

Chapter 1

Section 1.13

Treasury Board Secretariat

Follow-Up on 2021 Value-for-Money Audit:

Ontario's Provincial Comptrollership Framework

RECOMMENDATION STATUS OVERVIEW

	# of Actions Recommended	Status of Actions Recommended				
		Fully Implemented	In the Process of Being Implemented	Little or No Progress	Will Not Be Implemented	No Longer Applicable
Recommendation 1	1				1	
Recommendation 2	2	1	1			
Recommendation 3	2	1	1			
Recommendation 4	1		1			
Recommendation 5	1	1				
Recommendation 6	1	1				
Recommendation 7	1		1			
Recommendation 8	2	2				
Recommendation 9	4				4	
Recommendation 10	2	2				
Recommendation 11	2	2				
Recommendation 12	3	2		1		
Recommendation 13	3		2	1		
Total	25	12	6	2	5	0
%	100	48	24	8	20	0

Overall Conclusion

The Treasury Board Secretariat (the Ministry), as of October 31, 2023, has fully implemented 48% of the actions we recommended in our 2021 Value for Money Audit, Ontario's Provincial Comptrollership Framework. In addition, the Ministry has made progress in implementing 24% of the recommended actions, little or no progress on a further 8% of the recommended actions, and will not be implementing 20% of the actions.

The fully implemented recommended actions include requiring the ministries' finance staff to review the documentation prepared by staff and controllers when signing off on a Certificate of Assurance (CoA) attestation; the Office of the Comptroller General concluding annually on whether the CoA exceptions indicate systematic weaknesses in financial reporting; and enhancing the requirements for finance staff to have financial designations or the equivalent.

The Ministry is in the process of implementing 24% of the recommended actions, including

establishing specific procedures and documentation for the key aspects of the CoA process, implementing a mechanism to be informed of and track the status of all known and potential frauds identified as part of the CoA process, and developing a performance management framework.

However, the Ministry has made little or no progress on 8% of the recommended actions, including conducting an independent formal review and evaluation of the results of the Office of the Comptroller's business plan.

Finally, the Ministry said it will not be implementing 20% of the recommended actions, including a proposal for the Secretary of the Cabinet to consider further changes to controllership processes and accountabilities, and a requirement from the Comptroller General that both ministries and agencies seek internal accounting advice rather than obtaining external advisory services.

The status of actions taken on each of our recommendations is described in this report.

Background

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.

Within the Office of the Comptroller General there is a centralized finance function, called the Office of the Provincial Controller Division. Each ministry also has its own finance function, which reports to its Chief Administrative Officer, an Assistant Deputy Minister who is accountable to a Deputy Minister. 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 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 consolidated financial statements.

Our audit found that there was no functional reporting relationship between the Directors of Finance and Controllers at each ministry and the Provincial Controller Division. We concluded that a comptrollership framework with clearer central authority was needed to provide cost-effective leadership and stronger oversight of the preparation of the Province's unaudited consolidated financial statements.

In particular, this authority was 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 had no formal written requirement to notify the Provincial Controller Division about significant transactions or accounting issues when they occurred, and persons in key accounting positions, such as the director of finance, were not required to hold a professional accounting designation.

We further noted that the Ontario Internal Audit Division did not regularly provide assurance over the ministries' financial reporting controls that supported 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.

Some of our significant findings were:

- The Enterprise Risk Management Office had not reviewed ministries' processes to identify and manage risks. The Office of the Comptroller General's Enterprise Risk Management Office was not required to routinely conduct risk assessments at ministries, or do an in-depth review of the assessments that ministries prepared, to confirm that all relevant risks had been identified and correctly assessed.
- Ministries were not formally required to follow the Provincial Controller Division's accounting advice, and the Provincial Controller Division was not tracking the advice it provided. 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 and liabilities in the information reported to the Provincial

Controller Division. This resulted in the entity's financial information being inappropriately excluded from the Province's unaudited consolidated financial statements. The issue was raised and addressed with our Office as part of the Public Accounts audit.

