

## JOINT GOVERNANCE COMMITTEE (JGC)

### INFORMATION FORM

Contractual Obligation(s):	MSA 16.13
Information Topic:	<b>Annual Audit Plan</b>
Date of Meeting:	September 27, 2012

**Obligation:** The Province must consult with HPAS and provide an annual audit plan for the following year. The following outlines the proposed annual audits and timing.

#### **ANNUAL Audits:**

1. **Report on a Service Organization Controls (SOC) 1 Type 2 Audit** on the Revenue Management (Payment Processing, Account Management) and IM/IT services (CSAE 3416). Work includes a Report on Specified Procedures on Q9.

With regard to the LACX issue, HPAS is to report on its Action Plan and timeline for implementation for approval at JGC Sep 27, 2012. A readiness assessment will be included in the audit scope for 2012/13 to determine where issues arising from the LACX issue have been addressed and where concerns may still exist. The SOC1 scope in 2013/14 will include invoice processing.

The scope will be reviewed with the Office of the Auditor General of BC before finalization with the auditors and HPAS.

Audit Fiscal Year	Expected Timing:
2012/13	2012/13 Q3 – 2 weeks 2012/13 Q4 – 4 weeks 2013/14 Q1 – 2 to 4 weeks
2013/14	2013/14 Q3 – 2 weeks 2013/14 Q4 – 4 weeks 2014/15 Q1 – 2 to 4 weeks

2. **The Financial Monitor** (as defined in Section 9.1, Schedule 23 of the MSA) audits the Financial Summary Report and HPAS invoices, including inflation adjustments.

The 2012/13 scope will be similar to past years but with a possible reduction in revenue verification.

Audit Fiscal Year	Expected Timing:
2012/13	2012/13 Q4 – interim visit 2013/14 Q2 – year-end visit
2013/14	2013/14 Q4 – interim visit 2014/15 Q2 – year-end visit

3. **Payment Card Industry (PCI)** – The Provincial Treasury and its auditors (Control Gap) statement of work has been communicated\* to HPAS.

Audit Fiscal Year	Expected Timing:
2012/13	2012/13 Q3/Q4 – *as communicated
2013/14	2013/14 Q3/Q4 – TBD

**ADDITIONAL Audit Activities:**

4. **Privacy and Security Review** – the review would assess HPAS's privacy and security policies, practices and procedures with respect to revenue systems administered / operated by HPAS for the Ministry of Finance.


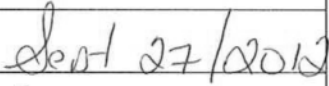
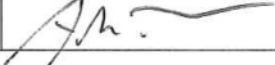
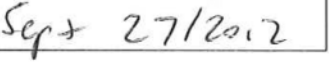
The approach would be to develop an evaluation framework (covering leading industry standards and guidance, Provincial and Federal legislation, and contractual obligations) and a diagnostic review against the framework. The extent of testing and analysis will be determined during the scoping phase.

Expected Timing – 2 to 4 months in Q3 of 2012/13 for development and a diagnostic review. Work may extend into Q4 2012/13 or Q1 2013/14.

5. **Performance (Value for Money) Audit** – the Ministry is required to report to Treasury Board on the performance of the Revenue Management Master Service Agreement in support of a decision on contract renewal.

Expected timing: Work may start in 2013/14 Q4 with field work continuing in 2014/15 Q1 and Q2. A final report will be needed by September 2014.



















**Acknowledgments:**


Chair Ministry of Finance		Date:	
Chair HP Advanced Solutions Inc.		Date:	

## JOINT GOVERNANCE COMMITTEE (JGC)


Contractual Obligation(s):	MSA 16.13
Information Topic:	Annual Audit Plan

### Expected Audit Timeline

Audit	Q3 FY 12/13	Q4 FY 12/13	Q1 FY 13/14	Q2 FY 13/14	Q3 FY 13/14	Q4 FY 13/14	Q1 FY 14/15	Q2 FY 14/15
SOC 1 Type 2 Audits								
Financial Monitor Audits								
Payment Card Industry								
Privacy & Security								
Value for Money								

Audit Report Fiscal Year 2012/13 

Audit Report Fiscal Year 2013/14 

Audit Report Multi-Year 

## JOINT GOVERNANCE COMMITTEE (JGC)

### INFORMATION FORM

Contractual Obligation(s):	MSA 16.13
Information Topic:	<b>Annual Audit Plan</b>
Date of Meeting:	June 26, 2014

**Obligation:** The Province must consult with HPAS and provide an annual audit plan for the following year. The following outlines the proposed annual audits and timing.

