Special Examination Audit Approach

**including mandatory “core” systems and practices, standard criteria,**

**suggested audit questions and steps, and key supporting documentation**

2022

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# Purpose of the document

Under section 138 of the *Financial Administration Act*, the objective of a special examination is to determine whether the systems and practices examined at a Crown corporation were maintained in a manner that provided the corporation with reasonable assurance that its assets were safeguarded and controlled, its resources were managed economically and efficiently, and its operations were carried out effectively. The Office of the Auditor General of Canada (OAG) carries out special examinations according to the standards for direct engagements established by the Chartered Professional Accountants of Canada.

The OAG developed this document to promote consistency and efficiency across the special examination practice by guiding teams in the use of the mandatory “core” systems and practices and associated standard criteria. The document also recommends audit questions, key documentation, and audit steps for each of the criteria. This approach is based on the OAG’s experience in conducting special examinations from 2009 to 2016 and on a review of the literature. The document was updated in 2021 in consultation with internal specialists and the Special Examination Management team.

This document supports special examination teams preparing the audit logic matrix and developing audit programs. The following tables present the mandatory core systems and practices, to be considered and included in the special examination audit logic matrix. In addition, on the basis of a risk and control assessment performed during the planning phase, the engagement leader can justify expanding the scope of the special examination beyond the core systems and practices. Please consult the internal specialists for advice regarding their subject matter areas.

Refer to [OAG Audit 4020](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4020.shtm) Risk Assessment and [OAG Audit 4025](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4025.shtm) Internal Controls for more detail on standards, policy, and guidance related to risk and control assessment.

Confirming the suitability of the audit criteria—The engagement leader is responsible for determining whether the audit criteria are suitable for the engagement (Canadian Standard on Assurance Engagements 3001.31 and 3001.45). A key consideration is whether the Crown corporation has a shared understanding of the basis on which the corporation will be examined in order to ensure that its acknowledgment of the terms of the engagement is valid. It is also important that users of our assurance reports (including parliamentarians) understand the basis on which we have reached our audit conclusion. The engagement leader is responsible for taking appropriate steps to reduce the risk of misunderstandings. The engagement leader may wish to consider including audit questions, which serve to clarify the meaning of the criteria, in the special examination plan and encouraging the corporation’s management to review the source materials for the criteria. Current OAG policy requires that the sources of the criteria be included in both the special examination plan and report.

Refer to [OAG Audit 4043](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4043.shtm) Audit Criteria for more detail on standards, policy, and guidance related to audit criteria. **Note that in the special examination report, criteria must use the past tense of verbs.**

