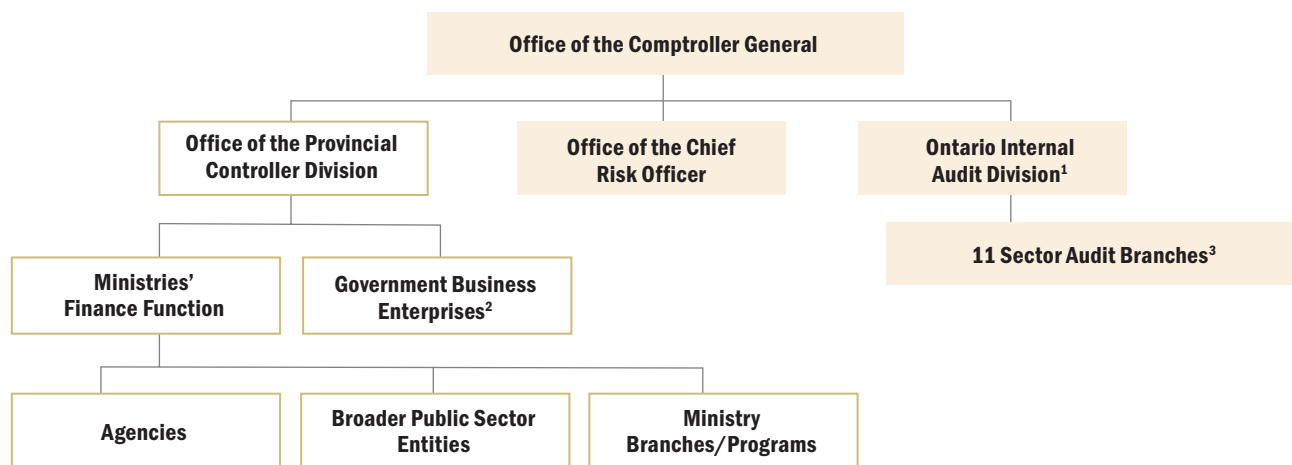
Prepared by the Office of the Auditor General of Ontario



* Ministries' overall CoA attestations cover the operations of ministries' internal divisions, board-governed agencies and non-board-governed agencies.

Figure 5: Financial Reporting Structure for the Office of the Comptroller General, Effective February 2020

Prepared by the Office of the Auditor General of Ontario



Indicates changes resulting from the creation of the Office of the Comptroller General in 2020. Following the creation of the Office of the Comptroller General, the Comptroller General assumed oversight of the already established Office of the Provincial Controller Division (Provincial Controller Division), Ontario Internal Audit Division (Ontario Internal Audit), and the newly established Office of the Chief Risk Officer. Previously, the Provincial Controller Division and Ontario Internal Audit operated independently within the Treasury Board Secretariat.

1. The Comptroller General oversees the day-to-day administrative operations of Ontario Internal Audit. The nature of Ontario Internal Audit's work is directed by a subcommittee of the Treasury Board.
2. The responsibility for Government Business Enterprises will be transferred to the ministries' finance functions over the next two years.
3. Overseen by nine Sector Audit Committees.

own operations, to the Provincial Controller Division. Other agencies that are organizationally part of the ministry report their results through the ministry's own operations (for example, the Alcohol and Gaming Commission's financial information is reported as part of the Ministry of the Attorney General's financial results). The Provincial Controller Division directly manages the consolidation of government business enterprises.

The financial reporting process for Public Accounts occurs through various reporting IT systems and tools including:

- Integrated Financial Information System (IFIS)—the province's general ledger;
- Hyperion Financial Management—a reporting system used to prepare the province's consolidated financial statements; and
- Financial Statements Note System (FSNS) and other tools including manual Word and Excel templates.

Each ministry's financial submission for its own operation is collected, compiled and reviewed by the Provincial Controller Division. Submissions from consolidated agencies, broader-public-sector entities and government business enterprises are also collected, compiled and reviewed by the ministries responsible for them and by the Provincial Controller Division. Consolidation entries related to consolidated entities and pension and benefits reporting are posted into the Hyperion Financial Management system. **Figure 6** shows the process flow for the Public Accounts' financial reporting process.

The Comptroller General and Provincial Controller have been delegated the authority under Subsection 1.0.26 (7) of the *Financial Administration Act* to make any adjustments needed to the Public Accounts to reflect the financial position of the province.

2.3.4 The Accounting Consultation Process

The Office of the Comptroller General's Provincial Controller Division has an Accounting Consultation Unit that advises ministries and agencies, upon request, on how accounting standards should be

applied to their transactions and proposals. This includes, but is not limited to, the adoption of new accounting standards, changes to existing accounting standards, and the creation of new programs as needed.

The Treasury Board Secretariat's Accounting Advice Directive (Directive) requires ministries and consolidated agencies to inform the Provincial Controller Division of any high-risk accounting issues. The Directive also outlines the process for ministries and consolidated agencies to follow when requesting accounting advice from the Provincial Controller Division. If ministries or agencies want to engage external accountants, they are required to submit an Accounting Consultation Request Form to the Provincial Controller Division, which outlines the accounting issue, identifies whether the Provincial Controller Division was engaged prior to the decision to seek external advice, and indicates whether the ministry or agency is currently seeking advice from the Office of the Auditor General of Ontario (Auditor General's Office). The Provincial Controller Division provides a copy of the form to the Auditor General's Office when:

- the result of the advice is dependent on the interpretation and appropriateness of a particular accounting treatment or standard; and
- the outcome of the advice materially impacts the financial statements.

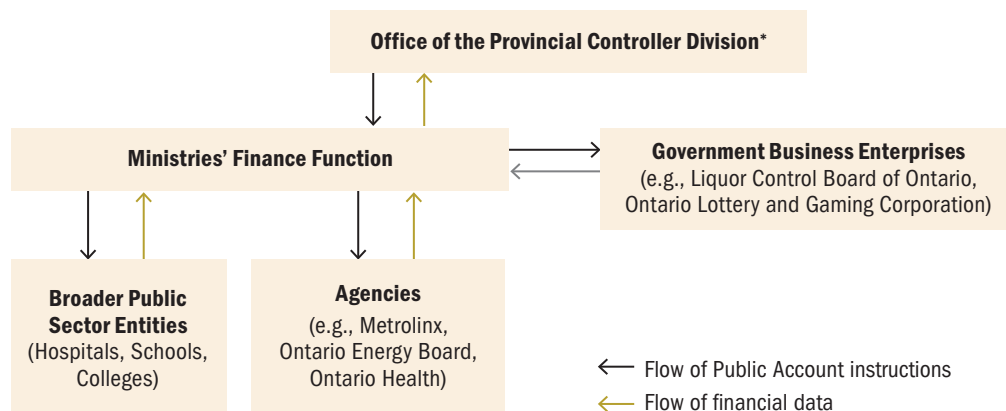
For any accounting matter on which advice from the Provincial Controller Division is being sought, the Provincial Controller Division requests that ministries prepare an initial documented accounting analysis that includes background information and supporting documents, such as agreements or contracts.

The Provincial Controller Division may also provide accounting advice to ministries:

- if accounting issues are identified and advice is requested by ministries as part of their development of their annual Multi-year Planning/in-year submissions;
- if Treasury Board Secretariat informs the Provincial Controller Division of accounting issues identified as part of the Secretariat's review of

Figure 6: Financial Reporting Process for the Public Accounts of Ontario

Prepared by the Office of the Auditor General of Ontario



* The Office of the Comptroller General's Provincial Controller Division reviews financial reporting templates and prepares consolidated financial statements, including adjusting journal entries and inter-ministry reclassifications.

ministries' annual Multi-year Planning/in-year submissions that the Provincial Controller Division should address; or

- through the Provincial Controller Division's general communication with ministries.

Figure 7 shows the parties who interact with the Provincial Controller Division on accounting issues.

2.3.5 Risk and Performance Management Mechanisms

The Enterprise Risk Management function and the Ontario Internal Audit Division also support the Public Accounts process. The Enterprise Risk Management function helps the province identify and address potential risks and problems which may otherwise prevent it from achieving program objectives. The Ontario Internal Audit Division helps ministries by providing internal assessments on operations, risks, fraud prevention and controls.

The effectiveness of these functions can have an impact on the ability of the province to provide effective financial management and reporting through the Public Accounts.

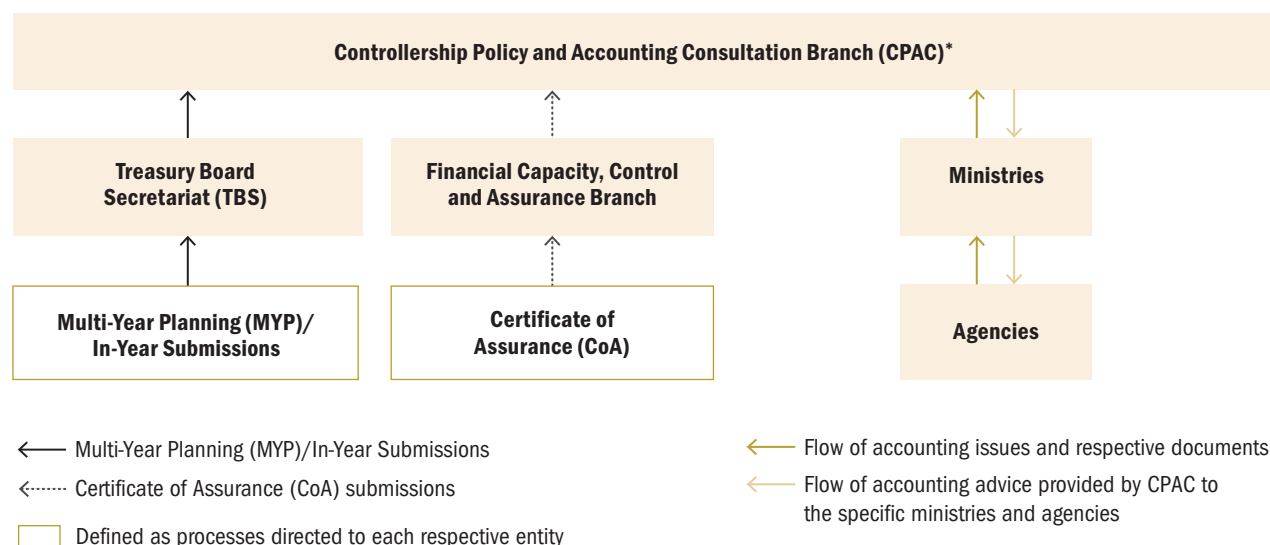
2.3.6 Fraud Prevention and Management

Fraud poses a significant risk to the integrity of provincial programs and financial reporting, and can erode public trust in government. Proactively managing fraud risk is necessary as it assists the government in fulfilling its responsibility to oversee how billions of dollars are received and spent annually. Internal controls that are well-designed and operate effectively can help minimize fraud losses. The Provincial Controller Division's guide to managing fraud risk includes key approaches to preventing fraud, such as the assessment of fraud risk (including specific tools and processes for gathering information about fraud risk) and a commitment to combating fraud throughout the organization.

