

What to Expect

A Crown Corporation's Guide to a Special Examination



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

Ce document est également disponible en français.

Contents may not be reproduced for commercial purposes, but any other reproduction, with acknowledgments, is encouraged.

© Her Majesty the Queen in Right of Canada, represented by the Minister of Public Works and Government Services, 2014.

Revised edition

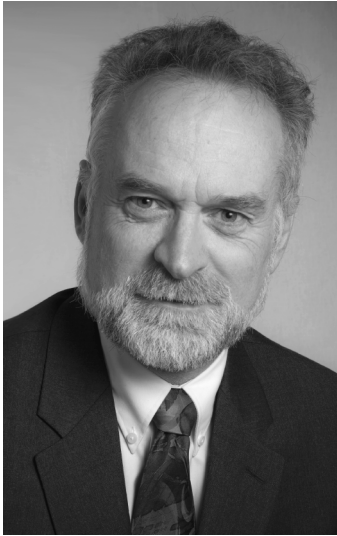
Cat. No. FA3-54/2014E-PDF

ISBN 978-1-100-24751-9

Table of Contents

A message from the Auditor General	v
1 Background	1
Purpose of the guide	1
Purpose of special examinations	1
2 Roles and responsibilities	3
Audit team	3
Crown corporations	3
Internal specialists and external advisors	4
3 Phases of the special examination	5
Planning phase	5
Examination phase	6
Reporting phase	7
4 Responding to recommendations	9
5 Report distribution	10
Distribution timelines	10
Publishing the report	10
After a special examination	11
6 Information access and security	12
Access	12
Security	13
Redaction of information	13
Appendix A—Special Examinations Versus Annual Audits	14
Appendix B—Formal Communications	15

A message from the Auditor General



The Office of the Auditor General (OAG) of Canada is guided by the principles of respect, trust, and integrity. We are committed to maintaining our independence, professionalism, and objectivity while delivering audit products of the highest quality.

Questions often arise about how we conduct our special examinations and what Crown corporations might expect during these audits. The purpose of this guide is to provide answers to those questions by outlining

- our objectives,
- the roles and responsibilities of those involved,
- the phases of the special examination,
- how to respond to recommendations, and
- how we communicate and handle information.

We aim to make an ongoing and consistent effort to understand the context in which Crown corporations operate and to promote open, two-way communication during the course of our work.

Ultimately, the objective is to better serve Crown corporation boards of directors by ensuring that our special examination reports and recommendations are fair and objective and are seen to be fair and objective by those responsible for making the changes we propose. Our recommendations are intended to improve the systems and practices in Crown corporations for the safeguarding of public assets, the economical and efficient use of resources, and the effectiveness of operations.

I hope this guide provides corporation officials with a valuable reference that will encourage productive and respectful relations between Crown corporations and my audit staff.

A handwritten signature in black ink, which appears to read "Michael Ferguson". The signature is fluid and cursive.

Michael Ferguson, FCA

1 Background

Purpose of the guide

This guide was developed to provide Crown corporations with a general reference, to answer questions that Crown corporations may have, and to provide a better understanding of what to expect during the course of a special examination.

Purpose of special examinations

Special examinations versus annual audits

Most Crown corporations interact regularly with the Office of the Auditor General (OAG) during the annual audit of their financial statements. As a result, they are generally familiar with the way the OAG conducts its audit work. A special examination is the other form of OAG audit mandated by the *Financial Administration Act (FAA)*¹. While special examinations take place at least once every 10 years, they could occur at any time as required by the Governor in Council, the appropriate minister, the corporation's board of directors, or the Auditor General.

The objective of a special examination is quite different from that of a corporation's annual financial audit. In an annual financial audit, the OAG provides an opinion on the fair presentation of the corporation's financial statements in accordance with generally accepted accounting principles. In a special examination, the OAG provides an opinion on whether the corporation's systems and practices selected for examination have achieved specific objectives defined in the FAA. The FAA requires Crown corporations and each wholly-owned subsidiary to maintain systems and practices that provide reasonable assurance that

- its assets are safeguarded and controlled;
- its financial, human and physical resources are managed economically and efficiently; and
- its operations are carried out effectively.