# Core—Governance

| **Required systems and practices** | **Audit criteria and sources** | **Suggested audit questions** | **Suggested information** | **Suggested audit steps** |
| --- | --- | --- | --- | --- |
| 1. **Board independence** | The board functions independently.  Sources   * Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013 * Practice Guide: Assessing Organizational Governance in the Public Sector, The Institute of Internal Auditors, 2014 * *Conflict of Interest Act*   Additional suggested sources (as applicable)   * the corporation’s enabling legislation * corporate bylaws, board charter, or terms of reference, or equivalent | Q1. Is the board independent from management? Does the board as a whole function independently from management? | * enabling legislation * board charter * terms of reference of the board committees * board minutes (in camera) * code of conduct, and values and ethics (applicable to board members) * board orientation package (ethical obligations) * board minutes (disclosures) * board minutes | 1a-Review the corporation’s enabling act to identify mechanisms in place to support board independence from management.  1b-Review roles and responsibilities material to ensure that the distinction between the board and the management is documented, and that there is no overlap between board and management functions.  1c-Review the board minutes from the last 2 years to ensure that the board is holding regular in camera meetings without management’s attendance. |
| Q2. Are there mechanisms in place to ensure that individual directors of the board declare any real or potential conflicts of interest and comply with a defined code of conduct as well as conflict of interest guidelines? | 2a-Confirm that the corporation has codes or policies regarding values, ethics, behaviour, and conflict of interest that apply to the board and are approved by the board.  2b-Confirm that there are processes to identify and address concerns with the independence of board members.  2c-Review orientation binders to ensure that board members receive information on the codes of values, ethics, behaviour, and conflict of interest that apply to the directors and the corporation.  2d-Interview the chair of the board to confirm the processes for ensuring independence of directors.  2e-Confirm that the board members are informed that they are subject to the *Conflict of Interest Act*.  2f-Confirm that there is a process to analyze potential conflict of interest or non‑compliance of board members to the board’s code of values and ethics.  2g-Review minutes of board meetings for the previous year to ensure that board members proactively disclose potential conflicts of interest at board meetings, when needed and in line with the terms of reference, board charter and bylaws, and any related policies.  2h-Confirm that non‑board members and outside experts attending the meetings of the board and its committees are subject to values and ethics and conflict of interest guidelines. |
| 1. **Providing strategic direction** | The board provides strategic direction.  Source   * Practice Guide: Assessing Organizational Governance in the Public Sector, The Institute of Internal Auditors, 2014   Additional suggested sources (as applicable)   * the corporation’s enabling legislation * corporate bylaws, board charter, or terms of reference, or equivalent | Q1. Does the board have the necessary information to interpret the corporation’s legislative and public policy mandate, to allow it to provide management with strategic direction?  and  Is the board’s interpretation of the approved mandate   * consistent with the mandate set down in the enabling legislation of the corporation * used in the provision of strategic direction to management | * enabling legislation * articles of incorporation * corporate plan * strategic plan * board meeting packages and minutes (evidence of board involvement in strategic planning) * ministerial letter * terms of reference of the board committees * chief executive officer (CEO) performance assessment (objectives and evaluation) * board charter * terms of reference of the board * board minutes * communication framework * key communications with minister * annual report * annual meeting agenda | 1a-Review the mandate described in the strategic plan or corporate plan to ensure consistency with the enabling legislation and the articles of incorporation.  1b-Confirm that the board has a role in setting the strategic direction in the strategic plan and the corporate plan.  1c-Confirm that the latest strategic plan or corporate plan was approved by the board (and the Governor in Council).  1d-Review key communications from the minister, including the ministerial directives, feedback on the corporate plan and annual report, and minutes of meetings with the minister (if applicable) to validate the corporation’s business, mandate, and alignment with government priorities. |
| Q2. Are strategic objectives clearly linked to the legislative mandate (and public policy mandate) and reflected in the strategic plan or the corporate plan? | 2a-Review the corporation’s most recent strategic plan or corporate plan to assess the alignment between the legislative mandate (and public policy mandate) and the strategic objectives and the measures identified in relation to the strategic objectives. |
| Q3. Is the board active in setting up CEO annual objectives that are aligned with the strategic direction and the corporate objectives? | 3a-Confirm that the terms of reference of the board committees include responsibilities related to the CEO position description, objective setting, and performance assessment.  3b-Review the CEO annual performance assessment to determine whether the CEO’s annual objectives are aligned with the corporation’s strategic direction and corporate objectives. |
| Q4. Is the board active in conducting the annual assessment of the CEO’s performance? | 4a-Confirm that the CEO’s performance assessment is conducted by the board, and confirm the frequency. |
| **Communications regarding strategic direction**  Q5. Is there a protocol in place for communication between the corporation (the board and the CEO) and stakeholders and shareholders? | 5a-Review the terms of reference of the board to confirm that they address communication with the stakeholders or shareholders.  5b-Review documentation demonstrating that an annual meeting was held, as required by the *Financial Administration Act*.  5c-Review key communication with other stakeholders.  5d-Confirm that roles and responsibilities regarding communications for the chair and the CEO are well defined. |
| **Risks**  Q6. Does the management of risks result in adjustments to the strategic direction, priority setting, and operations? | 6a-Confirm how the strategic planning process takes into account “risk” in resource allocation and priority setting and the board’s role.  6b-Review agendas and board meeting minutes over the past 2 years to confirm where “risk oversight” fits into governance processes and strategic direction. |