- We found that the Province did not have standardized financial education and experience requirements for finance-related positions across ministries, including for those in senior finance positions. This elevated the risk that management would not efficiently address increasingly complex accounting issues and standards. At the six ministries we reviewed, for instance, none of the directors of finance had a Chartered Professional Accountant (CPA) designation, and only three of the ministry controller positions required a CPA designation.
- Ministries' accounting/finance staff were not required to take specific financial, accounting and fraud training courses and updates relevant to their roles. Further, staff attendance at financial and accounting training sessions was not consistently tracked, which meant ministries and the Provincial Controller Division were not aware of which staff received training.
- The Ontario Internal Audit Division provided little assurance over the effectiveness of ministries' financial controls and the CoA process. Ontario Internal Audit infrequently assessed how ministries prepared their CoA attestations and only confirmed to the Provincial Controller Division annually that it was not aware of any significant issues noted in the audits it had conducted in a particular year.

We made 13 recommendations, consisting of 25 action items, to address our 2021 audit findings. We received commitments from the Office of the Comptroller General that it would take action to address our recommendations.

Status of Actions Taken on Recommendations

We conducted our assurance work for this follow-up report between May 2023 and September 2023. We obtained written representation from the Treasury Board Secretariat that effective November 20, 2023, it had provided us with a complete update of the status of the recommendations we made in the original audit two years earlier.

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

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.

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found that the Office of the Comptroller General can only influence ministries' financial management through the creation of directives and policies, as the Deputy Minister of each ministry is responsible for the ministry's financial management. 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 ministries' inconsistent processes for Certificate of Assurance (CoA) attestations (see **Recommendation 2**); improve the time it takes ministries to address key weaknesses in financial reporting controls (see **Recommendation 3**);

require ministries to follow the Provincial Controller Division’s advice on significant accounting issues (see **Recommendation 8**); standardize education and experience levels in the finance functions (see **Recommendation 10**); and require that financial and accounting staff at ministries complete annual training (see **Recommendation 11**).

In our follow-up, we found that the Secretary of the Cabinet will not be implementing **Recommendation 1** because it believes the current reporting structure supports effective oversight of the controllership function in the Ontario Public Service (OPS) when further strengthened by the Office of the Comptroller General (through the Office of the Provincial Controller Division and Ontario Internal Audit Division) addressing our other recommendations in this report. Our Office continues to support the implementation of this recommendation. 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.

Certificate of Assurance Process

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;*

Status: In the process of being implemented by March 2025.

Details

Our 2021 audit pointed out that the CoA attestation 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. We found that the Office of the Comptroller General’s Provincial Controller Division did not require ministries to conduct, nor did it provide, a minimum set of procedures to perform before signing their CoA attestations. 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. We also noted that ministries developed their own CoA questionnaires, but explanations provided by ministries’ branches to respond to the questionnaires were generally brief, and supported their responses only at a high level. They also generally did not indicate the specific results from any procedures performed to support the response. The Office of the Comptroller General’s Provincial Controller Division had not undertaken a comprehensive evaluation of whether the processes ministries had developed to support their signing of the CoA provided an appropriate and sufficient level of assurance so that the Provincial Controller Division could rely on ministry attestations.

In our follow-up, we found that as part of the 2022/23 CoA instructions—which are a set of documents to guide ministries on how to perform the CoA process and include reporting requirements—the Provincial Controller Division released a CoA Supplementary Guide that contains recommended internal controls and specified procedures that ministries may consider testing and referencing to support each CoA attestation statement. The Provincial Controller Division established a project to review the Internal Control Policy to identify any potential changes. Updates to the policies or procedures will be communicated to ministries in advance of the fiscal year for which the CoA attestation is reported. The Provincial Controller Division plans to finalize and release the

updated Internal Control Policy by March 2024, to be implemented for the March 2025 Public Accounts.