#### **ANNUAL Audits:**

1. **Report on a Service Organization Controls (SOC) 1 Type 2 Audit** (CSAE 3416) on the Revenue Management (Invoicing/Dunning, Payment Processing, and Account Management) and IM/IT services. Work includes a Report on Specified Procedures on Q9.

The 2014/15 scope will continue to include Invoicing/Dunning to provide assurance that the new procedures are operating throughout the year and an audit opinion that is cleared of the qualification re partial year implementation. KPMG anticipates the time to perform this additional work will be substantially less than in 2013/14. The Province will raise a Decision Request for audit cost recovery.

While the amount of work has increased to cover PST and Invoicing/Dunning, KPMG is planning to have additional auditors on site rather than extending the field visits. KPMG has spread out the work to accommodate HPAS's requests in prior years and provides for flexibility in the timing of planning and interim site visits.

For future years, the ministry will consult with OAG to determine if invoicing/dunning may be removed.

Audit Fiscal Year	Expected Timing SOC1:
2014/15	2014 August – October - Planning (1 week) 2014 November – December (1-2 weeks) – Interim testing 2015 January – February (1-2 weeks) – Interim testing 2015 March – April (2-3 weeks) – Year end testing
2015/16	2015 August – October ) - Planning (1 week) 2015 November – December (1-2 weeks) – Interim testing 2016 January – February (1-2 weeks) – Interim testing 2016 March – April (2-3 weeks) – Year end testing

2. **The Financial Monitor** (as defined in Section 9.1, Schedule 23 of the MSA) audits the Financial Summary Report including inflation adjustments.

The scope was reduced for the 2012/13 fiscal year to address only costs. Audit of the

Inflation Adjustment was excluded as that was addressed in the Financial Term Sheet negotiation. The 2012/13 report will be finalized once the Decision Request on MSP Incremental Collections Cost is approved, HPAS has updated the cost schedule and FSR and KPMG has completed its work.

The interim work for the 2013/14 year was deferred to the year-end visit. The delay allowed for resolving the MSP Incremental Collections Cost methodology and time for re-assessing the scope and approach to the final three years of the initial term of the contract (2012/13 to 2014/15) to support the cost basis for the Extension Years.

This year's audit scope will include:

- Consideration of the constitution of normalization of costs;
- Confirmation of Excluded Costs;
- Lowered materiality level (which will increase sample size);
- A separate audit report to cover the Inflation Adjustment related to Compensation;
- A separate review of the SR Rate methodology.

Audit Fiscal Year	Expected Timing – assumes FSR Draft early June:
2012/13	2013/14 Q2 – Year-end field work, draft report 2013/14 Q3 – MSP Incremental Collections Cost audit – qualified until DR 288 is signed. 2014/15 Q1, Q2 – complete audit work upon receipt of MSP Incremental Collections Cost Schedule and Revised FSR 2014/15 Q2 – Final reports (target Aug 15)
2013/14	2013/14 Q4 – Interim field work deferred to year end 2014/15 Q1 – Kick-off meeting June 5, 2014 Interim and Year-end field work 2014/15 Q2 – Final reports (target Aug 15)
2014/15	2014/15 Q4 – Interim field work 2015/16 Q1 – Kick-off meeting June 3, 2015 Interim and Year-end field work 2015/16 Q2 – Final reports (target Aug 15)  2015/16 Q2 (tbd) – Cost basis for Extension Years

3. **Payment Card Industry (PCI)** – The Provincial Treasury and its auditors (Control Gap) statement of work is communicated annually to HPAS. HPAS and ControlGap determine timing of audit work to meet a reporting deadline of early December each year.

Audit Fiscal Year	Expected Timing:
2014/15	2014/15 Q3 – HPAS (tentatively Sep - Oct)
2015/16	2015/16 Q3 -- HPAS (tentatively Sep - Oct)

Provincial Treasury advised RSB that the new PCI Data Security Standard (DSS 3.0) is effective January 2015, which may require changes in the operating environment to achieve compliance. The Provincial Treasury program will not be contracting for a readiness assessment or support by a Qualified Security Assessor (QSA) to ensure compliance in advance of the audit.