| 1. **Board appointments and competencies** | The board collectively has capacity and competencies to fulfill its responsibilities.  Source   * Practice Guide: Assessing Organizational Governance in the Public Sector, The Institute of Internal Auditors, 2014   Additional suggested sources (as applicable)   * *Financial Administration Act* (section 148) * the corporation’s enabling legislation * corporate board profile or skills matrix | Q1. Are there vacancies on the board? | * board skills profile or matrix * assessment of gaps (skill gap analysis) * board meeting agenda and minutes * terms of reference governance and human resources committee * minutes of governance and human resources committee meetings * order-in-council for directors (board members) * annual report (bios) * board orientation binder * training log for board members * board self-assessment results * terms of reference of governance committee * competency profiles * selection criteria | 1a-Confirm whether the vacancies inhibit the functioning of the board. |
| Q2. Has the board profiled the skills and expertise (and other specific requirements—for example, regional representation) needed to be a director of the corporation? | 2a-Confirm that a board profile (skills and expertise) has been established for the role of directors of the corporation and has been updated on a regular basis. |
| Q3. Has the board identified the abilities, skills, and knowledge that are missing in its oversight of the corporation? (See also **Board** **Oversight** section below.) | 3a-Confirm that any current (or future) gaps in abilities, skills, and knowledge have been identified.  3b-Confirm that these gaps in abilities, skills, and knowledge have been discussed at the board meetings in a timely manner to ensure continuity.  3c-Review board self-assessment and follow-up of any points raised concerning abilities, skills, and knowledge of directors and the appointment process. (See also **Board** **Oversight** section and **Evaluation** audit questionsbelow.)  3d-Interview board members to assess level of satisfaction with board composition and the appointment process. |
| Q4. Have there been periodic assessments to determine whether the board is made up of people with the appropriate abilities, skills, and knowledge to carry out their necessary roles and responsibilities? | 4a-Confirm that the board has assessed the profile of the current directors against its ideal profile.  4b-Review board members’ bios to confirm the appropriateness of their skills and expertise. |
| Q5. Do board members have access to orientation sessions and ongoing training (legislative and public policy mandate, bylaws, roles and responsibilities, code of conduct, and so on)? | 5a-Confirm that orientation sessions have been conducted with new directors and that orientation material is available.  5b-Confirm that ongoing training (continuing education programs) was provided to the directors and that records have been kept. |
| Q6. Does the board have access to and use outside expertise when necessary to fill gaps in its skills and expertise profile? | 6a-Review minutes for the last 2 years to identify whether external expertise is used when necessary.  6b-If applicable, compare outside expertise used with the skill gap analysis identified to fill gaps (or compare with the nature of the corporation’s operations). |
| Q7. Does the board discuss renewal issues and communicate effectively and appropriately with the responsible minister? | 7a-Review terms of existing directors (order-in-council) and identify potential significant turnovers in a near future.  7b-Confirm that renewal issues (any current and future vacancies and CEO) have been discussed at board meetings in a timely manner to ensure continuity. |
| Q8. Does the board provide the minister with competency profiles and proposed criteria for selection? | 8a-Confirm that renewal issues (any current and future vacancies and CEO) and competency profiles and criteria for selection have been discussed with the responsible minister in a timely manner to ensure continuity. |
| 1. **Board oversight** | The board carries out its oversight role over the corporation.  Sources   * *Financial Administration Act* * Practice Guide: Assessing Organizational Governance in the Public Sector, The Institute of Internal Auditors, 2014   Additional suggested sources (as applicable)   * the corporation’s enabling legislation or legislations * corporate bylaws, board charter, or terms of reference, or equivalent | **Structure**  Q1. Does the board’s organizational structure (including board committees and sub-committees) reflect the nature and complexity of the corporation’s business and responsibilities? | * enabling legislation * articles of incorporation * bylaws * board charter * terms of reference of the board committees * board orientation package * board self-assessments * board self-assessment results and related questionnaire * board and governance committee minutes * terms of reference of governance committee * list of attendance at board meetings * board meeting packages * performance measures used by the board * board performance evaluation results * enterprise risk management processes   Internal audit   * terms of reference of the board audit committee * annual report (bios) * board minutes * internal audit plan for next period * internal audit reports for past 3 years * the corporation’s follow-up on reports and recommendations   Compliance   * list of laws, regulations, and mandatory codes * codes of conduct and ethical behaviour * whistleblower hotline report * staff surveys * training material * reports to board related to the corporation’s compliance with laws, regulations, and mandatory codes * reports on monitoring of staff compliance with code, or breaches * terms of reference for governance or human resources committee * reports to the board on the corporation’s compliance with code of conduct and ethical behaviour * annual confirmations by staff | 1a-Review the key documentation supporting the board (board charter, terms of reference of the committees of the board, documented roles and responsibilities of the chair and the CEO) to ensure that they are clearly defined.  1b-Confirm that the board charter and the terms of reference of the board committees are regularly reviewed, updated, and approved by the board.  1c-Assess whether the board structure reflects the corporation’s operations, nature, and complexity (specific expertise or committee needed). |
| Q2. Are roles and responsibilities of the board and its committees clearly defined? | 2a-Review the information provided to board members as part of their meetings and in the orientation package to ensure that they are made aware of their roles and responsibilities.  2b-Review results of the board’s self-assessment survey to ensure no concerns or issues are raised regarding roles and responsibilities (board, board committees, CEO, and key positions). |