The Provincial Controller Division learns annually of alleged, suspected and actual frauds through the CoA process, and may learn of frauds during the year if notified by ministries. For the 2020/21 fiscal year, ministries reported 146 instances of alleged, suspected and actual external and internal fraud through their CoA submissions. This has increased every year from 26 in the 2016/17 fiscal

Figure 7: Flow of Accounting Issues to and Accounting Advice from the Controllershship Policy and Accounting Consultation Branch (CPAC)

Prepared by the Office of the Auditor General of Ontario



* CPAC is a branch in the Office of the Comptroller General's Provincial Controller Division.

year. The Provincial Controller Division attributes the rise to changes in the requirement for ministries to also report all suspected and alleged frauds, as well as increased education and awareness. Ministries estimated the financial impact of about half of the 146 instances totalling \$76 million, with five frauds accounting for 56% of this value. The Provincial Controller Division relies on ministries to ensure completeness in reporting fraudulent activity, and Ontario Internal Audit's Forensics Investigation Team confirms to the Provincial Controller Division that all its relevant investigations are reflected in the instances of fraud that ministries report.

3.0 Audit Objective and Scope

The objective of our audit is to assess whether Ontario's Comptrollership Framework provides effective leadership and oversight of the preparation of the province's consolidated financial statements such that it:

- aligns ministries' and government organizations' accounting policies in accordance with Canadian Public Sector Accounting Standards for the purposes of the Public Accounts reporting (throughout the year and year-end reporting);
- mitigates the financial risks of the province (that is, fraud, internal controls, material errors);
- assesses the structure and cost-effectiveness of the internal audit function in relation to its support of organizational and effective finance function processes;
- assesses the role of the Enterprise Risk Management function in relation to its support of organizational and effective finance function processes;
- operates in accordance with legislation, directives and policies; and
- measures and reassesses, on an ongoing basis, whether the systems in place are operating effectively.

The criteria we used to conduct our audit are in **Appendix 6** and are based on applicable legislation, policies and procedures; internal and external studies; and best practices.

We initiated our audit in December 2019, with most work conducted from November 2020 to August 2021. We obtained written representation from senior management in the Office of the Comptroller General that, effective November 25, 2021 they had provided us with all the information they were aware of that could significantly affect the findings or the conclusion of this audit.

Our work was conducted at the Office of the Comptroller General's Provincial Controller Division in Toronto, as well as remotely during the COVID-19 pandemic. We looked at the following six ministries, which include large, mid-sized and small ministries, representing approximately 85% of the total ministry expenditures in 2020/21:

- Ministry of Health and Long-Term Care (during our audit, this ministry was restructured and separated into the Ministry of Health and the Ministry of Long-Term Care [MLTC]);
- Ministry of Children, Community and Social Services;
- Ministry of Energy, Northern Development and Mines;
- Ministry of Finance;
- Ministry of Education; and
- Ministry of Colleges and Universities.

As part of our audit, we conducted the following work:

- examined relevant documentation and data related to the Certificate of Assurance (CoA), financial reporting and accounting consultations processes;
- interviewed the Office of the Comptroller General staff, finance staff and/or program staff from ministries' finance functions, and internal audit staff to obtain an understanding of the CoA, financial reporting and accounting consultations processes;
- primarily using publicly available information, we prepared **Appendix 7** comparing the finance reporting structures in other Canadian provinces;
- examined a sample of CoA submissions to assess the robustness of processes ministries use to prepare attestation submissions, the level of

documented due diligence in the accompanying submissions, and the level of review of the submissions by the reviewer (that is, the Provincial Controller Division, ministry finance staff);

- analyzed a sample of ministries' accounting issues submitted to the Provincial Controller Division to assess the ministries' level of effort in preparing the initial analyses;
- reviewed job descriptions of positions within the finance function to assess the consistency of requirements and whether a Canadian Chartered Professional Accountant (CPA) designation is required; and
- examined training offered by the Provincial Controller Division related to the Public Accounts reporting process, and reviewed a sample of evaluation surveys on training provided.

Our work covered a period of three years, from 2018/19 to 2020/21, unless stated otherwise. We reviewed the costs of external accounting advice documented over the last six years. As well, our work covered the current job descriptions and CoA submissions.

We conducted our work and reported on the results of our audit in accordance with the applicable Canadian Standards on Assurance Engagements—Direct Engagements issued by the Auditing and Assurance Standards Board of the Chartered Professional Accountants of Canada.

The Office of the Auditor General of Ontario applies the Canadian Standards on Quality Control and, as a result, maintains a comprehensive quality-control system that includes documented policies and procedures with respect to compliance with rules of professional conduct, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Professional Conduct of the Chartered Professional Accountants of Ontario, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

4.0 Detailed Audit Observations: Comptrollership Function

4.1 The Office of the Comptroller General Does Not Have a Reporting Relationship with Ministries to Exercise Its Legislated Authority for the Preparation of the Public Accounts

At each ministry, the Deputy Minister is responsible for the ministry's financial management, which the *Financial Administration Act* specifies is to be conducted in accordance with directives, policies and procedures established by the Comptroller General. However, the Comptroller General does not have a functional reporting relationship with ministries' finance functions through which to exercise this legislated authority and direct the preparation of Public Accounts.

Currently, the Office of the Comptroller General can influence ministries' financial management only through the creation of directives and policies. The Office of the Comptroller General's Provincial Controller Division has issued such policies on topics including the management of revenues, transfer payments, tangible capital assets, accounting journal entries and bank reconciliations.

We found that the Office of the Comptroller General needs a functional reporting relationship with the director of finance, the controller and their finance functions in ministries to improve the inconsistent processes by the ministries for Certificate of Assurance attestations (see **Section 4.2.1**); the time it takes ministries to address key weaknesses in financial reporting controls (see **Section 4.2.2**); the need for ministries to follow the Provincial Controller Division's advice on significant accounting issues (see **Section 4.4**); the standardization of education and experience levels in the finance functions (see **Section 4.6**); and the annual training required to be completed by financial and accounting staff at ministries (see **Section 4.7**).

Each ministry has a Director of Finance that reports to a Chief Administrative Officer and a Deputy Minister and has no direct reporting relationship with the Office of the Comptroller General's Provincial Controller Division. A reporting relationship whereby the director of finance functionally reports to the Provincial Controller can enable the Provincial Controller Division to directly exercise its legislated authority to supervise, direct and control accounting functions.

RECOMMENDATION 1

To continue to strengthen the controllership function in the Ontario Public Service, we recommend that the Secretary of the Cabinet consider further changes to processes and accountabilities in consultation with the Comptroller General.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

In partnership with ministries, the Centre for People, Culture and Talent, and in consideration of existing authorities established under the *Financial Administration Act* and the *Public Service of Ontario Act, 2006*, the Office of the Comptroller General, reporting to the Secretary of the Cabinet, will undertake a review of potential changes to controllership processes and accountabilities.

4.2 Certificate of Assurance Process

4.2.1 Ministries' Processes Often Not Consistent or Sufficient to Support Certificate of Assurance Attestations

Ministries submit unaudited financial information to the Office of the Comptroller General's Provincial Controller Division. The Certificate of Assurance (CoA) process is a key formal process through which the Provincial Controller Division obtains assurance regarding the reliability of ministries' financial reporting, which is used to prepare the Public Accounts.

The Office of the Comptroller General's Provincial Controller Division does not require ministries to conduct, nor did it provide, a minimum set of procedures to perform before signing their CoA attestations. As a result, each ministry develops its own processes. We found that the processes developed by ministries to complete their CoA attestations were not effective in consistently identifying and reporting financial inaccuracies and instances of non-compliance with financial reporting requirements, legislation and directives, and internal controls.

Over the past four years, only 15% of the accounting and disclosure errors identified through our Office's audit work on ministries' financial results were also identified by ministries as issues in their CoA submissions. These errors most frequently related to the incorrect application of an accounting standard, estimates of account balances, or the consolidation of agencies and broader public sector entities, which since 2018/19 is primarily performed by ministries.

At the six ministries we audited, five ministries' CoA preparation processes involved responding to questionnaires that did not effectively support the ministries' CoA compliance attestation. For example, these five ministries independently designed questionnaires that varied in length (from 75 to 155 questions), type (require explanations to support all responses versus only when "no" was selected as the response), and time to complete (from a single day to two to three weeks). Only one ministry had a stronger process where it based its CoA attestation on an internal review of its business control descriptions, which Ontario Internal Audit last tested in 2019/20, rather than relying only on a questionnaire.

The CoA questionnaire responses we reviewed did not typically contain sufficient descriptions of procedures staff followed to arrive at a conclusion of compliance. For example, questionnaire responses claimed compliance but did not indicate how compliance was achieved. Ministry staff who prepare CoA questionnaire responses told us they rely on their knowledge of programs' operations, consult with

colleagues and use their judgment to decide whether they need to review any documentation when answering individual questions. As a result, ministry management has limited ability to perform a meaningful review of the adequacy and sufficiency of procedures performed.

Our review of CoA questionnaire responses also noted that explanations provided by ministries' branches are generally brief and support their responses only at a high level. They also generally do not indicate the specific results from any procedures performed to support the response.

We also noted that ministry staff commonly referenced routine operational procedures, such as using standard templates for monthly financial reporting and conducting internal discussions regarding financial issues, without including sufficient details to demonstrate that the referenced procedures were designed and are operating effectively to meet the CoA attestation requirements. For example, when asked to confirm that internal controls are designed to ensure the reliability of financial transactions and reporting, one branch responded that senior management meets with staff to discuss their assignments and responsibilities. Such meetings can contribute to an effective control environment, but on their own are not sufficient to establish that there are adequate controls over financial reporting.