These are known as the statutory control objectives.

Appendix A provides a snapshot of the similarities and differences between a special examination and an annual audit.

Essential systems and practices and criteria

The statutory control objectives are quite broad, and it is impractical and unnecessary to examine all systems and practices of a Crown corporation. One of the first things we do when planning a special examination is to decide which systems and practices are essential to supporting the statutory control objectives. Based on our own knowledge and experience, and consultations with the corporation we are auditing, we then develop relevant criteria to identify

1. For some Crown corporations, the FAA has appointed the OAG and a co-examiner as joint auditors. In these instances, both examiners prepare a joint report on the results of the special examination and each examiner assumes an obligation for the entire audit.

the way those systems and practices could help the corporation achieve its statutory control objectives. We assess those essential systems and practices against the criteria that have been developed, in a manner consistent with professional standards.

The special examination is performed to obtain reasonable, but not absolute, assurance that, based on the criteria established for the examination, there were no significant deficiencies in the corporation's systems and practices selected for examination. Owing to the inherent limitation of an assurance engagement because of factors such as the use of judgment, the inherent limitations of internal control, the use of testing, and the fact that much of the evidence is persuasive rather than conclusive, there is an unavoidable risk that some deficiencies in a corporation's systems and practices will not be detected (particularly intentional deficiencies concealed through collusion), even though the examination is properly planned and performed.

Opinion

The opinion we present in the special examination report can express one of three conclusions:

- There is reasonable assurance that there are no significant deficiencies in the systems and practices selected for examination and maintained by the corporation to achieve the statutory control objectives.
- There are one or more significant deficiencies.
- There is no reasonable assurance that the corporation's systems and practices selected for examination achieve the statutory control objectives (in rare situations).

In addition to the opinion, our report presents our observations and findings in more detail for each area examined, and may contain recommendations.

2 Roles and responsibilities

Audit team

The audit team for a special examination is normally led by the assistant auditor general and the principal responsible for conducting the annual audit of the corporation's financial statements. Through the annual financial audits, these OAG officials have had an ongoing and substantial presence at the corporation. They will ensure that they clearly communicate to the corporation and its board of directors what to expect during the course of a special examination. Appendix B contains a schedule of formal communications, as well as timing and protocol for related responses.

Throughout the special examination, the audit team will inform corporation officials of audit progress, including emerging findings and potential recommendations. The audit team will also discuss any obstacles to conducting the special examination in order to ensure their timely resolution.

Other responsibilities of the audit team include

- communicating, through the special examination plan, the expected time frame for each phase of the special examination, as well as the expected timing for providing the draft report to management, the audit committee, and the board of directors;
- requesting documentation and interviews and performing related audit procedures to substantiate their findings (making reasonable efforts to do so with minimal disruption to corporation staff);
- confirming, with the audit committee and the corporation's management and board of directors, the language of choice for reviewing the draft plans and draft reports (the final report will be provided in both official languages); and
- consulting with and briefing corporation management on the validity and completeness of audit evidence, audit observations, conclusions, and recommendations, including corrective action to be taken.

Crown corporations

Under subsection 138(1) of the *Financial Administration Act* (FAA), “each parent Crown corporation shall cause a special examination to be carried out in respect of itself and its wholly-owned subsidiaries, if any.” This usually translates in practice into the corporation indicating its acceptance and acknowledgement of the special examination by signing a letter of engagement it will receive from the Office of the Auditor General (OAG).

Audit committee

The Crown corporation's audit committee will be asked to meet with the audit team to discuss the plan for the special examination. The committee also reviews drafts of the special examination report, including all recommendations and the corporation's responses.

Board of directors

The FAA specifies that the board of directors is responsible for the management of the corporation and is the primary recipient of the special examination report.

Board members will be asked to meet with audit team members during the course of the planning phase of the special examination in order to assist the team in identifying the essential systems and practices. They will meet again during the examination phase, particularly regarding audit work related to governance systems and practices of the corporation.

The board of directors will also formally meet with the audit team during the reporting phase of the special examination in order to discuss the final content of the report.