| **Oversight**  Q3. Is the board provided with timely information that demonstrates its oversight and monitoring of   * strategic plan implementation * financial performance * key operations * risk management * information technology (IT) strategy and cybersecurity * legal obligations * ethics, fraud, conflict of interest * major strategic initiatives and decisions | 3a-Review the board meeting packages for the last 2 years to confirm that the information provided allows the board to monitor progress against measures of the objectives set in the strategic plan.  3b-Review the board meeting packages for the last 2 years to confirm that the information provided includes financial and non‑financial reports, such as   * strategic plan implementation and progress * financial performance * key operations status * risk management (see questions below) * IT strategy and cybersecurity * legal obligations * ethics, fraud, and conflict of interest * key strategic initiatives and decisions   **Risk**  3c-Confirm that roles and responsibilities for risk management have been established at the board and committee levels.  3d-Confirm whether the board, audit committee, and risk committee play an essential role in reviewing the effectiveness of risk management with the corporation.  3e-Review agendas and board meeting minutes over the past 2 years to confirm where “risk oversight” fits into governance processes.  3f-Review board minutes and documentation over the past 2 years to confirm the board’s and management’s involvement in risk management.  3g-Confirm that progress against risk management action plans are presented to the board on a periodic basis.  3h-Confirm that management updates risk periodically and presents updates to the board.  3i-Confirm that risk management processes are in place for strategic and operational risks and are updated regularly.  3j-Confirm that risk management policies clearly define the overall corporate risk management process (assessment, mitigation, monitoring, and reporting).  **Legal compliance**  3k-Review the board meeting packages for the last 2 years to confirm that the board has information to approve and monitor the corporation’s compliance with all of the requirements of the laws, regulations, ethical standards and policies, and so on. |
| Q4. Is the information provided to the board in support of the topics listed in Q3 above at an appropriate level of detail? | 4a-Conduct interviews with board members to determine whether the information provided is appropriate and is received in a timely manner.  4b-Review board performance evaluation (self-assessment) to identify any improvements needed regarding the information received by management. |
| Q5. Does the board make decisions, question the information, offer direction, request more information, and follow up on actions taken? | 5a-Review the board minutes to find evidence of actions, decisions, additional questions, new information, or requests for further information regarding key strategic decisions or any reports provided. |
| Q6. Does the internal audit function report through the audit committee and provide an independent and objective view on risk and internal controls that contributes to the board’s oversight and monitoring responsibilities? | **Internal audit**  6a-Confirm by reviewing the terms of reference of the audit committee that the internal audit function reports to the audit committee and is independent of management.  6b-Review the audit committee members’ profiles to ensure that at least 1 member is financially strong and all others are financially literate.  6c-Review the audit committee members’ profiles to ensure that at least 1 member is strong in IT and all others have IT awareness.  6d-Review minutes of the audit committee for the previous 2 years to assess the extent of challenge and review of financial information, risks and mitigation, internal audits, and communication with external auditors.  6e-Review the internal audit function’s current plan and current risk assessment, previous findings, recommendations and follow-up actions, and audit committee monitoring to confirm that the internal audit function contributes to the board’s oversight role. |
| **Ethics**  Q7. Does the board ensure that the values and ethics policies, including conflicts of interest, are communicated to all staff and implemented, and does the board ensure that action is taken when there are deviations? | **Ethics**  7a-Confirm that the values and ethics code is communicated, at least annually, to employees, and minimal training is provided.  7b-Confirm that employees have to renew annually their adherence to the code of values and ethics.  7c-Confirm that the corporation’s ethical performance is reported to the board periodically and that there is a process followed to address deviations |
| Q8. Does the corporation monitor its ethical performance and report it to the board periodically? | 8a-Confirm that the corporation’s compliance (or breaches) with code of conduct, ethics, values, and so on, is monitored and reported to the board periodically. |
| Q9. Does the corporation’s code of values and ethics align with the one of the federal public sector? | 9a-Compare the corporation’s values and ethics code with that of the federal public sector. |
| **Communications regarding oversight**  Q10. Is there a protocol in place for communication between the corporation (the board and the CEO) and stakeholders and shareholders? | 10a-Review the terms of reference of the board to confirm that they address communication with the stakeholders or shareholders.  10b-Confirm that roles and responsibilities regarding communications for the chair and the CEO are well defined. |
| Q11. Does the corporation communicate relevant information with the shareholders, stakeholders, and the public in a timely manner? | 11a-Review key communications from the minister, including the ministerial directives, feedback on the corporate plan and annual report, and minutes of meetings with the minister (if applicable), to validate the corporation’s business, mandate, and alignment with government priorities.  11b-Review documentation demonstrating that an annual meeting was held, as required by the *Financial Administration Act*.  11c-Review the latest annual report to confirm that it reports on the activities of the corporation during the year.  11d-Confirm that the corporation’s most recent annual report is available on the corporation’s website.  11e-Review key communication with other stakeholders. |
| **Evaluation**  Q12. Does the board periodically evaluate its performance and that of its committees, and has a transparent mechanism been used to report the results? | 12a-Confirm that there have been periodic evaluations of the board’s performance and that these have been reported.  12b-Confirm that there have been periodic evaluations of the board committees’ performance and that these have been reported.  12c-Confirm that there have been periodic evaluations of the individual directors of the board and chair performance and that these have been reported.  12d-Confirm that an action plan was developed, if any actions are required.  12e-Review any other elements of board functioning, such as board attendance and other elements that can lead to issues. |