The Office of the Comptroller General's Provincial Controller Division has not undertaken a comprehensive evaluation of whether the processes ministries have developed to support their signing of the CoA provide an appropriate and sufficient level of assurance so that the Provincial Controller Division can rely on ministry attestations. Ontario Internal Audit has infrequently assessed these processes and has done so only at two of the ministries we audited (see **Section 4.3.2**).

RECOMMENDATION 2

So that ministries' finance functions can effectively review the analyses and results of procedures performed by ministry staff when preparing

Certificate of Assurance (CoA) attestations, and the Office of the Comptroller General receives sufficient, reliable and consistent assurance over the accuracy of ministries' financial submissions and compliance with laws and policies for the preparation of the Public Accounts, we recommend that the Office of the Comptroller General prescribe CoA guidelines under the Internal Control Policy for the ministries' finance functions to follow that:

- establish specific required procedures and documentation for the key assessments, analyses and internal control evaluations to be performed by ministries when completing their CoA; and
- annually confirm that ministries' assigned finance staff review the documentation prepared by their ministries' staff and follow up with their branches if concerns are identified during this review.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Office of the Provincial Controller has an Internal Control policy that defines Certificate of Assurance attestation requirements and timelines and will undertake a review of this policy and associated process requirements. This review will determine the extent to which they should be updated to provide additional procedural requirement for the key assessments, analyses, internal control evaluations and confirmation of documentation review to be performed by ministries.

4.2.2 No Requirement for Ministries to Address Key Weaknesses in Financial Reporting Controls or to Inform the Provincial Controller Division of Instances of Fraud in a Timely Manner

The Office of the Comptroller General's Provincial Controller Division reviews individual ministry-identified CoA exceptions (that is, instances of non-compliance with any of the CoA attestation statements) and fraud instances and follows up with

ministries when it requires clarification. In 2020/21, ministries and board-governed agencies identified 148 exceptions in their CoA submissions, which was comparable to the previous fiscal year.

The Provincial Controller Division reviewed and verified ministries' assessments of individual exceptions marked as resolved, and supported ministries in resolving the remaining CoA exceptions by discussing progress where appropriate. While the Provincial Controller Division encourages ministries to resolve CoA exceptions within three years through its CoA instructions to ministries, it does not prescribe ministries to prepare specific action plans to more promptly resolve CoA exceptions or instances of fraud that it has identified as key or common across multiple ministries. Of the 148 CoA exceptions reported by ministries in 2020/21, 84 remained unresolved by the end of the fiscal year, of which ten had been reported more than three years ago. For example, one ministry noted as early as 2012/13 that not all capital asset transactions it recorded in the main accounting ledger system were reflected in the project management system and it had not begun to reconcile the discrepancy until the 2020/21 fiscal year. After reviewing ministries' CoA submissions, the Provincial Controller Division usually concludes that it is not aware of significant unaddressed matters impacting the Public Accounts other than those in its internally prepared summary. The Provincial Controller Division does not conclude whether the CoA process overall indicates that the financial information prepared by ministries for inclusion in the Public Accounts is accurate, or whether the lack of ministries' compliance with the requirements of the internal control framework has an impact on the Public Accounts.

For example, following a 2017 update to the Provincial Controller Division's internal controls policy, ministries were expected by April 2020 to have updated and assessed whether internal controls over their significant business processes were operating as intended. By April 2021, most ministries had tested the operating effectiveness of these controls in less than half of their significant business processes (see **Section 4.2.3**).

Regarding fraud, the Office of the Comptroller General's Provincial Controller Division reviews instances of suspected or actual fraud that ministries annually submit as a part of their CoA package. The Office of the Comptroller General is not routinely informed of frauds when they occur, or the status and resolution of identified frauds. In contrast, ministries in Saskatchewan are required to notify their Provincial Comptroller of known or suspected fraud losses that are due to fraud or similar illegal acts by employees, suppliers or contractors, using a specific incident report form. Quarterly, Saskatchewan's Provincial Comptroller publicly reports these losses.

In 2020/21, the Provincial Controller Division did not indicate its overall assessment of ministries' fraud remediation plans. However, in 2019/20 it noted that "some remediation plans were vague and did not provide sufficient information to assess how remediation plans addressed the fraud risk identified and others did not have a target date of completion. Progress on remediation plans were sometimes taken at face value and not thoroughly discussed or independently assessed by the ministry."

The Office of the Comptroller General indicated that the responsibility for having a system to identify and respond to the risk of fraud sits with ministries, and its Provincial Controller Division has not formally determined the reasonableness of ministries' timelines and actions to address fraud risks.

RECOMMENDATION 3

To increase the effectiveness of the Certificate of Assurance (CoA) in identifying and addressing systemic weaknesses that impact the reliability of ministries' financial information, and ministries' compliance with laws and policies, we recommend that the Office of the Comptroller General:

- conclude annually on whether the CoA exceptions indicate systemic weaknesses in financial reporting and internal controls processes at ministries, and where they do, work with ministries to take timely action to address such

weaknesses within a pre-established timeline; and

- implement a mechanism to be informed of and track the status of all known and potential frauds identified by ministries at least periodically throughout the year and assess the impacts on the province's financial reporting.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

Annually, as part of the Certificate of Assurance process, the Office of the Comptroller General's Provincial Controller Division (OPCD) develops a Common Themes report that identifies potential enterprise wide areas of weakness.

OPCD will continue to report common themes to ministries and, if warranted, include them as special areas of focus in future CoA instructions. To further support the conclusion of systemic weakness, this information will be reported to the Office of the Chief Risk Officer and will also be provided to Ontario Internal Audit for consideration of inclusion and additional review within annual audit plans.

Annually, ministries report alleged, suspected and confirmed fraud occurrences to the Office of the Provincial Controller in order to assess the impacts in time for the annual Public Accounts.

The Office of the Comptroller General will undertake a review to examine whether additional fraud reporting is required to support Public Accounts reporting.

4.2.3 Ministries Have Not Assessed Operating Effectiveness of Most of Their Internal Controls

For the Office of the Comptroller General's Provincial Controller Division's financial policies to be implemented effectively, ministries must establish, maintain and document effective internal controls that support those ministries' CoA attestations. As part of the Provincial Controller Division's updated April 1, 2017 Internal Controls Policy, ministries were

expected to update and assess the operating effectiveness of their internal controls. The previous internal control management directive also required ministries and agencies to implement and assess the effectiveness of internal controls.

The Provincial Controller Division, through the annual certificate of assurance instructions, set out its expectations for ministries' documentation and assessment of internal control as follows:

- high-level controls over governance and accountability by April 2019;
- operating controls by April 2020; and
- IT controls by April 2020.

In April 2021, 19 of the 24 ministries had not tested the operating effectiveness of those controls in half or more of their significant business processes, due to ministry reorganizations and resource restrictions as well as impacts of the COVID-19 pandemic. Similarly, by April 2021, 10 of the 17 ministries that identified significant IT systems also had not tested the operating effectiveness of half or more of these systems' IT controls over general operations and access. Despite this, these ministries still signed off as part of the annual CoA process that they had maintained an effective system of internal controls.

Overall, all ministries combined tested the operating effectiveness of their internal controls for less than 30% of the nearly 350 significant business processes they operate. Progress at the six ministries we reviewed varied. Two ministries assessed the effectiveness of internal controls of about 80% of their significant business processes (22 and 16 processes tested, respectively). The other four ministries had assessed one-third or less of their business processes.

This delayed testing limits the ability of Deputy Ministers to rely on their internal controls to support their CoA attestations.

In 2019/20, Ontario Internal Audit reviewed the operating effectiveness of 65 internal controls across

a sample of 14 business processes at one of the ministries we audited which based its CoA attestation on this review of its business process controls. The review assessed five controls as having opportunities for improvement. Following the review, this ministry implemented initiatives to address the opportunities for improvement that were identified. Ontario Internal Audit and the ministry did not test these controls during the 2020/21 fiscal year.

The 2017 internal controls policy also required ministries to assess high-level controls over governance and accountability mechanisms, for example, "tone at the top" controls, which 90% of ministries completed by April 2020, and all ministries completed by April 2021—two years after the expected timeline.

RECOMMENDATION 4

So that ministries have effective internal controls to prevent, identify and correct financial reporting issues, we recommend that the Office of the Comptroller General set and enforce deadlines for ministries to complete their operating effectiveness testing of significant business processes as required under the 2017 Internal Control Policy and perform subsequent annual assessments of whether their controls and policies are operating as intended.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Office of the Provincial Controller has an Internal Control policy that sets standards for internal controls documentation and timelines for adoption and will undertake a review of its existing internal control policy and associated process requirements. This review will determine the extent to which current standards for internal controls documentation, testing and associated timelines should be updated.

4.3 Ontario Internal Audit Division and Enterprise Risk Management Office

4.3.1 Ontario Internal Audit Division Does Not Systematically Target Financial Internal Controls at Ministries for Testing

Reviews of ministries' financial controls conducted by the Ontario Internal Audit Division (Ontario Internal Audit) can confirm the reliability of ministries' self-assessments of their financial reporting that are provided to the Office of the Comptroller General's Provincial Controller Division through the CoA process. However, no practice exists for Ontario Internal Audit to periodically review ministries' internal controls over key financial processes and provide assurance that they are properly working.

Ontario Internal Audit's mandate includes evaluating the adequacy and effectiveness of ministries' and agencies' internal controls, including ones related to financial reporting, but most of Ontario Internal Audit's current work at ministries focuses on audits of ministry programs' operations and government transfer recipients. Our review of the objectives of Ontario Internal Audit's reports finalized between 2017/18 and 2020/21 noted that less than 15% of the audits specifically focused on financial controls, or directly provided assurance on the accuracy of ministries' financial reporting. In addition, while not directly focused on financial controls, another 7% of internal audit engagements had some testing of financial controls. Ontario Internal Audit does annually and comprehensively test the controls over the integrity of the province's general ledger and payroll IT system.

Ontario Internal Audit identified assessing the design and operating effectiveness of controls over select financial reporting processes at individual ministries and the process of preparing the CoA as a part of its 2021/22 audit plan. However, by September 2021, Ontario Internal Audit had not yet determined the nature and scope of this planned work.