In addition, the Ontario Internal Audit Division implemented a multi-year, risk-based rotational testing plan to assess ministries' compliance with CoA procedures and methodologies. In 2022/23, Ontario Internal Audit completed a review of ministries' CoA processes for selected statements included in the CoA attestation, along with inputs into corporate processes required to ensure that adequate processes and appropriate documentation were in place to support ministry submissions. Separate audits were conducted for the selected CoA statements for five ministries in scope of Ontario Internal Audit's review for the year. For three of the ministries, Ontario Internal Audit concluded on similar findings to those in our 2021 report to improve documentation and processes that demonstrate controls are operating effectively.

- *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.*

Status: Fully implemented.

Details

In our 2021 audit, we found that ministry staff who prepare CoA questionnaire responses relied on their knowledge of programs' operations, consulted with colleagues, and used their judgment to decide whether they needed to review any documentation when answering individual questions. However, the CoA responses documented did not typically contain sufficient descriptions of procedures staff followed to arrive at a conclusion of compliance. As a result, ministry management had limited ability to perform a meaningful review of the adequacy and sufficiency of procedures performed.

In our follow-up, we found that the Provincial Controller Division updated the 2021/22 CoA instructions including the CoA Memo. The instructions include a new requirement for ministry controllers to sign off on the CoA attestation as confirmation that assigned

finance staff have reviewed and analyzed the documentation of ministries' responses and followed up on any issues identified by ministry staff.

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;*

Status: Fully implemented.

Details

In our 2021 audit, we found that after reviewing ministries' CoA submissions, the Provincial Controller Division usually concluded that it was not aware of significant unaddressed matters impacting the Public Accounts other than those in its internally prepared summary. The Provincial Controller Division did not conclude whether the CoA process overall indicated that the financial information prepared by ministries for inclusion in the Public Accounts was accurate, or whether the lack of ministries' compliance with the requirements of the internal control framework had an impact on the Public Accounts.

In our follow-up, we found that the Provincial Controller Division revised its conclusion on the CoA process overall to include commentary on the impacts of findings on the Public Accounts. Further, the report prepared on the summary of common themes among ministries, which covers reporting, compliance and operational risk reported through the CoA process, is now shared with the Office of the Chief Risk Officer and Ontario Internal Audit for consideration of inclusion and additional review within annual audit plans.

- *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.*

Status: In the process of being implemented by March 2024.

Details

In our 2021 audit, we found the Office of the Comptroller General was not routinely informed of fraud when it occurred, nor was it routinely informed of the status and resolution of identified frauds. The Office of the Comptroller General indicated that the ministries were responsible for having a system to identify and respond to the risk of fraud, and the Provincial Controller Division had not formally determined the reasonableness of ministries' timelines and actions to address fraud risks.

In our follow-up, we found that the Office of the Comptroller General has established a Director-level working group focused on fraud policy that is represented by the Provincial Controller's Division, Ontario Internal Audit and the Office of the Chief Risk Officer. Additionally, the Comptroller General has approved the following recommendations and next steps developed by the working group:

- develop an Enterprise Fraud Policy and associated guidance for the OPS;
- develop fraud training and advocate for mandatory ethics training for all OPS staff;
- develop and implement a process where ministries are required to report fraud that meets certain criteria to Ontario Internal Audit; and
- the Office of the Chief Risk Officer will consider integrating fraud-risk assessments into existing risk-assessment processes.

The Office of the Comptroller General expects these items to be implemented by March 2024.

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.

Status: In the process of being implemented by March 2025.

Details

Our 2021 audit identified that 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 Provincial Controller Division, through the annual CoA instructions controls, 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.

Our 2021 audit found numerous delays in ministries meeting these timelines.