# Core—Strategic planning

| **Required systems and practices** | **Audit criteria and sources** | **Suggested audit questions** | **Suggested information** | **Suggested audit steps** |
| --- | --- | --- | --- | --- |
| 1. **Strategic planning** | The corporation establishes a strategic plan and strategic objectives that are aligned with its mandate.  Sources   * *Financial Administration Act* * *Crown Corporation Corporate Plan, Budget and Summaries Regulations* * Guidance for Crown Corporations on Preparing Corporate Plans and Budgets, Treasury Board of Canada Secretariat, 2019   Additional suggested sources (as applicable)   * the corporation’s enabling legislation * corporate document calling for a corporate or strategic plan (for example, a policy, framework, or guidance document) | Q1. Does the corporation have a systematic strategic planning process in place? | * SWOT (strengths, weaknesses, opportunities, threats) analysis * strategic planning meeting minutes * environmental scan * corporate risk profile * corporate plan * operational plans * enabling legislation * articles of incorporation * bylaws * strategic plan * IT strategy * annual report * board minutes (approval of mandate) * ministerial letter * evidence of corporate plan communication with staff (Intranet or Internet sites, emails sent to employees, and so on) * senior management performance appraisal (alignment of strategic objectives) | 1a-Determine whether the corporation has a systematic performance measurement and reporting process in place. |
| Q2. Has the board and management taken into consideration the internal and external environment, and has it identified its competitive strengths and weaknesses for purposes of strategic planning? | 2a-Review the strategic planning process to ensure that the corporation has done a thorough analysis of its internal and external environment and organizational strengths and weaknesses.  2b-Confirm that the strategic planning process received internal and external inputs. |
| Q3. Is the corporation’s interpretation of the approved mandate consistent with the mandate set down in the enabling legislation or the articles of incorporation?  (See also **Core—Governance**.) | 3a-Confirm that the corporation considered all aspects of its legislative, commercial, and public policy mandate.  3b-Review the corporation’s legal mandate to ensure that it is in line with the mandate set out in the corporation’s strategic plan, corporate plan, and annual report.  3c-Review the government’s priorities, and confirm that they are considered in the strategic direction of the corporation. |
| Q4. Are appropriate roles, responsibilities, and resources for the strategic planning process established and approved? | 4a-Determine whether appropriate roles, responsibilities, and resources for strategic planning process are established and approved.  4b-Confirm that the strategic plan or corporate plan, or both, was approved by the board and the Governor in Council on the recommendation of the minister.  4c-Interview the corporation’s management to ensure that the strategic plans are well communicated and understood throughout the organization. |
| Q5. Have the results of the risk management process been integrated into the strategic planning process? | 5a-Confirm that the strategic planning process takes into account “risk” in resource allocation and priority setting, and confirm how.  5b-Confirm that the use of risk information (usually enterprise‑wide risks) has been embedded into the strategic planning process.  5c-Review the strategic planning process to ensure that the corporation considers evolution of risks and updates its strategic direction according to this. |
| Q6. Has the corporation established strategic objectives? | 6a-Confirm that the strategic objectives have been assigned an owner responsible for achieving them and that expected results have been established.  6b-Confirm that the corporation has established strategic objectives and that they are linked with the corporation’s mandate. |
| Q7. Has the corporation established an IT strategy that is aligned with its overall strategic objectives? | 7a-Confirm that the corporation has established IT strategic plans and objectives and that the IT strategy is aligned with the corporation’s overall strategy and that it is appropriate given the strategic importance of information assets. |
| Q8. Is the strategic plan documented, well communicated, and understood throughout the organization?  **Optional based on risk:** Q9. Are there strategic human resources plans and objectives for employees and for key stakeholders that are communicated throughout the organization?  **Optional based on risk:** Q10. Are there strategic IT plans and objectives for employees and for key stakeholders that are communicated throughout the organization?  **Optional based on risk:** Q11. Are there strategic environmental plans and objectives for employees and for key stakeholders that are communicated throughout the organization? | 8a-Confirm that performance appraisals of management are linked with the strategic objectives. |
| 1. **Performance measurement, monitoring, and reporting** | The Corporation establishes performance indicators in support of achieving its strategic objectives and monitors and reports on its progress against these indicators.  Sources   * Guidance for Crown Corporations on Preparing Corporate Plans and Budgets, Treasury Board of Canada Secretariat, 2019 * Recommended Practice Guideline 3, Reporting Service Performance Information, International Public Sector Accounting Standards Board, 2015   Additional suggested sources (as applicable)   * corporate documents calling for a corporate or strategic plan (for example, policy, framework, or guidance documents) | Q1. Does the corporation have a systematic performance measurement process in place? | * corporate plans * annual reports * operational dashboards, scorecards, or equivalent | 1a-Determine whether the corporation has a systematic performance measurement and reporting process in place. |
| Q2. Are appropriate roles, responsibilities, and resources for the performance measurement process established and approved? | 2a-Determine whether appropriate roles, responsibilities, and resources for performance measurement and reporting are established and approved. |
| Q3. Has the corporation established qualitative and quantitative measures to assess its performance in achieving strategic objectives? | 3a-Confirm that the corporation has established indicators to generate performance information for key operational areas. This information is available to   * management * the board * the public   3b-Confirm that established indicators are   * specific * measurable * time-bound   3c-Confirm that established measures or indicators align with strategic objectives |
| Q4. Has the corporation identified an accountability process to monitor the implementation of the strategic plan? | * management and board reports * annual reports * scorecards * corporate plans | 4a-Confirm that the strategic objectives have been assigned an owner responsible for achieving them and that expected results have been established. |
| Q5. Do management and the board periodically monitor progress against its strategic objectives (using its established performance measures) to assess actual versus expected results? | 5a-Review the annual report, the scorecard, the corporate plan, or any key documentation to determine whether the corporation is reporting against its strategic objectives (strategic and operational).  5b-Confirm that the corporation’s reports contain clear performance information.  5c-Confirm that the corporation’s reports contain information comparing its performance with relevant benchmarks or comparing its performance over time, or both. |
| Q6. Does the corporation report key results against its performance measures and strategic objectives to stakeholders, including the public? | 6a-Review reports of key results to confirm its targets and strategic objectives to the board, management, and the public.  6b-Review board and senior management committee minutes for evidence that performance information is used for decision making. |
| Q7. Is there evidence that performance information is used for decision making by both management and the board? | 7a-Review board and senior management committee minutes for evidence that performance information is used for decision making. |