RECOMMENDATION 5

To provide assurance that key financial controls at ministries are operating as intended, we recommend that the Office of the Comptroller General require that the Ontario Internal Audit Division include in its annual plan, as approved by the Audit and Accountability Committee, a requirement to test, on a rotational basis, the design and operating effectiveness of all ministries' key financial controls.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Ontario Internal Audit Division (OIAD) will continue to annually review and issue a report on controls that support system reliability which addresses internal controls over the general ledger and payroll IT systems to support public accounts.

OIAD continues performing audits of Internal Controls over Financial Reporting in a sample of ministries, as approved by the Audit and Accountability Committee. In efforts to expand on this work and to support the 2022/23 internal audit planning process, OIAD is developing a multi-year, integrated/systematic, risk-based audit approach to assess key financial controls in a sample of ministries and/or ministry testing on a rotational basis for approval by the Audit and Accountability Committee. This will be based on available resources.

4.3.2 Ontario Internal Audit Division Provided Little Assurance over Effectiveness of Ministries' Certificate of Assurance Processes

Similar to the financial internal controls discussed in **Section 4.3.1**, Ontario Internal Audit is not required to assess ministries' CoA self-attestations for accuracy. As such, Ontario Internal Audit did not regularly undertake such work that ministries could reference as part of their annual CoA attestation (see **Section 4.2.1**).

Ontario Internal Audit infrequently assessed how ministries prepare their CoA attestations. Instead, Ontario Internal Audit annually confirmed to the Office of the Comptroller General's Provincial Controller Division only that it was not aware of any significant issues noted in its audits or instances of fraud other than the issues already reported as exceptions by ministries in their CoA attestations. The last time Ontario Internal Audit examined parts of any ministry's CoA process was in 2018/19, regarding the 2017/18 CoA process at two ministries. As its audits focused on the finance function, Ontario Internal Audit did not review the supporting evidence from program areas that form the basis of the ministries' overall CoA attestation. Ontario Internal Audit reviews can provide assurance to both Deputy Ministers and the Provincial Controller Division that processes ministries follow when preparing their CoA attestation comply with minimum procedures that can be agreed upon with the Provincial Controller Division.

RECOMMENDATION 6

So that Deputy Ministers and the Office of the Comptroller General receive sufficient assurance over ministries' internal control processes over financial reporting, we recommend that the Office of the Comptroller General work with the Ontario Internal Audit Division to implement a plan to assess, on a rotational basis, ministries' compliance with Certificate of Assurance (CoA) procedures and methodologies established by the Office of the Comptroller General for the respective Deputy Ministers to reference as part of their annual CoA attestations.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

For the current audit cycle, the Ontario Internal Audit Division (OIAD) has included audits of the Certificate Assurance Process which will select CoA processes in a sample of ministries that

support the Deputy Minister's (DMs) sign off on the annual attestations. In efforts to expand on this work and to support the 2022/23 internal audit planning process, OIAD is developing a multi-year, integrated/systemic, risk-based audit approach to assess CoA processes in a sample of ministries that support the sign off of DM attestations on a rotational basis, for approval by the Audit and Accountability Committee. This will be subject to available resources.

4.3.3 Enterprise Risk Management Office Has Not Yet Reviewed Ministries' Processes to Identify and Manage Risks

As a systemic process of understanding and managing risks across ministries and agencies, enterprise risk management can provide information necessary for effective financial management and decision-making.

Similar to the current CoA process, where ministries self-assess their compliance with attestation statements, ministries self-identify and report risks to the Office of the Comptroller General's newly established Enterprise Risk Management (ERM) Office.

The ERM Office provided ministries with guidance on how to identify and assess risks and monitor how risks are addressed. However, the ERM Office is not required to routinely conduct risk assessments at ministries, or review in-depth the assessments that ministries prepare, to confirm that all relevant risks have been identified and correctly assessed. Ontario Internal Audit's 2021/22 plans indicate that it will perform an audit of ERM in 2023/24.

The process of review is particularly important for subjective processes such as risk assessment to ensure all relevant risks have been identified and plans are in place to effectively address the risks. Without a standard specific process (for example, to identify all significant risks and comprehensively assess their operational and financial impact) that ministries must follow, or a review of ministries' work, the ERM Office has no assurance that the risk information it receives from ministries captures all significant risks, or that

the potential impacts of those risks are accurately assessed.

The province's 2017 ERM Framework described implementing risk management practices across all ministries and agencies as a complex, multi-stage process, which requires risk management to evolve from a limited, ad hoc process to a comprehensive, integrated approach where risk information is embedded in program design and strategic decision-making. As a first step toward the goal of developing a mature state of risk management, the ERM Office gathered information on the level of risk maturity at each ministry and agency during our audit in the spring of 2021. The ERM Office told us it will use the results of the survey to inform next steps in enhancing risk management across ministries and agencies. Further, the ERM Office is in the process of developing a roadmap toward mature risk management at ministries and agencies.

RECOMMENDATION 7

So that Deputy Ministers and the Office of the Comptroller General receive sufficient assurance over ministries' risk management assessment processes, we recommend that the Office of the Comptroller General develop and implement an approach to review, on a rotational basis, the processes ministries follow to identify and manage risks, and follow up on whether identified issues are corrected.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

Sufficient assurance over the Enterprise Risk Management (ERM) Directive (April 2020) ensures the efficacy of the Ontario Public Service's ERM to Deputy Ministers.

In 2021, the Office of the Chief Risk Officer (OCRO) provided ministries guidance and a process to sustain ministry risk registers. The process includes risk identification, risk/control assessment, risk mitigation action planning, senior

executive endorsement and quarterly action plan monitoring and is subject to OCRO quality assurance. OPS-wide Consolidated Risk Reports have been issued as a result of this process.

In addition, the Ontario Internal Audit Division will consider audit/assurance requirements for the ERM Directive as part of annual internal audit planning.

4.4 Ministries Not Formally Required to Follow the Provincial Controller Division's Accounting Advice; Provincial Controller Division Not Tracking Advice It Provides

We found that the Office of the Comptroller General's Provincial Controller Division's complex accounting group, the Comptrollership Policy and Accounting Consultation Branch (CPAC), does not formally track all the accounting issues and advice it reviews and recommendations it provides to ministries. While ministries are required to follow the Accounting Advice Directive, the Accounting Advice Directive does not specifically require ministries to implement the accounting advice that the Provincial Controller Division provides and there is no evidence the Provincial Controller Division follows up to determine whether the ministries implemented its advice.

The lack of tracking of accounting advice provided to ministries could hinder cost efficiencies if multiple ministries seek advice on similar topics, as the Provincial Controller Division cannot readily confirm the prior advice provided. To prevent inconsistent accounting recommendations from being provided to different ministries, the Provincial Controller Division currently holds weekly team meetings to discuss whether an issue has been previously addressed with another ministry. The lack of a tracking system increases the risk of inconsistent accounting advice being provided to ministries because staff may change or not remember all past accounting advice provided. As well, opportunities are missed for the Provincial Controller Division to identify potential

training needs for ministries, or to provide relevant guidance to ministries in areas where it provides similar advice to cross-ministry programs.

The Provincial Controller Division indicated that it ensures that ministries have implemented its accounting advice as part of its general review of the information ministries submit to it for the preparation of the Public Accounts. However, there was no evidence of this review. Further, ministries may not implement the Provincial Controller Division's advice prior to submitting year-end financial data to the Provincial Controller Division, which increases the risk that uncorrected accounting issues will be included in the province's consolidated financial statements. For example, one ministry disagreed with the Provincial Controller Division's conclusion over the control of an agency, and therefore inappropriately excluded the entity's assets, liabilities, revenues and expenses in the information reported to the Provincial Controller Division; this resulted in it being inappropriately excluded from the province's draft consolidated financial statements.

RECOMMENDATION 8

To build efficiencies in the processes to provide financial reporting and accounting advice to ministries, we recommend that the Office of the Comptroller General:

- track all accounting advice it provides to ministries; and
- revise the Accounting Advice Directive to clearly state that ministries are required to follow the accounting advice it provides them with, and follow up to determine that the advice was appropriately followed.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Provincial Controller Division (OPCD) provides accounting advice in accordance the principles-based Canadian Public Sector

Accounting Standards (PSAS) and government-stated accounting policies, ensuring the consistent recording of the economic substance of ministry transactions. The accounting advice provided to ministries is retained as required by government record-retention directives and policies.

Accounting advice pertaining to items of material significance for the Public Accounts are documented, and communicated within OPCD and to the Office of the Auditor General. OPCD will consider implementation of a database to track all accounting advice provided to ministries.

This recommendation is already in place as ministries are required to follow the Accounting Advice Directive which implicitly includes the requirement to implement government-stated accounting policies.

The requirements and expectations of the Accounting Advice Directive released on December 1, 2001, remain relevant and effective to this day.

Accounting advice provided by OPCD is inseparable from policy as it is an expression of government-stated accounting policy, which ministries are obligated to follow and implement. As part of the consideration of implementing an accounting advice database, OPCD will consider including resolution of the advice in the database.

The Deputy Minister of each ministry and the head of each public entity is responsible for ensuring the proper conduct of the financial business of the ministry or public entity in accordance with government directives, policies and guidelines as are issued and such practices and procedures as are established under the *Financial Administration Act*.

Staff from OPCD work collaboratively with the Office of the Auditor General through monthly meetings to discuss high-risk accounting issues, ensuring accurate reflection for the Public Accounts.

AUDITOR GENERAL RESPONSE

Clearly stating that the accounting advice provided by the Provincial Controller Division be followed reinforces the importance of following this advice to ministries and facilitates the determination of whether the advice has been followed.

4.5 Provincial Controller Division, Ministries and Agencies Hired External Consultants to Research New and/or Complex Accounting Standards

The Office of the Comptroller General's Provincial Controller Division established its Controllershship Policy and Accounting Consultation Branch (CPAC) in 2018. Since then, it has grown its presence as the internal accounting technical experts for the ministries and agencies, where CPAC will provide accounting advice and internal resources (that is, training and tools) for complex and new accounting standards. However, when the Provincial Controller Division, ministries or agencies outsource the research of new accounting standards and complex accounting issues to external accounting firms, there is a lost opportunity to grow and retain technical expertise internally.