In our follow-up, we found that the Provincial Controller Division conducted research to inform revisions to the Internal Control Policy by obtaining current and best practices from other jurisdictions, such as the federal government and British Columbia, and within the OPS related to internal controls and risk management. The Provincial Controller Division is in the process of drafting updates to the Internal Control Policy and documenting supporting rationale for any proposed changes. The Provincial Controller Division plans to consult on the draft policy, communicate changes to ministries, and finalize and release the revised Internal Control Policy by March 2024, to be implemented for the March 2025 Public Accounts.

In addition, the Provincial Controller Division has completed an internal control project to guide six ministries in documenting and testing significant business

processes. This project is directly supporting these ministries in completing their design and operating effectiveness testing of significant business processes, furthering the enterprise's Internal Control Framework (ICF) progress. The Provincial Controller Division has clarified methodology and provided guidance to certain ministries to help refine their identification of significant business processes, focusing only on those that are most material to the Public Accounts.

To further the enterprise's ICF progress and obtain independent assurance on internal controls, Ontario Internal Audit has implemented a multi-year, risk-based rotational testing plan to assess key financial controls in a sample of ministries each year.

Ontario Internal Audit Division and Enterprise Risk Management Office

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.

Status: Fully implemented.

Details

In our 2021 audit, we identified that reviews of ministries' financial controls conducted by 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 existed for Ontario Internal Audit to periodically review ministries' internal controls over key financial processes and provide assurance that they were working properly. 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 its work at ministries focused on audits of ministry programs' operations and government transfer recipients.

In our follow-up, we found that the Audit and Accountability Committee (a subcommittee of the Treasury Board) has approved a multi-year, risk-based rotational testing plan to assess key financial controls in a sample of ministries on a multi-year basis. For the 2022/23 audit cycle, six Audit Branches have Internal Control Over Financial Reporting (ICFR) audits in the process of being finalized for six ministries.

Ontario Internal Audit Division also performed ICFR audits as per the 2021/22 OPS-Wide Multi-Year Risk-Based Internal Audit Plan for the three ministries in scope that year. Further, Ontario Internal Audit issued a summary of the findings of all the 2021/22 CoA/ICFR audits, which was tabled with the Ontario Internal Audit Committee in November 2022.

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.

Status: Fully implemented.

Details

Our 2021 audit found that, similar to the financial internal controls discussed above, Ontario Internal Audit was not required to assess ministries' CoA self-attestations for accuracy. As such, Ontario Internal Audit did not regularly undertake work that ministries could reference as part of their annual CoA attestation. Ontario Internal Audit infrequently assessed how ministries prepare their CoA attestations. Instead, Ontario Internal Audit only confirmed to the Office of the Comptroller General's Provincial Controller Division on

an annual basis 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.

In our follow-up, we found that the Audit and Accountability Committee approved a multi-year, risk-based rotational testing plan to assess ministries' compliance with CoA procedures and methodologies. The CoA rotational testing plans were all presented and endorsed by the Ontario Internal Audit Committee and the respective Sector Audit Committees. For the 2022/23 audit cycle, Ontario Internal Audit has included audits of the CoA processes for a sample of ministries that support Deputy Ministers' sign-off of the annual attestations. There are CoA audits in the process of being finalized for three ministries.

In addition, Ontario Internal Audit performed CoA audits as per the 2021/22 OPS-Wide Multi-Year Risk-Based Internal Audit Plan for five ministries in scope that year. Along with the ICFR reports, a summary of the findings related to the CoA/ICFR audits was tabled with the Ontario Internal Audit Committee in November 2022.

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.

Status: In the process of being implemented by June 2025.

Details

In our 2021 audit, we reported that, similar to the CoA process, ministries self-identified and reported risks to the Office of the Comptroller General's 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 was not required to routinely conduct risk assessments at ministries, or do an in-depth review of the assessments that ministries prepared, to confirm that all relevant risks were 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 the risks.