# Core—Corporate risk management

| **Required systems and practices** | **Audit criteria and sources** | **Suggested audit questions** | **Suggested information** | **Suggested audit steps** |
| --- | --- | --- | --- | --- |
| 1. **Risk identification and assessment** | The corporation identifies and assesses risks to achieving its strategic objectives.  Sources   * Enterprise Risk Management—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2017 * ISO 31000—Risk Management—Guidelines, International Organization for Standardization, 2018 * Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013   Additional suggested sources (as applicable)   * corporate documents that describe risk management requirements (for example, policy, framework, or guidance documents) | Q1. Does the corporation have a systematic risk management process in place? | * corporate risk profile * risk management committee minutes (if applicable) * IT security or cybersecurity risk management plan | 1a-Determine whether the corporation has a systematic risk management process in place.  1b-Confirm that risk management is aligned within the overall objectives of the corporation and includes coverage of fulfilling the Crown’s statutory control objectives.  1c-Confirm that risk management policies clearly define the overall corporate risk management process (assessment, mitigation, monitoring, and reporting).  1d-Confirm that risk management processes are in place for strategic and operational risks and are updated regularly.  1e-Review board minutes and documentation over the past 2 years to confirm the board’s and management’s involvement in risk management. |
| Q2. Are appropriate roles and responsibilities, and resources for risk management established and approved? | 2a-Confirm that the terms of reference and all other documentation related to risk management processes are regularly reviewed, updated, and approved by the board (or management).  2b-Confirm that roles and responsibilities for risk management have been established for management, and confirm that management is playing a leadership role in risk management. |
| Q3. Have corporate risks been identified? | 3a-Confirm that risk identification processes are in place for strategic or corporate risks and are conducted periodically throughout the corporation (for example, cybersecurity risks).  3b-Confirm that the board approves management’s risk assessment and is active in establishing the risk tolerance levels.  3c-Confirm that staff continuously identifies emerging risks. |
| Q4. For each risk identified, has the corporation determined the likelihood of occurrence, its potential severity or impact, and a level of tolerance within which it needs to be managed? | 4a-Confirm that significant risks are formally assessed on the basis of the potential impact, severity, and likelihood in preventing the achievement of key objectives. |
| 1. **Risk mitigation** | The corporation defines and implements risk mitigation measures.  Sources   * Enterprise Risk Management—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2017 * ISO 31000—Risk Management—Guidelines, International Organization for Standardization, 2018   Additional suggested sources (as applicable)   * corporate documents that describe risk management requirements (for example, policy, framework, or guidance documents) | Q1. Have mitigation measures or strategies been implemented for risks identified, and do they work as designed? | * Corporate risk profile * risk management committee minutes (if applicable) | 1a-Confirm that action plans (mitigation measures or initiatives) are developed for strategic and operational risks. (Links to Operational planning section.)  1b-Confirm that strategic risk mitigation action plans are defined and assigned to a “risk owner.”  1c-Confirm that existing controls in place have been assessed for identified risk and that existing gaps have been defined.  1d-Confirm that the board approves risk mitigation strategies adopted by management. |
| 1. **Risk monitoring and reporting** | The corporation monitors and reports on the implementation of risk mitigation measures.  Sources   * Enterprise Risk Management—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2017 * ISO 31000—Risk Management—Guidelines, International Organization for Standardization, 2018   Additional suggested sources (as applicable)   * corporate documents that describe risk management requirements (for example, policy, framework, or guidance documents) | Q1. Do systems and practices provide timely and appropriate information to senior management and to the board for risk management and decision making? | * risk monitoring reports provided to the board * periodic risk assessment report * enterprise risk management steering committee minutes * organizational risk management report * operational plans | 1a-Confirm that risk management and monitoring is reported to management and the board on a regular basis. |
| Q2. Has the required information to manage risks within the level of tolerance considered acceptable to the corporation been defined?  And is it captured in a way that ensures it is accurate, complete, timely, and reliable? | 2a-Confirm that the reports presented to management and the board contain the required information and are clear, are concise, and provide a comprehensive overview of the risk management.  2b-Confirm that key risk owners (management) monitor mitigation strategies in place, report any significant changes, and take adequate actions, if needed. |
| Q3. Does the management of risks result in adjustments to the strategic direction, priority setting, and operations? | 3a-Confirm that key risk management issues are acted on in a timely manner. |