We found instances where the Provincial Controller Division engaged external advisory firms in 2019/20 and 2020/21 for services to research and implement new and existing accounting standards, rather than developing in-depth knowledge of the new standards by researching them themselves. For example, the Provincial Controller Division engaged external accounting advisory firms to:

- research and analyze the Public Sector Accounting Standard on Asset Retirement Obligations and provide measurement examples;
- research and analyze the capitalization of interest accounting standards;
- assist with the implementation of the PS 3450, Financial Instruments standard, including researching the standard;

- assist with the implementation of the yet-to-be-finalized PS 3160, Public Private Partnerships standard, including researching the standard;
- assist with the implementation of the yet-to-be-finalized PS 3251 Employment Benefits standard, by working with the Provincial Controller Division and external sources to obtain information to assess the changes; and
- provide environmental expertise to determine the landfill liability under the PS 3270, Solid Waste Landfill Closure and Post-Closure Liability standard.

The Provincial Controller Division has incurred approximately \$767,000, including \$252,000 for environmental expertise, in external advisory costs in the last three fiscal years.

Similarly, in the past six years, ministries and agencies engaged external advisory firms for complex accounting issues, and the interpretation and implementation of new accounting standards, for costs totalling \$2.7 million (see **Figure 8** for costs per year).

Since 2018/19, there has been a curb in the previous trend of rising external accounting advisory costs related to complex accounting transactions, although in 2020/21 there was an increase in costs related to the interpretation and implementation of upcoming new accounting standards.

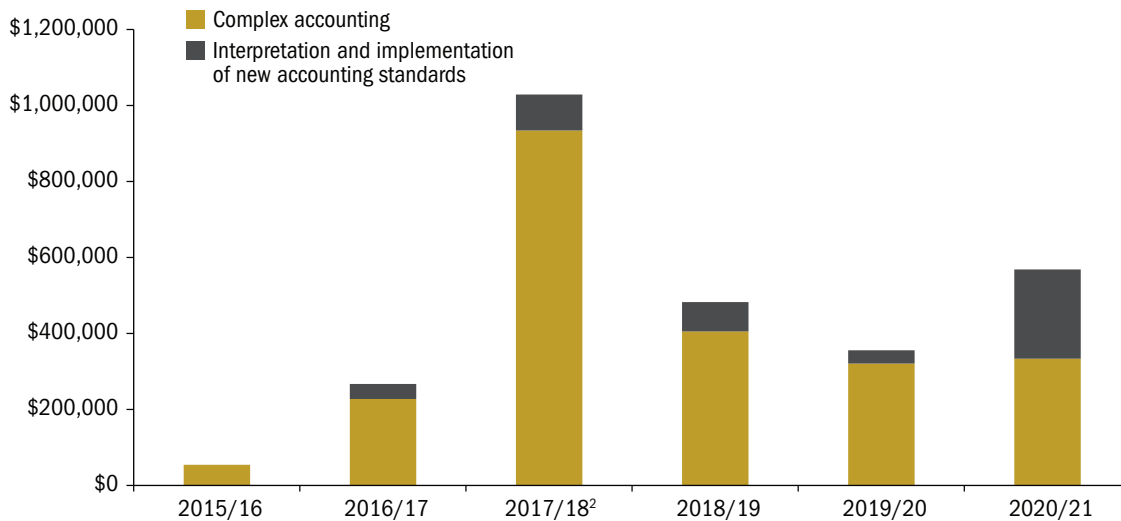
Since the inception of CPAC in 2018, total external accounting advisory costs incurred by the Provincial Controller Division, ministries and agencies were \$2.1 million.

We found five instances totalling approximately \$316,300 where agencies sought external accounting advice without informing the Provincial Controller Division as required by the Accounting Advice Directive (effective July 9, 2019). This not only results in an inefficient use of resources, but also poses the risk that the Provincial Controller Division may not be informed of high-risk accounting issues.

We found that some agencies were unnecessarily incurring costs for acquiring external advice on high-risk accounting issues that could have been resolved internally. Again, this poses the risk

Figure 8: Total External Accounting Advisory Costs¹ Across All Ministries and Agencies (2015/16–2020/21)

Source: Treasury Board Secretariat



1. External accounting advisory costs (from 2015/16 to 2020/21) are categorized by the accounting services provided, including: Interpretation and implementation of New Accounting Standards, and Complex Accounting. This excludes costs incurred by the Office of the Comptroller General's Provincial Controller Division.

2. Increase in complex accounting costs in 2017/18 were related to external accounting advisory costs for the Fair Hydro Plan.

that the Provincial Controller Division may not be informed of the high-risk accounting issues. For example, one agency engaged an external firm for accounting advice related to a Toronto Transit Commission (TTC) transaction without informing the Provincial Controller Division or its ministry first. As well, another agency sought external advice over the adoption of the accounting leases standards under the International Financial Reporting Standards (IFRS) without informing the Provincial Controller Division or its reporting ministry. Furthermore, we found that the Accounting Advice Directive does not prevent ministries or its Crown agencies from first obtaining external advice before informing the Provincial Controller Division to allow them the first opportunity to assess whether it has the resources and knowledge to provide the accounting advice. Instead, the Provincial Controller Division has issued an accounting consultation request form that requires ministries and recommends that agencies notify the Provincial Controller Division prior to seeking external advice for high-risk accounting issues. No similar requirements are in place for accounting issues that ministries and agencies do not determine to be high-risk.

These actions increase the risk of a lack of in-depth technical expertise within the Provincial Controller Division, ministries and agencies because they would not be able to address any follow-up questions raised as part of implementing the new and/or complex accounting standards. Instead, they have to rely on external firms to address them. In addition, there is also the risk that the Provincial Controller Division is not informed of high-risk accounting issues that may be incorrectly assessed and treated.

RECOMMENDATION 9

In order to continue developing and expanding its internal accounting advisory expertise as a means to cost-effectively provide accounting advisory services to ministries and agencies, we recommend that the Office of the Comptroller General implement processes to:

- research, develop and maintain in-house knowledge and resources on new and upcoming accounting standards;
- perform accounting assessments internally for new and upcoming standards issued by the

Public Sector Accounting Board, rather than outsourcing these assessments to external firms;

- require both ministries and agencies to seek accounting advice from the Office of the Provincial Controller Division regarding accounting issues, rather than obtaining external advisory services; and
- be solely responsible for engaging external accounting advisory services if needed to address the volume of requests.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Provincial Controller Division (OPCD) provides effective accounting advisory services to ministries, given existing resources. External accounting advisors are retained strategically, where appropriate, for specialized knowledge.

OPCD's current, long-standing practice is to research, develop and maintain in-house knowledge and resources on existing and upcoming standards, through continuing to expand internal talent to address implementation of new Public Sector Accounting Standards. The Office of the Comptroller General is committed to continuing the development of in-house knowledge. OPCD will not outsource its work to external firms, rather, strategically hire external firms to assist and complement government accounting and controllership policy development decisions.

Ministries are responsible for their respective planning and procurements, including the procurement of external consultants to provide accounting advisory services. Agencies should consult their ministry controllership for accounting advice, and where necessary ministry controllership will communicate agency accounting advice requests to OPCD. Ministries and their respective Agencies are required through the Accounting Consultation Request Form process to inform OPCD and the Office of the Auditor

General with details regarding plans/intent to obtain or have sought (respectively) external advisory services.

While OPCD provides feedback and advice to ministries relating to their plans to procure external accounting advice through the Accounting Consultation Request Form, ministries will continue to be responsible for their procurement of accounting advisory services.

The Accounting Consultation Request Form process provides information to OPCD and the Office of the Auditor General when external advisors are procured to provide accounting advice.

AUDITOR GENERAL RESPONSE

We encourage the Office of the Comptroller General to implement this recommendation. Having the Provincial Controller Division expand its internal accounting advisory expertise and be responsible for researching, developing and maintaining accounting advisory services and, where warranted, engaging external firms, provides a cost-effective, centralized process for the provision of accounting advice.

4.6 Ministry Finance Positions Need to Require Standardized Education and Experience Requirements to Efficiently Address Increasingly Complex Accounting Issues and Standards

Given the increasing complexity of accounting standards, ministry accounting staff require a stronger understanding of the Canadian Public Sector Accounting Standards (PSAS) for government reporting. We found the province does not have standardized education (such as a Chartered Professional Accountant (CPA) designation) and experience requirements for persons hired into finance-related positions across ministries, including for those in senior finance positions. In addition, there was a disconnect between the current job qualifications required for financial

positions and their responsibilities, as candidates for and incumbents of these positions are often required to have a strong understanding of PSAS, but are often not required to have a CPA designation.

At the six ministries we audited, we found inconsistencies in the accounting qualifications required for the ministry controller and finance director positions. The finance directors sign off on the CoA attestation memo stating the ministries have complied with PSAS. As well, the ministry controllers and finance directors sign off on the financial reporting templates submitted to the Provincial Controller Division for the preparation of the consolidated financial statements, which are required to be prepared in accordance with PSAS. Therefore, it seems beneficial that these positions be required to hold CPA designations. However, we found:

- For the ministry controller position, three of the six ministries required a CPA designation, while the other three required only “CPA equivalent” experience, without defining what this entailed. We found that two of these three controllers had a CPA designation.
- In five of the six ministries, the job descriptions for the finance director position indicated that expert knowledge and understanding of finance function principles, accrual accounting and Canadian Public Sector Accounting Standards (PSAS) for government reporting were required for the role. However, the job descriptions did not include accounting education or experience requirements to ensure this requirement would be met. We found that none of the finance directors at the six ministries reviewed had a CPA designation.

In 2020, the Provincial Controller Division completed a project to standardize the job descriptions for persons in the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO, a union) finance branch positions (that is, Analyst, Advisor, Lead, Senior Lead). The project’s goal was to ensure that the responsibilities, skill requirements and tasks of these AMAPCEO positions

were consistently described across the organization. In 2017, the Ministry of Government and Consumer Services completed a project to standardize the job factors, skills and responsibilities within the manager job descriptions in the Management Compensation Plan (MCP) group, which included ministry controllers. However, as noted above, job descriptions were not standardized for ministry controller positions.

We found that neither of these two projects assessed whether or not the required qualifications (that is, work experience, education, professional designations) were appropriate for the positions within the Senior Management Compensation Employee Group (that is, Chief Administrative Officer, Finance Directors). This is consistent with the lack of professionally designated accountant requirements per our review of the finance director job descriptions. Having professional accounting expertise available within the ministries’ finance functions improves the quality of the accounting analysis done at the ministry levels and the accuracy of the Public Accounts.