In our follow-up, we found that the Office of the Chief Risk Officer is in the process of implementing the recommendation by conducting quality assurance reviews of ministry risk registers and providing feedback to ministries to improve the quality and completeness of the content of risk information reported on their registers. Risks reported by ministries are tracked to identify trends and action plan status. The Office of the Chief Risk Officer is improving its Enterprise Risk Management Maturity Assessment process, which takes the form of interviews/questionnaires sent to ministries (and their responsible agencies) to assess their risk management processes and their compliance with the ERM Directive. The directive provides the ministries with more detailed requirements and instructions to comply with the broader ERM Policy. Responses from ministries allow the Office of the Chief Risk Officer to track and correct issues identified through the maturity assessments with the ministries. The latest assessment was completed in June 2023. Further, Ontario Internal Audit plans to have an audit performed on the ERM processes during the 2024/25 audit cycle, which is expected to be completed by June 2025.

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

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;*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Office of the Comptroller General's Provincial Controller Division's complex accounting group, the Controllership Policy and Accounting Consultation Branch (CPAC), did not formally track all the accounting issues and advice it reviewed and recommendations it provided to ministries. The lack of a tracking system increased the risk of inconsistent accounting advice being provided to ministries because staff could have changed or not remembered all past accounting advice provided, as well as missed opportunities to 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.

In our follow-up, we found that the Provincial Controller Division set up a database and internal process to track all accounting advice provided to ministries on a go-forward basis as of January 1, 2023.

- *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.*

Status: Fully implemented.

Details

In our 2021 audit, we found that, while ministries were required to follow the Accounting Advice Directive issued by the Provincial Controller Division, the Accounting Advice Directive did not specifically require ministries to implement the accounting advice that the Provincial Controller Division provided. Although the Provincial Controller Division indicated that it ensured that ministries implemented its accounting advice as part of its general review of the information ministries submitted to it for the preparation of the Public Accounts, there was no evidence of this review. This

increased the risk that uncorrected accounting issues would be included in the Province's consolidated financial statements if ministries chose not to implement the Provincial Controller Division's advice prior to submitting year-end financial data for the preparation of the financial statements.

In our follow-up, we reviewed the Provincial Controller Division's revised directive, known as the Controllership Directive, which was effective as of April 1, 2023. The revised directive clearly requires ministries and public entities under Consolidated Revenue Fund appropriation control to follow the Controllership Policy. They must follow advice received from the Provincial Controller Division and show evidence they have successfully implemented the advice. The Controllership Policy states that in accordance with the *Financial Administration Act*, the Provincial Controller Division, as a delegate of the Minister of Finance, may issue directives as necessary in performance of the Minister of Finance's duties.

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

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.*

Status: Will not be implemented.

The Office of the Auditor General of Ontario continues to support the implementation of this recommendation.

Details

In our 2021 audit, we found instances where the Provincial Controller Division engaged external advisory firms for services to research and implement new and existing accounting standards, rather than developing in-depth knowledge of the new standards by doing the research itself. Similarly, we found ministries and agencies engaged external advisory firms when they had complex accounting issues, or needed to interpret and implement new accounting standards.

We found five instances where agencies sought external accounting advice without informing the Provincial Controller Division as required by the Accounting Advice Directive (effective July 9, 2019) and that some agencies were unnecessarily incurring costs for acquiring external advice on high-risk accounting issues that could have been resolved internally. These not only resulted in an inefficient use of resources, but also posed the risk that the Provincial Controller Division may not have been informed of high-risk accounting issues.

Furthermore, our audit found that the Accounting Advice Directive did 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 had the resources and knowledge to provide the accounting advice. Instead, the Provincial Controller Division issued an accounting consultation request form that required ministries, and recommended that agencies, notify the Provincial Controller Division prior to seeking external advice for high-risk accounting issues.