# Core—Operations management: By systems and practices selected for examination

| **Systems and practices** | **Audit criteria and sources** | **Suggested audit questions** | **Suggested information** | **Suggested audit steps** |
| --- | --- | --- | --- | --- |
| 1. **Operational planning** | The corporation’s operational planning aligns with the strategic objectives.  Sources   * Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013 * COBIT 5 Framework—APO05 (Manage Portfolio), BAI01 (Manage Programmes and Projects), ISACA   Additional suggested sources (as applicable)   * corporate documents that describe operational planning (for example, policy, framework, or guidance documents) | Q1. Is the business unit operational planning aligned with the strategic plan? | * corporate plan * operational plans * annual report * evidence of operational plans communication with staff (Intranet or Internet sites, emails sent to employees, and so on) * senior management performance appraisal (alignment with operational plans) | 1a-Review the corporation’s operational plans to ensure that they are aligned with the strategic planning objectives established. |
| Q2. Have risks related to the business unit operations been taken into account when establishing the operational plan? Are there risks related to information management or IT, human resources, or the environment? | 2a-Confirm that the operational planning process takes into account “risk” when setting priorities and allocating resources.  2b-Confirm that risk management processes are in place for operational risks and are updated regularly.  2c-Confirm that roles and responsibilities for operational risk management have been established at the business unit level.  2d-Confirm that operational risks are explicitly assigned to a “risk owner.”  2e-Confirm that action plans (mitigation measures or initiatives) are developed for operational risks.  2f-Confirm that key risk owners (management) monitor mitigation strategies in place, report any significant changes, and take adequate actions, if needed. |
| Q3. Does the business line operational plan take into account the needs of its users? | 3a-Review the corporation’s operational plan to ensure that it has identified users’ and stakeholders’ needs in terms of expected quantity, quality, and level of service. |
| Q4. Have budgets and performance measures been established in the business line operational plan? | 4a-Review the corporation’s business line operational plan to confirm that it has established budget allocation amounts and expectations of performance through measures. |
| Q5. Are the operational plans detailed enough to guide management actions? | 5a-Review the corporation’s operational plans to ensure that they contain enough details, such as clear deliverables, timelines, accountabilities, human resources needs (full-time equivalents), budget, risks, and so on.  5b-Interview the corporation’s management to ensure that operational plans are well communicated and understood throughout the organization. |
| Q6. Has the corporation identified an accountability process to monitor the implementation of the operational plans?  **Optional based on risk:** Q7. Does the IT operational plan align with corporate priorities defined in the strategic plan?  **Optional based on risk:** Q8. Does the human resources operational plan align with corporate priorities defined in the strategic plan?  **Optional based on risk:** Q9. Does the environmental operational plan align with corporate priorities defined in the strategic plan? | 6a-Confirm that the corporation has identified responsibility for monitoring the implementation of operational plans.  6b-Confirm that performance appraisals of management are linked with operational objectives and budgets and measures. |
| 1. **Operational performance measurement, monitoring, and reporting** | The corporation establishes performance indicators to measure its operational performance and monitors and reports on progress.  Sources   * Internal Control—Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, 2013 * COBIT 5 Framework—APO05 (Manage Portfolio), BAI01 (Manage Programmes and Projects), ISACA   Additional suggested sources (as applicable)   * corporate documents that describe operational performance measurement, monitoring, and reporting requirements (for example, policy, framework, or guidance documents) | Q1: Does the corporation periodically report during the year key operational results against expectations, including explanations of any variances between planned and actual results. | * operational plans and budgets * variance analyses * assessments of performance * reports provided to management and the board | 1a-Review the corporation’s key reporting documents to ensure that key results are monitored and reported against expectations and that variances are explained.  1b-Establish whether changes in processes and plans take place as needed. |
| Q2: Are the board and management informed of the operational performance of the business unit with timely information? | 2a-Establish frequency of review of results against plans by management.  2b-Determine whether the board and management were informed of the results. |
| Q3: Does the corporation assess the relevance of its results in this business line periodically? | 3a-Review independent assessments of the operations, such as   * client surveys * benchmarking activities * trend analysis * internal audits   3b-Review other documents that assess products and service delivery. |
| Q4. Are the actions taken to correct the products or services based on client needs or on ensuring that they are fulfilling the mandate and organizational capacity (for example, with respect to financial resources, human resources, and IT), or both? | 4a-Establish whether changes in processes and plans took place as needed on the basis of outcomes of monitoring information. |
| 1. **Key systems and practices specific to the corporation, identified for examination by the special examination team.**   **Note:** For information on audit scope and approach, refer to the Direct Engagement Manual (sections [OAG Audit 4042](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4042.shtm) Audit Scope and Approach and [OAG Audit 4044](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4044.shtm) Developing the Audit Strategy: Audit Logic Matrix). | Criteria are to be defined by the special examination team, as the criteria are specific to the Crown corporation’s mandate and strategic direction.  **Note:** For information on audit criteria and sources, refer to the Direct Engagement Manual (section [OAG Audit 4043](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/manual/4043.shtm) Audit Criteria). | The audit questions are to be defined by the special examination team, as they should be specific to the Crown corporation’s mandate and strategic direction.  Note that key inputs to product or service delivery include financial resources, human resources, IT, and key operational assets. | Information required is specific to the Crown corporation. |  |