Corporation management and staff

Corporation management is expected to

- brief staff affected by the special examination about the purpose, nature, and timing of the special examination as early as possible in the audit process;
- make every reasonable effort to provide documents promptly and to ensure that the appropriate staff is available for interviews; and
- provide timely, consolidated, and coordinated comments and feedback on draft documents or audit conclusions and recommendations when requested by the audit team.

Corporation staff will be asked to provide documentation and participate in interviews. They may also be asked to review and sign off on documented meeting and interview minutes prepared by the audit team for use as evidence. Expectations regarding these requests are further discussed in section 6 of this guide.

Internal specialists and external advisors

The audit team may seek advice from both internal OAG specialists and external advisors at a number of stages in the special examination, including during the planning phase and during the review of report drafts. The internal specialists and the external advisors provide advice, including proposed areas to examine, risks, and audit criteria. They may also comment on the proposed findings, significant deficiencies, and possible reporting strategy.

The audit team selects external advisors based on the potential contribution of individuals, given their insights, skills, knowledge, and experience. Early in the planning phase, the corporation may be asked to suggest potential external advisors for the OAG.

The use of these consultations is not a legislative requirement, but reflects the OAG's interest in ensuring that appropriate skills and experience are brought to each special examination.

3 Phases of the special examination

Planning phase

Starting the special examination

It is a Crown corporation's responsibility to cause a special examination to be carried out at least once every 10 years. To confirm that a Crown corporation has caused a special examination to be carried out in respect of itself, as well as to confirm the terms of the engagement, the OAG will submit an engagement letter that will need to be signed by the Crown corporation within two to three weeks of its receipt.

The corporation will also receive a letter assuring it that the OAG will comply with the *Financial Administration Act* (FAA) should the audit team need to access any documents that may be subject to solicitor/client or other privileges. Consequently, the Crown corporation's disclosure of such documents to the OAG does not amount to a waiver of any privilege attached to the documents. The corporation will be asked to confirm its understanding, in writing, within two to three weeks of its receipt of the letter.

The FAA allows for an additional special examination to be carried out prior to the expiry of the 10-year statutory period. This may be required by the Governor in Council, the appropriate Minister, the board of directors, or the Auditor General of Canada. In cases where the additional special examination is required by the Auditor General, the examination team communicates the Office's intention to carry out a special examination by sending the Crown corporation a notification letter.

Understanding the corporation

Before they can begin planning what systems and practices of the corporation to examine, the audit team must gain a sound understanding of the corporation's mandate and objectives, the results expected and achieved, the corporation's organization and activities, and its operating environment, both internal and external.

This understanding is obtained through interviews with board members, senior managers, stakeholders, and industry experts, and by reviewing key corporate documents, external studies, previous special examination reports, and any other relevant information. Therefore, corporation management can expect that the audit team will be requesting interviews and documentation in order to better understand the corporation, the risks it faces, and its operating environment.

Selecting essential systems and practices

The selection of essential systems and practices follows a risk-based approach whereby the audit team

- reviews risks arising from the corporation's mandate,
- considers current challenges and business risks in the corporation's operating environment, and

- incorporates the systems and practices that represented a significant deficiency or warranted a recommendation for improvement in the previous special examination report.

Developing the criteria

Since the special examination report expresses an opinion with respect to the criteria established, the criteria are a critical part of the special examination process. The criteria identify the way those systems and practices should help the corporation achieve its statutory control objectives, rather than simply how those systems and practices should be structured.

The OAG has developed standard criteria for a number of the common systems and practices found in Crown corporations. Other criteria specific to the operations of a corporation are developed by the audit team based on their understanding of the corporation's mandate, standards, and practices; good practices from other organizations; professional literature; and in consultation with the corporation. The audit team will evaluate the corporation's essential systems and practices selected for the special examination against these criteria.

Drafting the special examination plan

Under the *Financial Administration Act* (FAA), the OAG is required to survey the systems and practices of a Crown corporation and submit a plan for the special examination to the audit committee, including a statement of the criteria to be applied. Also as mandated under the FAA, where practicable, the audit team will rely on any relevant internal audit of the corporation. Where the audit team plans to rely on internal audit, they will identify this in the plan.