No similar requirements were in place for accounting issues that ministries and agencies did not

determine to be high-risk. These actions increased the risk of a lack of in-depth technical expertise within the Provincial Controller Division, ministries and agencies as they would not have been able to address any follow-up questions raised as part of implementing the new and/or complex accounting standards, instead relying on external firms to address them.

In our follow-up, the Office of the Comptroller General informed us that it will not be implementing this recommendation. It said the Provincial Controller Division does not outsource its work to external firms; it strategically hires 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 controllerships will communicate agency accounting advice requests to the Provincial Controller Division.

The Office of the Comptroller General also said ministries and their respective agencies are required through the Accounting Consultation Request Form process to inform the Provincial Controller Division and the Office of the Auditor General of Ontario about the details of the external advisory services they have sought or plan to obtain. While the Provincial Controller Division provides feedback and advice to ministries about their plans to procure external accounting advice through the Accounting Consultation Request Form, ministries will continue to make the decision whether to seek external accounting advice. The Accounting Consultation Request Form process provides information to the Provincial Controller Division when external advisors are hired to provide accounting advice.

Our Office continues to support the implementation of this recommendation. The Provincial Controller Division would provide a more cost-effective, centralized process for the provision of accounting advice if it expanded its internal accounting advisory expertise and took more responsibility for researching, developing and maintaining accounting advisory services, while engaging external firms only when warranted.

Ministry Finance Positions Should Include Standardized Education and Experience Requirements to Efficiently Address Increasingly Complex Accounting Issues and Standards

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.*

Status: Fully implemented.

Details

In our 2021 audit, we found that the Province did not have standardized experience and education requirements, such as requiring a CPA designation, for persons hired into finance-related positions across ministries, including for those in senior finance positions. In addition, there was a disconnect between the job qualifications required for financial positions and their responsibilities. For example, candidates for and incumbents of these positions were often required to have a strong understanding of Canadian Public Sector Accounting Standards (PSAS), but were 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 signed off on the CoA attestation memo stating the ministries complied with PSAS. As well, the ministry controllers and finance directors signed 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. 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. Furthermore, ministry finance staff require knowledge of new and complex accounting issues and standards when preparing accounting assessments for the Provincial Controller Division.

In our follow-up, we found the Provincial Controller sent a letter to all Chief Administrative Officers to implement changes effective January 31, 2023, to enhance the financial acumen of senior management accounting positions across the ministries. This included an OPS-wide standard job description for new controllers. The standard job description ensures consistent qualifications, work experience and job responsibilities, including a requirement to hold a professional accounting designation—either a CPA or a Canadian Public Finance Accreditation (CPFA). In addition, a requirement was introduced for newly hired Finance Directors to enroll in CPA Canada's Senior Employee Advanced Finance and Accounting Program (SEAFAP) unless they possess a CPA or CPFA designation. SEAFAP is a 10-month certificate program designed by the Provincial Controller Division in collaboration with CPA Canada. Incumbent Finance Directors are also encouraged to enroll in the program, although it is not mandatory.

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

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;*

Status: Fully implemented.

Details

In our 2021 audit, we reported that 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 to attend updates for new and revised accounting standards relevant to their positions. This lack of standardized training requirements can result in varying levels of competencies for individuals in the same position across ministries.

In our follow-up, we found the Office of the Comptroller General performed a learning-needs analysis by issuing a survey to staff to identify learning needs with a plan to create standardized training programs for the OPS finance, audit and risk community. The Office of the Comptroller General's Comptroller General Academy, which is responsible for developing and implementing finance, audit and risk-related training programs for deployment within the OPS, created a website that includes a guide that describes the roles, qualifications and skills required for each seniority level within the finance community (i.e., analysts, advisors, leads, senior leads, finance managers, controllers, and finance directors). The website also highlights learning opportunities that are relevant to employees depending on their specific role, categorized based on skills such as technical acumen, professional development, general leadership, and finance leadership. The Comptroller General Academy's financial management developed and delivers financial management training to all new OPS managers.