Ministry finance staff require knowledge of new and complex accounting issues and standards when preparing accounting assessments for the Provincial Controller Division. We analyzed 13 such assessments (across 12 ministries) from 2019/20 to 2020/21 submitted to the Provincial Controller Division as part of requests for accounting advice. Overall, we found the accounting analysis packages that included stronger documentation and analysis, with consideration to the correct accounting standards and applicable legislation, were all prepared by CPA professionals. However, we also found that seven out of ten accounting memos we reviewed that had insufficient analysis or support were prepared by ministry staff without an accounting designation. This resulted in more correspondence between the Provincial Controller Division and the respective ministry. In all seven cases, the Provincial Controller Division disagreed with the accounting recommended by the respective ministries.

Given the increasing complexity of accounting standards, having accounting professionals in key finance roles further supports the strong understanding of Canadian Public Sector Accounting Standards (PSAS) necessary for financial issue analysis and government accounting and reporting.

RECOMMENDATION 10

To enhance the financial acumen of senior management accounting positions across the ministries, we recommend that the Office of the Comptroller General work with the Centre for People, Culture and Talent to:

- further standardize the job descriptions for these positions across all ministries such that they have consistent qualifications, including education, a Canadian Chartered Professional Accountant (CPA) designation and work experience required based on the job responsibilities; and
- require all new hires to these positions, as attrition occurs, to possess the qualifications needed for the positions.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

In partnership with ministries, the Centre for People, Culture and Talent, and the Ministry of Government Services (Job Evaluation), the Office of the Comptroller General will form a project to:

- review existing job descriptions to further standardize senior management accounting positions, including consistent qualifications in respect of education and equivalent work experience based on job responsibilities, considering the requirement for a CPA designation if appropriate; and
- examine the opportunity to offer appropriate training and certification opportunities for all senior management accounting positions.

4.7 Ministry Finance Roles Require Standardized Training Requirements to Achieve a Sufficient Level of Financial and Accounting Proficiency

Given the increased complexity of accounting standards, strong financial training is required to enhance accounting acumen within finance functions at ministries. We found that ministry finance staff, including those without a professional accounting designation, were not required to take specific financial, accounting and fraud training courses or attend updates for new and revised accounting standards relevant to their positions. The Office of the Comptroller General has an opportunity to improve and require the financial training sessions provided by its Provincial Controller Division, such that ministry finance staff have a sufficient level of financial and accounting proficiency.

The Provincial Controller Division and the six ministries we audited did not require staff in various finance positions to complete standardized training, other than training on the Integrated Financial Information System (IFIS, the province's general ledger). They also did not have standardized minimum training plans for staff to complete based on their positions. As a result, individuals were not required to take specific financial, accounting and fraud-prevention training courses relevant to their roles or positions. This lack of standardized training requirements can result in varying levels of competencies for individuals in the same position across ministries.

Staff members who attest to the public accounts reporting and internal controls as part of the annual CoA process within the program areas do not always come from accounting or finance backgrounds. We found staff coming from non-accounting backgrounds who were involved in the CoA process did not always select financial trainings. For example, across the six ministries, we found only some of the CoA submission

preparers and reviewers attended the respective financial reporting and internal control framework training during 2019/20. We further noted that most of these individuals did not possess strong financial backgrounds, as only some held an accounting designation. These courses would have supplemented their knowledge.

For the training sessions provided, the Provincial Controller Division sends out the training invitations to ministry Controllers, who forward them to relevant personnel such as the analysts who prepare the financial reporting templates. We found that ministry Controllers did not always know whether their finance staff attended the training sessions.

Additionally, we interviewed staff who attended the Provincial Controller Division courses at the six ministries audited, and examined course evaluation surveys for a sample of 10 financial training sessions offered by the Provincial Controller Division in 2019 and 2020. We found that the financial training offered by the Provincial Controller Division could be more effective if it provided more detailed technical knowledge, with multiple sessions allocated to training rather than addressing several topics in one session, and time to answer questions. As well, if this training focused more on addressing how technical concepts can be applied in common ministry scenarios, participants could be better equipped with the level of technical knowledge required to perform their roles.

The Provincial Controller Division also recommends and invites the approximately 3,600 staff across the Ontario government's finance community to attend its quarterly fraud awareness and prevention training. However, this fraud training is not mandatory and during 2018 to 2020, between 88 and 404 staff attended such training. The Provincial Controller Division does not know which ministries provide their own fraud training or fraud prevention programs, because it does not track such information.

While the Provincial Controller Division's fraud training provides base-level knowledge about fraudulent activities and the process of reporting

fraud, cybersecurity concerns involving fraud are not specifically highlighted in the training. Cybersecurity only appears in general terms in a session on controls relating to information technology. Cybersecurity training on topics including phishing awareness and data and device security is available through another ministry.

RECOMMENDATION 11

To strengthen the technical accounting and fraud prevention knowledge of ministry finance staff, we recommend that the Office of the Comptroller General work with the ministries to:

- create and implement standardized training plans for individuals involved in preparing and reviewing the Certificate of Assurance, Public Accounts and Financial Reporting schedules; and
- develop and deliver time-appropriate financial and fraud training sessions that meet staff's varying needs relevant to their roles at different ministries, as set out in the standardized training plans.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Office of the Comptroller General is currently implementing a Comptroller General Academy that is focussing on:

- assessing financial management capacity and capability through an independent assessment;
- modernizing financial learning and development; and
- growing and managing financial talent.

The Academy is expected to develop, when fully resourced, a learning needs analysis for the 3,600 finance staff across the organization with the intent to:

- identify staff's varying learning needs relevant to their roles at different ministries;
- update the existing financial and fraud training programs and develop and deliver new and

revised programs to ensure programs meet the identified needs; and

- identify mandatory training requirements for financial staff.

4.8 Finalization and Broad Communication of Comptroller General's Strategic Plan Will Assist in Organizational Change

At the time of our audit, the Comptroller General was assessing the direction to best realize the government's expectations regarding fiscal prudence and accountability and was in the process of developing a strategic plan to identify priorities and initiatives to achieve these priorities. As a preface to the more complete listing of initiatives the strategic plan would outline, during our audit the Comptroller General commenced two initiatives:

- Long-term skill development planning—assessing financial management skill sets across the finance staff at ministries, including a review of the pool of Chartered Professional Accountants, to expand finance and accounting training programs. The initiative will also expand relationships with post-secondary organizations, such as universities, and initiate external recruitment.
- Organizing round tables—ministries' Chief Administrative Officers, who provide executive leadership for their ministries, are periodically meeting to discuss matters and needs related to risk, audit and financial reporting, including sharing lessons learned and best practices, and setting performance measures.

A robust strategic plan is a key element of setting the direction of the Comptroller General's work and serves to align outcomes expected from the government and specific initiatives to achieve them, including associated performance measures (see **Section 4.9** for recommendations regarding a performance management framework). Also, a strategic plan can lay the groundwork for addressing change management for building effective working relationships between the Provincial Controller

Division and Ontario Internal Audit, the new Enterprise Risk Management division and other internal stakeholders in the Ministry of Finance and the Treasury Board. For example, in its January 2021 summary of risks identified by ministries, the ERM Office noted ongoing collaborative work was needed between the divisions reporting to the Comptroller General to ensure fraud prevention controls are implemented. The ERM Office also noted an opportunity to include risk information in presentations to a newly established Cabinet committee working to bring major changes to the function of government in response to the COVID-19 pandemic. The Comptroller General was allocated about \$1 million in each of the 2021/22 and 2022/23 fiscal years for the transition to the new comptrollership model.

Because government programs are carried out and accounted for by ministries and their agencies, the effective implementation of initiatives in the Comptroller General's strategic plan will likely require compliance and co-operation from ministries' finance functions. Updates to the Provincial Controller Division's existing directives and policies, or issuing new ones, may be a necessary part of implementing the Comptroller General's strategic plan.

As a new model, the creation of the Office of the Comptroller General is an opportunity to review and increase the consistency and effectiveness of accounting and financial management practices across ministries and agencies and establish the links between financial and risk management. The transition to a new comptrollership model also provides an opportunity to strengthen the financial expertise within ministries and identify where additional capacity (that is, training and resource management) and the recruitment and development of new skill sets within ministries are needed.

RECOMMENDATION 12

To strengthen the comptrollership function, we recommend that the Office of the Comptroller General:

- finalize, and broadly communicate and implement on a timely basis, a strategic plan

that identifies clear and specific initiatives and actions to improve financial and risk management, including ones based on recommendations made in this report;

- where necessary for the implementation of the Comptroller General's strategic plan, update the financial management requirements for ministries in existing directives and policies, or issue new ones; and
- conduct an independent formal review and evaluation of the effectiveness of implemented changes.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Comptroller General is currently developing a strategic/business plan for release in 2022 to identify priorities and initiatives that aim to enhance the accountability and capacity of financial and enterprise risk management activities across the government. As part of implementation, specific project plans and related timelines for delivering on plans will be developed that may identify the need for updated financial requirements for ministries as well as an assessment of their implementation.

4.9 Effective Performance of Finance Functions Not Assessed

In general, a comptrollership performance management framework includes a set of goals and expected outcomes relevant to the comptrollership objectives and can be used to assess, by using performance measures, whether outcomes are being achieved and delivered effectively. A performance management framework can also help the Office of the Comptroller General identify areas where improvements are needed within the province's finance functions. Performance indicators with targets can assess progress toward meeting those goals.

However, there is no established framework with performance targets in place to assess the effectiveness of the Office of the Comptroller General's Provincial Controller Division.

There are also no performance indicators assessing the effectiveness of the finance functions at ministries. At all six ministries we examined, the performance indicators that ministries submit to the Treasury Board as part of their fiscal and operational plans only assess the operations of ministries' programs. For example, the performance indicators relate to access to health services or administrative efficiency (for example, increasing the use of electronic delivery of services), but do not include an assessment of the effectiveness of accounting and financial reporting functions.

The implementation of an overall performance management framework, as part of the Comptroller General's strategic plan, is important to ensure financial and legislative accountability and compliance are in place to effectively support the current and future needs of internal decision-making and public reporting.

RECOMMENDATION 13

So that progress can be assessed and opportunities for improvement identified, we recommend that the Office of the Comptroller General:

- develop and implement a framework to guide and assess its performance as well as the performance of ministries' finance functions;
- develop a set of performance goals and measurable outcomes; and
- internally monitor and assess at least annually the progress toward achieving these outcomes.