The audit team will discuss the plan with internal OAG specialists and external advisors, as well as management of the Crown corporation, before submitting, controlled copies to the audit committee.

The audit team will meet with the audit committee to discuss the special examination audit objectives, the criteria against which the corporation's systems and practices will be measured, the expected timing of key communications and phases of the special examination, and any questions the audit committee may have concerning the special examination plan. If there are subsequent changes to the special examination plan, the audit team will resubmit the plan or an addendum to the audit committee and meet again as appropriate. While no formal acceptance of the plan is required, the audit committee usually makes a resolution to accept the plan.

Examination phase

Special examinations are conducted at an audit level of assurance. This means that the Office of the Auditor General (OAG) requires sufficient, appropriate evidence to give an opinion on the corporation's systems and practices selected for examination. Not only is there a need to ensure that the systems and practices are well designed, but also that they are functioning as intended to meet the statutory control objectives. Therefore, during the special examination, the corporation can expect the audit team to request documents and interviews to ensure there is sufficient and appropriate evidence to assess against the criteria.

The major activities involved in this phase of the special examination are iterative. These activities are summarized as follows:

- carrying out the audit procedures and gathering sufficient and appropriate audit evidence,
- assessing the evidence in relation to the criteria,
- forming judgments and conclusions on whether there is sufficient and appropriate evidence to support the emerging special examination opinion, and
- validating findings and conclusions with the corporation.

Throughout the special examination, the corporation can expect that the audit team will seek confirmation and validation of facts from appropriate staff and management to help ensure accuracy, relevance, and completeness of evidence. Where criteria have not been met, the audit team identifies the weaknesses and discusses them with management. Potential deficiencies are brought forward at this time, and their significance is further assessed during the reporting phase.

Reporting phase

Drafting the report

In the reporting phase, the audit team formally presents the observations, conclusions, and recommendations of the special examination in a draft special examination report. At this stage of the special examination, internal specialists and external advisors provide comments and feedback on the content of the draft report.

The structure of the special examination report is fairly standard. It begins with the special examination opinion, which can take one of the following three forms:

- **Unqualified opinion**—there was reasonable assurance that there are no significant deficiencies in the systems and practices selected for examination and maintained by the corporation to achieve the statutory control objectives
- **Qualified opinion**—there are one or more significant deficiencies
- **Adverse opinion**—we found no reasonable assurance that the corporation’s systems and practices selected for examination achieve the statutory control objectives

If the audit team has found one or more significant deficiencies, the opinion would state this conclusion and would describe the nature of the deficiencies as well as their importance and impact.

If the corporation has action plans in progress to correct deficiencies that have been classified as significant, these deficiencies could still be included in the report as significant. Because the deficiencies existed during the period of the special examination, there is no assurance that the planned actions will correct the problem or that the actions will continue after the report date.

The section following the special examination opinion provides an overview of the Crown corporation. The observations and recommendations section presents key findings for each area of the examination, including a description of any significant deficiencies, other important examination findings (positive and negative), and recommendations, if warranted.

There is a conclusion, and a section entitled About the Special Examination that includes the objective, key areas examined, the special examination criteria, and key dates related to the audit work. The recommendations and the corporation's responses are listed together in an appendix.

Responding to the report

The OAG's policy requires that it provide Crown corporations with an opportunity to review and comment on draft reports for confirmation and validation of facts before the report is finalized. The audit team will seek management's views concerning the validity and completeness of the observations, conclusions, recommendations, and the statement of opinion.

Once they receive management's responses to recommendations, the audit team will provide the draft report, including the responses, to the audit committee. The OAG encourages the audit committee to play an active role in reviewing and assessing the adequacy of management's responses and in providing feedback. The following section provides guidance on responding to a report's recommendations.

Producing the final report

After incorporating the feedback into the final special examination report, the audit team submits the final report to the corporation's board of directors.

4 Responding to recommendations

Special examination reports usually include recommendations, even if there are no significant deficiencies found. The audit team will periodically offer to brief corporation management and the audit committee, as applicable, on emerging findings throughout the examination phase as well as on proposed recommendations. The recommendations in the report will flow from the observations and conclusions of the examination and are aimed at correcting the underlying cause of the weakness.