# Appendix—References to additional guidance

On the basis of a risk and control assessment and consultations with internal specialists during the planning phase, if the engagement team is expanding the scope of the special examination beyond the core systems and practices, it should consult the internal specialists for advice regarding the specific subject matter areas identified for examination. In addition, the engagement team can also consult the following guidance, which is available on the [Internal Specialists INTRAnet page](http://cmsprd.oag-bvg.gc.ca/intranet/financial-audits/21892_e.shtm).

**Environment and sustainable development**

[Environment and Sustainable Development—Guidance and Resources](http://cmsprd.oag-bvg.gc.ca/intranet/audit/4404_ENC_HTML_PROD.shtm)

[Special Examination Audit Approach for Environment and Sustainable Development](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/documents/SE_Approach_for_ESD.docx)—2022

**Financial instruments**

[Financial Instruments Specialists Team](http://cmsprd.oag-bvg.gc.ca/intranet/audit/4405_ENC_HTML_PROD.shtm)

**Human resource management**

[Guide for Performance Audits and Special Examinations on Performance Management (November 2018)](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/25102_ENC_HTML_PROD.shtm)

[Guide for Performance Audits and Special Examinations on Psychological Health and Safety in the Workplace (November 2018)](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/25103_ENC_HTML_PROD.shtm)

[Guide for Performance Audits and Special Examinations on Recruitment and Retention (November 2018)](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/25104_ENC_HTML_PROD.shtm)

[Guide for Performance Audits and Special Examinations on Strategic Human Resource Planning (November 2018)](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/25105_ENC_HTML_PROD.shtm)

[Guide for Performance Audits and Special Examinations on Compensation (November 2018)](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/25108_ENC_HTML_PROD.shtm)

[Guide for Performance Audits and Special Examinations on Learning, Training, and Development (November 2018)](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/25110_ENC_HTML_PROD.shtm)

**IT—Direct engagements**

[Auditing Information Management and Information Technology (May 2014)](http://cmsprd.oag-bvg.gc.ca/intranet/audit/21293_ENC_HTML_PROD.shtm)

[Special Examination Risk Assessment Guide for Information Technology Systems](http://cmsprd.oag-bvg.gc.ca/intranet/performance-audits/documents/se_risk_assess_guide_en.docx)

**Fraud**

[Wrongdoing and Fraud Risks Guide (November 2014)](http://cmsprd.oag-bvg.gc.ca/intranet/audit/1567_ENC_HTML_PROD.shtm)—Under revision