OFFICE OF THE COMPTROLLER GENERAL RESPONSE

The Office of the Comptroller General (OCG) is currently implementing a Comptroller General Academy that is focussing on:

- assessing financial management capacity and capability through an independent assessment;
- modernizing financial learning and development; and
- growing and managing financial talent.

The Academy is currently overseeing the implementation of an independent assessment (financial management health check) by the Chartered Institute of Public Finance and Accountancy (CIPFA) on a pilot basis. This pilot implementation will utilize an internationally recognized framework and online diagnostic toolkit, which will enable OCG to assess the enterprise financial functions' performance (capacity and capability) against world class financial management best practices in the public sector. The results of the pilot will determine the extent to which performance measures should be developed, implemented and annually assessed.

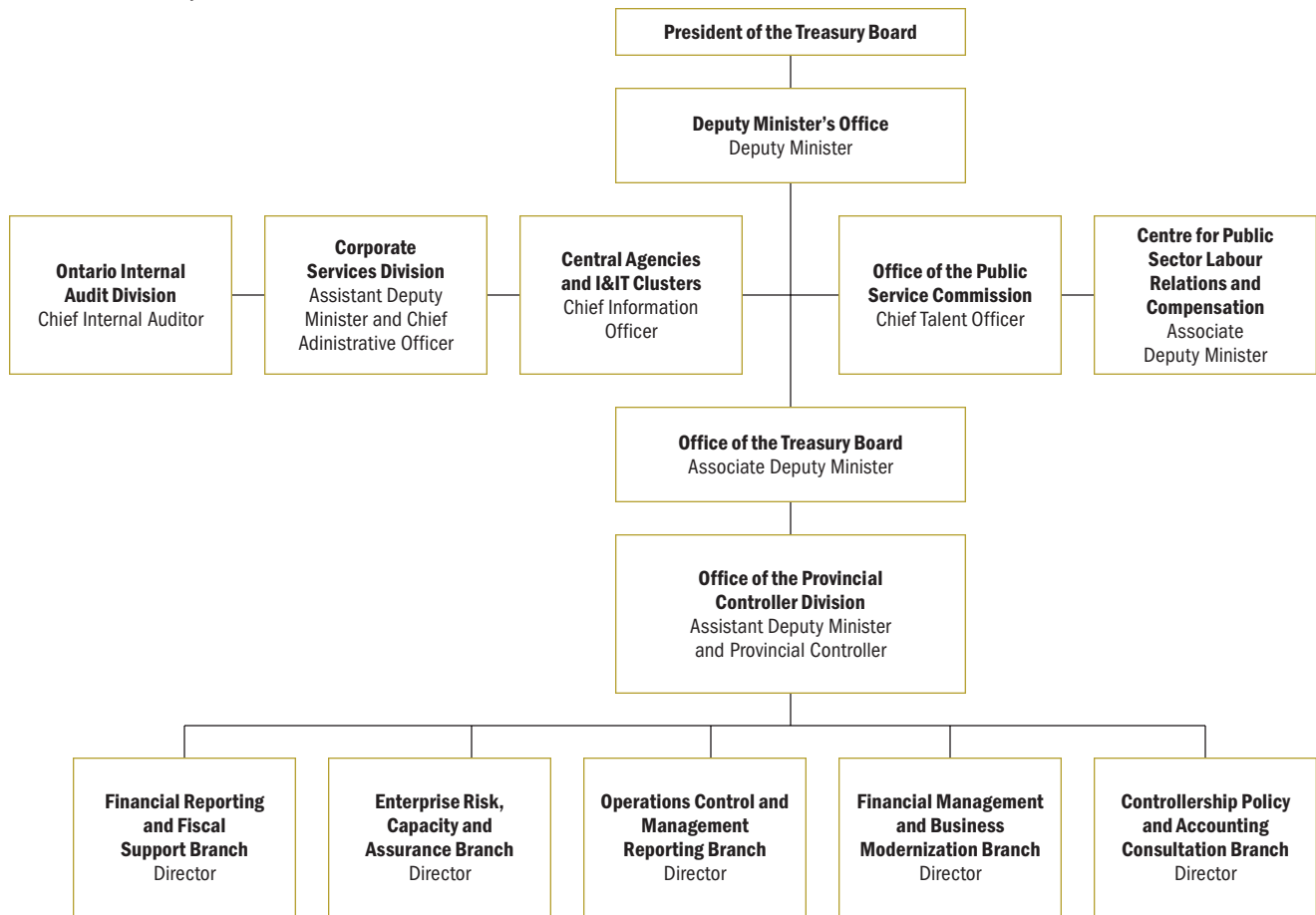
Appendix 1: Glossary of Terms

Prepared by the Office of the Auditor General of Ontario

Term	Definition
Board-governed agency	An agency that has the financial and operating authority to carry on a business and conduct operations in support of their mandates, and has its own staff and organizational structure and does not rely on ministries for these functions.
Broader public sector entity	Includes hospitals; school boards; colleges; and every authority, board, commission, committee, corporation, council, foundation or organization that received public funds through a grant or transfer payment or other funding arrangement in the Government of Ontario's previous fiscal year, but does not include: <ul style="list-style-type: none"> (a) the Office of the Lieutenant Governor; (b) the Office of the Assembly or the office of an officer of the Assembly; (c) a ministry; (d) an agency of the Government of Ontario; (e) a municipality; (f) an organization that undertakes its activities for the purpose of profit to its shareholders; (g) a long-term care home; or (h) other prescribed entities.
Government business enterprise	A government organization that: a) is a separate legal entity with the power to contract in its own name and that can sue and be sued; b) has the financial and operating authority to carry on a business; c) has as its principal activity and source of revenue the selling of goods and services to individuals and non-government organizations; and d) is able to maintain its operations and meet its obligations from revenues generated outside the government reporting entity. The Liquor Control Board of Ontario is an example of a government business enterprise.
Public Accounts	A retrospective document that compares Ontario's actual performance to what was planned in the Province's Budget for a given year. This document includes an Annual Report and supplementary information. The Public Accounts are prepared by the Treasury Board Secretariat, and the Province's consolidated financial statements are independently audited by the Office of the Auditor General of Ontario every year.
Public entity	Means (a) a provincial agency; (b) a corporation, with or without share capital, that is not a provincial agency but is owned, operated or controlled by the Province; or (c) any other board, commission, authority or unincorporated body of the Province.
Ontario Public Service	Includes ministries, agencies, Crown corporations, and broader public sector entities in Ontario, and has a workforce of 60,000+ public servants.

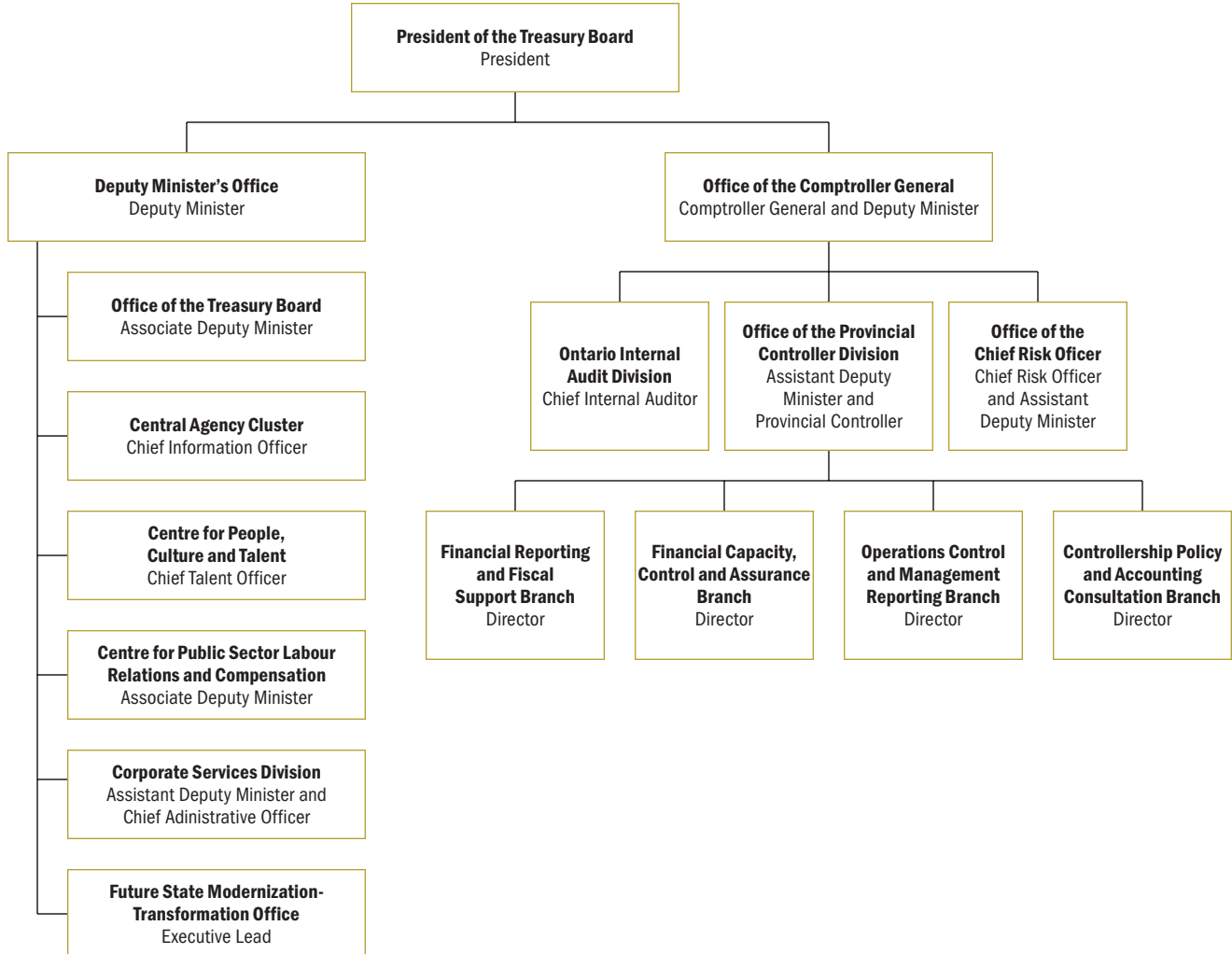
Appendix 3: Treasury Board Secretariat Organizational Chart, Pre-Organizational Change in 2020/21

Source of data: Treasury Board Secretariat



Appendix 4: Treasury Board Secretariat Organizational Chart, Post-Organizational Change in 2020/21