The corporation is expected to provide a response to recommendations to be included in the final version of the report. Including the corporation's response to a recommendation gives the corporation the opportunity to inform users of the report whether it agrees with the recommendation, what actions it intends to take and when. The audit team will allow adequate time for the corporation to prepare its responses. This time frame is communicated to the corporation during the planning stage.

A recommendation should be

- practicable—can be implemented in a reasonable time frame, taking into account legal and other constraints;
- cost-effective—the benefits of implementing it will outweigh the costs;
- efficient—optimizing the use of resources; and
- results-oriented—giving some indication of what the intended outcome is, ideally in measurable terms.

Management, the Board, and the Office of the Auditor General (OAG) will be able to monitor the recommendation to determine whether it has been acted upon.

The corporation's responses should clearly indicate whether it agrees with the recommendations. If so, it should use no more than 200 words to indicate what actions it intends to take, and when. If the corporation does not agree with the recommendation, it should indicate, in no more than 200 words, why not. The corporation's responses must be received before the audit committee meets to review the final draft report.

Responses will immediately follow the recommendations presented in the observations and recommendations section of the report and will appear again in an appendix with a list of all the recommendations.

The OAG reserves the right to decline to include material that does not respond to a specific recommendation or repeats material that is already in the body of the report. Furthermore, because the OAG is associated with everything it prepares and because its staff must follow professional standards, it will not include in the special examination report anything that it believes is false or misleading.

Responses to recommendations are not intended as a vehicle to disagree with the audit findings. Any unresolved disputes must either be resolved or be described by the OAG in the main text of the report.

5 Report distribution

Distribution timelines

The *Financial Administration Act* (FAA) requires the corporation's board of directors to make the special examination report available to the appropriate Minister and the President of the Treasury Board **within 30 days** of receiving it. The FAA also requires the board of directors to make the special examination report available to the public **within 60 days** of receiving it. Exact dates for distribution should be discussed with the Office of the Auditor General (OAG) audit team. The special examination plan will outline the key dates for report distribution.

If the OAG determines it is necessary to bring specific information to the attention of the appropriate Minister, it will, after consultation with the board of directors, communicate that information directly to the Minister. Where the OAG is of the opinion that the special examination report contains information that should be brought to the attention of Parliament, the OAG will, after consultation with the Minister and the board of directors, prepare a report on that information for inclusion in the next annual report of the corporation and provide the board of directors and the Minister with copies of the report.

Publishing the report

When the corporation makes the special examination report public, the audit team has to ensure that the report is reproduced accurately and that any other information presented with the report is consistent with the report's content and does not undermine its credibility. The *Financial Administration Act* (FAA) does not specify the means of making a special examination report public; however, regardless of the method of publication, the Office of the Auditor General (OAG) will need to review the report before it becomes public.

On the corporation's website. When a Crown corporation intends to post the special examination report on its website, the audit team will provide the corporation with an electronic version of the report, that is, a locked PDF file with an index function that is ready for posting on the website. The audit team will compare the posted version with the report as originally issued to determine whether the report has been reproduced accurately. Please note that the OAG has no obligation to monitor subsequent amendments to the website.

In print. When a Crown corporation intends to make public a hard copy of its special examination report, the audit team will read a draft or the printer's proof before the document is printed. Later, the audit team will check the wording of the printed document against that of the report that was originally issued to determine whether the report has been reproduced accurately.

In either electronic or printed format, the appearance of the special examination report should be of similar quality to that of the report issued to the board of directors. Where a Crown corporation includes other information with the hard copy version or on its web pages, the audit team will ask the corporation's management to identify all instances that refer to the OAG and the report and will review the information to ensure that it does not undermine the

report and is consistent with the audit mandate for the special examination and the information that the team obtained while carrying it out.

After a special examination

To understand its past performance and to identify possible areas for improvement, the Office of the Auditor General (OAG) believes that it is important to obtain feedback from Crown corporations that have recently undergone a special examination. Therefore, the Office conducts post-examination surveys about various aspects of the examination experience. A summary of the results of these surveys is reported to Parliament in the OAG's Departmental Performance Report.