- *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.*

Status: Fully implemented.

Details

In our 2021 audit, we found that although the Provincial Controller Division invited approximately 3,600 staff across the Ontario government's finance community to attend its quarterly fraud awareness and prevention training, the training was not mandatory. The Provincial Controller Division did not know which ministries provided their own fraud training or fraud-prevention programs because it did not track such information. Furthermore, cybersecurity concerns involving fraud were not specifically highlighted in the training.

In our follow-up, we found the Office of the Comptroller General's Comptroller General Academy, working in partnership with the Ontario Internal Audit Division's Forensic Investigation Team, updated and delivered the Fraud Management training to the finance community. Training sessions, such as the Fraud Risk Management and CoA training sessions delivered throughout fiscal 2022/23, were tracked through attendance sheets. As described above in the response to **Recommendation 10**, the Office of the Comptroller General worked with CPA Canada to create programs for controllers and finance directors to enhance their financial acumen, and the Office of the Comptroller General is in the process of creating standardized training programs for the OPS finance, audit and risk community.

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

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;*

Status: Fully implemented.

Details

At the time of our 2021 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. 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.

In our follow-up, we found that in February 2023, the Comptroller General finalized her strategic plan (referred to as the Office of the Comptroller General's business plan), which includes objectives and priorities to achieve the Office of the Comptroller General's mandate to strengthen enterprise risk management, comptrollership, financial management, and internal audit. The business plan priorities will be complemented by divisional operational plans.

- *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;*

Status: Fully implemented.

Details

In our 2021 audit, we found that the effective implementation of initiatives in the strategic plan would 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 necessary to implement the Comptroller General's strategic plan.

In our follow-up, we found that in March 2023, the Office of the Comptroller General's Provincial Controller Division released the Controllership Directive, which communicates the requirements for entities under the Consolidated Revenue Fund to follow Controllership Policy and advice including management of significant accounting issues, seeking external accounting advice and comptrollership capacity and capability (i.e., staff expertise) to perform their responsibilities.

- *conduct an independent formal review and evaluation of the effectiveness of implemented changes.*

Status: Little or no progress.

Details

In our 2021 audit, we found that there was an opportunity to review and increase the consistency and effectiveness of accounting and financial management practices across ministries and agencies and to establish links between financial and risk management. The transition to a new comptrollership model would also provide an opportunity to strengthen the financial expertise within ministries and identify where additional capacity and the recruitment and development of new skill sets within ministries were needed.

During our follow-up, the Office of the Comptroller General informed us that it plans to continue to monitor progress and will consider the timing of an independent review after the full implementation of the business plan, which is expected by March 2025.

Effective Performance of Finance Functions Not Assessed

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;*

Status: In process of being implemented by December 2023.

Details

In our 2021 audit, we found that there was no established framework with performance targets in place to assess the effectiveness of the Office of the Comptroller General's Provincial Controller Division. Further, there were also no performance indicators assessing the effectiveness of the finance functions at ministries. We noted that a comptrollership performance management framework generally includes a set of goals and expected outcomes relevant to the comptrollership

objectives that could be used to assess, by using performance measures, whether outcomes were being achieved and delivered effectively. A performance measurement framework could also help the Office of the Comptroller General identify areas where improvements were needed within the Province's finance functions.

In our follow-up, we found the Office of the Comptroller General had established a task force with representatives from each division to develop a performance measurement framework. The Office of the Comptroller General's Provincial Controller Division, Ontario Internal Audit Division and Enterprise Risk Management Office are working on drafting their divisions' performance measures based on the Office of the Comptroller General's business plan by December 2023.

- *internally monitor and assess at least annually the progress toward achieving these outcomes.*

Status: Little to no progress.

Details

In our follow-up, the Office of the Comptroller General informed us that once performance measures are established, they will be reported on annually, which is expected by March 2025.