Source of data: Treasury Board Secretariat



Appendix 5: Summary of Attestations Provided through the Certificate of Assurance (CoA) Process , 2020/21

Source of data: Treasury Board Secretariat

Section A: Financial Reporting

1. The ministry's financial results are prepared in accordance with Public Sector Accounting Board (PSAB) accounting standards, as reflected in the government's accounting policies.
2. The ministry applied accounting policies and estimation techniques appropriately and consistently.
3. The ministry's estimates assumptions and fair value measurements and disclosures are reasonable, reflect most probable economic conditions and actions, and are periodically assessed considering historical experience and other factors such as reasonable expectations of future events.
4. Material measurement uncertainties' nature and extent are appropriately reported and disclosed.
5. The ministry has communicated to the Provincial Controller any new significant events or requirements for compliance with legislation or directives subsequent to March 31.
6. The ministry has recorded all material transactions in the accounting records, and in accordance with authorized spending limits.
7. The ministry has appropriately measured and disclosed all related party transactions that are not at Fair Market Value, and related party transactions are appropriately recognized and have their values disclosed.
8. The ministry has obtained and reviewed attestation memos and related documents from its board-governed agencies and has performed due diligence to ensure agency-reported exceptions are included in the CoA Exception Report.
9. The ministry annually reviews its agencies to determine if they are controlled for consolidation purposes; assesses whether the consolidation threshold has been met and the costs versus benefits of consolidating controlled agencies; and classifies and reflects them in the financial statements correctly as organizations, enterprises or trusts.
10. The ministry reviews agencies and other controlled organizations that previously did not meet the consolidation thresholds to determine whether they now meet the threshold. Changes are communicated to the Office of the Provincial Controller Division (Provincial Controller Division), reviewed and consolidated.
11. For controlled organizations meeting the pre-determined consolidation threshold, the ministry has established systems and procedures to collect, review and ensure the reliability of information from consolidated organizations, including consulting with these agencies to rectify issues, and ensures that information is properly consolidated within the ministry's financial statements. The ministry maintains supporting documentation related to consolidated organizations.
12. The ministry has disclosed to the Provincial Controller Division all proposed external consultations on accounting issues, notified the Provincial Controller Division and the Office of the Auditor General of Ontario through a dedicated form, and obtained comments on accounting procurement tender documents.
13. The ministry encourages its consolidated agencies and crown corporations to notify the Provincial Controller Division through a dedicated form when they are contemplating engaging external consultants for accounting advice.

Section B: Asset Stewardship, Recording and Reporting

1. The ministry holds title of all recorded assets, with no liens.
2. The ministry disclosed all assets pledged as security for liabilities.
3. The ministry disclosed all material unrecorded contingent assets or contractual rights.
4. Accounts, loans, and other receivables are valid, accurate and complete. Collected amounts are deposited.

5. Allowances for doubtful accounts are sufficient to provide for estimated losses, based on an analysis of age of receivables. Write-offs of uncollectible amounts are recommended to the Minister of Finance.
6. The ministry assessed the condition and remaining service life or book value of Tangible Capital Assets in accordance with impairment criteria outlined in policy and guidelines. Provisions for impairments are made.
7. All of the ministry's bank accounts are reconciled and material adjustments recorded.

Section C: Liabilities Recording and Reporting

1. The ministry has disclosed to the Provincial Controller Division all of its significant lawsuits and pending litigation (each over \$50 million) that are handled by the ministry.
2. The ministry has recorded and disclosed all liabilities and contingent liabilities, guarantees and commitments or contractual regulations.
3. The ministry has assessed all its transfer payment agreements for recognition of liability.
4. The ministry has identified and estimated costs of all legal obligations related to the retirement of assets.

Section D: Revenue Recording and Reporting

1. All revenues are reported in accordance with Canadian PSAB accounting standards and Public Accounts instructions.

Section E: Expense Recording and Reporting

1. The ministry appropriately classified and analyzed all expenses for reasonableness, completeness and accuracy. Variances from prior year and current budget amounts are explained.

Section F: Compliance with Legislation and Policies

1. The ministry complies with all applicable statutory requirements (*eight Acts are noted as examples of applicable statutes*).
2. The ministry complies with all applicable government directives and policies issued by the Ministry of Finance, Treasury Board Secretariat, and Treasury Board and Management Board of Cabinet.
3. The ministry complies with requirements to secure customer credit card holder data, ensuring that required controls are implemented to complete the annual Payment Card Industry Data Security Standard and certification.
4. The ministry has disclosed any known fraud or illegal acts in its Fraud Awareness Schedule.
5. The ministry complies with all contractual arrangements and their financial impact is recorded and disclosed, including the financial impact of non-compliances.

Section G: Internal Controls over Operations

1. The ministry has documented the design, implementation and effectiveness of its internal controls established under the Internal Controls Framework.
2. The ministry's internal controls operate effectively throughout the year, consistent with the Internal Controls Policy.
3. The ministry has obtained assurance about the security, processing integrity, availability and associated controls for transactions processed in the accounting and payroll systems.
4. The ministry has assurance that IT controls within IT systems that interface into the accounting system operate effectively throughout the year. Transactions are reconciled to the province's general ledger.
5. The ministry's operations effectively deliver ministry mandates, spending aligns with approved budget and transactions were executed with management's authorization.
6. The ministry has received and reviewed any reports of internal controls deficiencies and is addressing them.

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7. The ministry reports internal controls deficiencies, risk assessments and remediation plans to the Provincial Controller Division and the Ontario Internal Audit Division.
 8. The ministry disclosed items affecting internal controls it noted after March 31.
 9. The ministry has a culture of honesty and ethical behaviour.
 10. The ministry has processes for identifying and responding to the risk of fraud, has established internal controls to address fraud risk and provides reasonable assurance regarding the reliability and accuracy of financial information.
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Section H: Record Keeping

1. The ministry's records contain all transactions and records with material financial impact in accordance with reporting requirements, directives, policies and legislative requirements.
 2. Essential records are maintained, and sufficient rules and procedures safeguard and control public property.
 3. The ministry's documents support the preparation of the assurance and fraud assessment, and related exceptions are complete and available for review.
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Appendix 6: Audit Criteria

Prepared by the Office of the Auditor General of Ontario

1. A framework for the controllership function is in place and periodically reviewed and updated, which includes relevant goals/objectives; expected outcomes; appropriate performance targets; relevant performance indicators; and a plan for systematic data collection, reporting and implementation of continuous improvements/corrective action as needed.
2. The Treasury Board Secretariat, in conjunction with the other ministries, has processes in place to cost-effectively oversee the reliable, relevant, timely and material accumulation of financial information for the Public Accounts in accordance with legislation, directives and policies.
3. Accounting issues are identified, analyzed and concluded on, in accordance with Canadian Public Sector Accounting Standards, in a cost-effective and timely manner.
4. The Certificate of Assurance process in place effectively manages the financial and operating risks of the ministries' attestation process.
5. Effective mechanisms are in place to identify and communicate fraud allegations, and to assess the results of investigations and the impact on the Province's financial reporting.
6. The Ontario Internal Audit Division's structure and function effectively supports controllership processes.
7. The Ontario Enterprise Risk structure and function effectively supports controllership processes.

Appendix 7: Function and Structure of the Provincial Controller/Comptroller General in Canadian Jurisdictions

Prepared by the Office of the Auditor General of Ontario

Jurisdiction	Provincial Controller/Comptroller General Reports to	Functions Reporting to Provincial Controller/Comptroller General	Function of Provincial Controller/Comptroller General Set in Legislation ¹	Centralized Internal Audit Function ²	Centralized ERM Function ²	Ministries Prepare CoA-like Attestations for Provincial Controller/Comptroller General	Provincial Controller/Comptroller General Holds Authority to Issue Accounting Directives or Policies
Canada	TBS	Financial management and reporting, internal audit, procurement governance, realty management	No	Yes	Yes	Yes	Yes
British Columbia	MOF	Financial management and reporting, internal audit, procurement governance	Yes	Yes	Yes	Yes	Yes
Alberta	TB and MOF	Financial management and reporting, internal audit	No	Yes	n/a	Yes ³	Yes ⁴
Saskatchewan	MOF	Financial management and reporting, internal audit	Yes	No	n/a	Yes ³	Yes
Manitoba	TBS	Financial management and reporting, internal audit	Yes	Yes	n/a	Yes	Yes
Ontario	TBS	Financial management and reporting, internal audit, ERM	No	Yes	Yes	Yes	Yes
Quebec	MOF	Financial management and reporting	Yes	No	n/a	Yes	No ⁵
Newfoundland and Labrador	TBS	Financial management and reporting, internal audit	Yes	Yes	n/a	n/a	Yes
New Brunswick	TB and MOF	Financial management and reporting, internal audit, ERM	Yes	Yes	Yes	n/a	Yes

Jurisdiction	Provincial Controller/ Comptroller General Reports to	Functions Reporting to Provincial Controller/ Comptroller General	Function of Provincial Controller/ Comptroller General Set in Legislation ¹	Centralized Internal Audit Function ²	Centralized ERM Function ²	Ministries Prepare CoA-like Attestations for Provincial Controller/ Comptroller General	Provincial Controller/ Comptroller General Holds Authority to Issue Accounting Directives or Policies
Nova Scotia	TB and MOF	Financial management and reporting	No	Yes	n/a	Yes	Yes
Prince Edward Island	MOF	Financial management and reporting, procurement	Yes	n/a	n/a	Yes	Yes

Legend: ERM - Enterprise Risk Management; MOF - Ministry of Finance; n/a - no publicly available information; TB - Treasury Board; TBS - Treasury Board Secretariat

1. If not set in a jurisdiction's *Financial Administration Act*, the functions/duties of a Provincial Controller (called Comptroller in some jurisdictions) are established through a delegation of authority or similar mechanism by the ministry overseeing the Provincial Controller.
2. Centralized function refers to a single division operating under TBS, TB or MOF, which directs or provides services across multiple ministries. Non-centralized refers to each ministry having its own unit to perform the function at that ministry only.
3. As a part of the ministries' annual reports, ministries sign a statement confirming to their Comptroller/Provincial Controller their responsibility for financial reporting.
4. In Alberta, Treasury Board can issue directives and the Controller can issue accounting policies.
5. In Quebec, the Ministry of Finance recommends accounting policies for the Treasury Board to approve and issue. Ministries and other government entities follow these policies.



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