The OAG provides assurance to Parliament by publishing in the Auditor General's Annual Report a summary of the results of the special examination reports that were issued to boards of directors in the previous year.

6 Information access and security

Access

Access to information begins once the corporation signs the letter of engagement it receives from the Office of the Auditor General (OAG). Access to privileged information begins once an appropriate senior official of the Crown corporation has responded to the OAG's solicitor/client privilege letter. As indicated in the solicitor/client privilege letter, auditors are entitled to access documents that may be subject to solicitor/client and other privileges. The OAG respects the confidentiality of the information, in keeping with the *Financial Administration Act* (FAA). Consequently, the Crown corporation's disclosure of such documents to the OAG does not waive any solicitor/client privilege.

Also in keeping with federal legislation, the following outlines the audit team's right of access to information, documents, and staff in a Crown corporation.

- OAG auditors are entitled to receive from the corporation and any of its subsidiaries all information that they determine relevant and necessary to enable them to carry out a special examination. Such information may be provided in electronic (preferably) or hard copy format, or both, as appropriate and applicable in the circumstances.
- This information includes any relevant correspondence, memorandum, book, report, plan, map, drawing, diagram, analysis, survey, pictorial or graphic work, photograph, film, microfilm, sound recording, video tape, or machine-readable record.
- The corporation is responsible for identifying to OAG auditors, upon request, the memoranda to Cabinet, Cabinet decisions, and Treasury Board submissions and decisions that, in their view, relate to the special examination, so that the auditors may request these documents directly from the Privy Council Office or the Treasury Board of Canada Secretariat.
- Auditors may take extracts and make copies of the information, unless its security classification dictates otherwise.
- The fact that a document is not accessible to the public through an access to information request is not a valid reason for denying access to the Auditor General's staff. The provisions of the *Access to Information Act* do not apply to the Auditor General's access to information for audit purposes.

Timely access to information can be affected by such factors as the format and location of the requested information or the availability of an individual. Nevertheless, corporation officials should instruct their staff to make themselves and information available, as they would for any other important business of the corporation.

As a guide, information that is easily accessible should normally be provided **within five working days** of the request. For less readily available information, the corporation should provide the information within a reasonable time frame that the audit team and corporation officials agree upon. The audit team maintains a register of documents requested and received during a special examination.

Security

The Office of the Auditor General's (OAG's) Code of Values, Ethics, and Professional Conduct requires that all staff be familiar with the security aspects of their work and consider it an important and essential individual responsibility. The OAG ensures the confidentiality of its audited entities' documents in a number of ways.

- At the start of the special examination, the audit team will provide the corporation's selected contact with the names and security clearance levels of staff initially assigned to the audit. The audit team will notify the contact promptly should anything change.
- Audit team members should have access only to a corporation's information for which they have the required level of security clearance. Auditors must comply with the same security arrangements that apply to the corporation's staff.
- The controlled audit documents that the audit team provides to the corporation, the special examination plan and draft special examination reports, are protected documents. Staff of the corporation must ensure that these documents are not copied and that their contents are treated with appropriate discretion.
- The corporation is also responsible for returning all controlled documents to the Office upon request and to immediately inform the OAG if any controlled audit document is lost or made public.

The *Access to Information Act*, subsection 16.1(1), requires that the Auditor General of Canada refuse to disclose any record requested under the Act that contains information obtained or created by the OAG or on its behalf in the course of a special examination. Members of the public cannot obtain access to the special examination plan, draft special examination reports, or other audit documents such as audit working papers held by the OAG.

Redaction of information

In exceptional cases, certain information contained in special examination reports may be redacted from the public version. Redaction means removing classified information from a public record. The only situation where a redaction should take place is where there is classified information that cannot be made public in a special examination report. Classified information is information that is classified as Top Secret, Secret, or Confidential.

Information could be classified for different reasons. According to the *Access to Information Act*, Crown corporations may refuse to disclose to the public any records that contain information related, among other things, to the following areas:

- information obtained in confidence (as outlined in subsection 13(1) of the Act);
- international affairs and defence;
- security; and
- economic interests (trade secrets or financial, commercial, scientific or technical information).

The corporation is responsible for classifying its information. However, it could happen that the audit team will not agree with the corporation's classification or will not agree with issuing a redacted version of the report to take out classified information. Management and the board of directors will need to discuss redacting any information with the assistant auditor general leading the audit team. The audit team will then seek approval from the Auditor General.

Appendix A—Special Examinations Versus Annual Audits

	Special examinations	Annual audits
Mandate	<i>Financial Administration Act</i> (FAA) requirement	FAA requirement
Recipient of report	<p>The Office of the Auditor General (OAG) is required to report to the board of directors directly, and may report to the Minister and Parliament by exception.</p> <p>The board of directors is required to submit the report to the Minister and President of the Treasury Board within 30 days after the board receives the report.</p> <p>The board of directors is also required to make the report available to the public within 60 days.</p>	The OAG is required to report to the Minister directly, and the report is communicated to Parliament through the tabling of the Annual Report by the Minister.
Scope of opinion	The opinion deals with the corporation's systems and practices selected for examination and the assurance they provide in meeting the statutory control objectives.	The opinion deals with the financial statements and notes.
Nature of opinion	The special examination report is a long-form report on the findings and includes an audit opinion on results, reported directly to the board of directors.	The annual auditor's report, addressed to the Minister, is a standard short-form report expressing an opinion on the financial statements. In addition, a separate report on the results of the audit is provided to the audit committee.
Standards	Criteria to assess the systems and practices for Crown corporations are developed in accordance with professional standards and OAG policies.	The financial statements are assessed against generally accepted accounting principles.
Internal audit reliance	Required (to the extent practicable) under FAA subsection 138(5).	Required (to the extent practicable) under FAA, subsection 132(8).
Frequency	At least once every 10 years.	Once a year.
Auditing standards	The Chartered Professional Accountants Canada (CPA Canada) relevant Standards for Assurance Engagements.	CPA Canada Canadian Auditing Standards.

Appendix B—Formal Communications

Correspondence	Purpose	Expectation of the corporation
Planning phase		
Engagement letter	To confirm that a Crown corporation has caused a special examination to be carried out in respect of itself, as well as to confirm the terms of the engagement.	A signature on the letter to confirm acceptance of the engagement terms, normally within two to three weeks of receiving the letter.
Notification letter	To notify the Crown corporation of the Office's intention to carry out a special examination in cases where an additional special examination is required to be carried out prior to the expiry of the 10-year statutory period.	No formal acceptance is required; the audit team usually discusses the matter with management, audit committee and board prior to sending the letter.
Solicitor/client privilege letter	To assure the Crown corporation that when the Office of the Auditor General (OAG) requests access to documents that may be subject to solicitor/client or other privileges, it does so pursuant to its powers under the <i>Financial Administration Act</i> , and the corporation's disclosure of such documents to the OAG does not amount to a waiver of any privilege attached to the documents.	A written response to the letter to acknowledge this understanding, normally within two to three weeks of receiving the letter.
Special examination plan	To submit to the audit committee the overall plan, key areas for examination, the criteria to measure those areas, the special examination timetable, and other pertinent information related to the special examination.	No formal acceptance is required; the audit team will discuss the plan with management and meet formally with the audit committee for discussion and comment.
Reporting phase		
Draft special examination report	To communicate to management the findings of the special examination, including the opinion, and recommendations.	Management provides feedback and comments on the draft report and responds to recommendations before the audit team submits the report to the audit committee for the scheduled meeting.

Correspondence	Purpose	Expectation of the corporation
	To communicate the draft special examination report to the audit committee, including management’s responses to recommendations, for discussion.	Audit committee members discuss the report and ask the audit team questions to help them understand the report and subsequently provide advice to the board of directors.
Special examination report	To communicate the report to the board of directors, including management’s responses to recommendations. When the report is final, a PDF version (in both official languages) is provided to the board of directors.	Upon receiving the final report, the board of directors submits it to the Minister and President of the Treasury Board within 30 days, and makes it public within 60 days.
After the special examination		
Post-examination survey	To obtain feedback on the OAG’s performance related to the special examination.	The Corporation returns the survey promptly.