**ADDITIONAL Audit Activities:**

4. **Privacy and Security Review** – the Ministry considered undertaking an advisory review to assess HPAS's compliance with the Province's legislation and policies over privacy and security with respect to revenue systems administered / operated by HPAS for the Ministry of Finance. We would like to see HPAS Internal Audit address this topic as part of its annual audit plan, with subsequent reporting to JGC.
  
5. **End of Term Review** – the Ministry is required to report to Treasury Board on the performance of the Revenue Management Master Service Agreement in support of a decision on contract renewal. This may require some additional audit work which is to be determined.

Expected timing: to be determined.

**Acknowledgments:**

Chair Ministry of Finance		<b>Date:</b>	
Chair HP Advanced Solutions Inc.		<b>Date:</b>	

## JOINT GOVERNANCE COMMITTEE (JGC)

<b>Contractual Obligation(s):</b>	MSA 16.13
<b>Information Topic:</b>	Province's Annual Audit Plan (note 1)

Area	Audit or Administration Task	Performed By	Q2 FY 13/14	Q3 FY 13/14	Q4 FY 13/14	Q1 FY 14/15	Q2 FY 14/15	Q3 FY 14/15	Q4 FY 14/15	Q1 FY 15/16	Q2 FY 15/16
RSB	MSA Obligation Audit Plan	RSB									
HPAS	Service Organization Control (SOC) 1 Type 2 Audit	KPGM				Rpt May					
	Invoice Control Readiness; PST										
HPAS	Financial Monitor Audits	KPMG									
				Issues - Delay		Deferred					
HPAS	Hosting Financial Monitor )– intent is to schedule work concurrently for efficiency	KPMG									
HPAS	Payment Card Industry – annual report due by early Dec	Control Gap		Report Nov 28			Entry contact		Jan 1 New PCI Standard		Entry contact
HPAS	Privacy & Security Audit	TBD	Per JGC Minutes February 14, 2013 – ON HOLD			Consider HPAS Internal Audit Review					
HPAS/ RSB	End of Term Evaluation with SPO (Strategic Partnership Office)	RSB / SPO				TBD			Contract Renewal Decision Due		

### Legend

Audit Report Fiscal Year 2012/13  
 Audit Report Fiscal Year 2013/14  
 Audit Report Fiscal Year 2014/15  
 Audit Report Fiscal Year 2015/16



Note 1: RSB met with Tim Collins and Lindsay Green on April 10, 2014. HPAS' Internal Audit Plan to JGC is separate.

## JOINT GOVERNANCE COMMITTEE (JGC)

### INFORMATION FORM

**Contractual Obligation(s):** MSA 16.13

**Information Topic:** **Financial Monitor Audit**

**Date of Meeting:** May 29, 2014

**Obligation:** The Province must consult with HPAS and provide an annual audit plan for the following year. The full plan, outlining the proposed annual audits and timing, will be presented at the June 26, 2014 meeting.

1. **The Financial Monitor** (as defined in Section 9.1, Schedule 23 of the MSA) audits the Financial Summary Report including inflation adjustments.

The scope was reduced for the 2012/13 fiscal year to address only costs. Audit of the Inflation Adjustment was excluded as that was addressed in the Financial Term Sheet negotiation. The 2012/13 report will be finalized once the Decision Request on MSP Incremental Collections Cost is approved, HPAS has updated the cost schedule and FSR and KPMG has completed its work.

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This year's audit scope will include:

- Consideration of the constitution of normalization of costs;
- Confirmation of Excluded Costs;
- Lowered materiality level (which will increase sample size);
- A separate audit report to cover the Inflation Adjustment related to Compensation;
- A separate review of the SR Rate methodology.

Audit Fiscal Year	Expected Timing – assumes FSR Draft early June:
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2013/14	2013/14 Q4 – Interim field work deferred to year end 2014/15 Q1 – Kick-off meeting June 5, 2014 Interim and Year-end field work 2014/15 Q2 – Final reports (target Aug 15)
2014/15	2014/15 Q4 – Interim field work



		2015/16 Q1 – Kick-off meeting June 3, 2015 Interim and Year-end field work 2015/16 Q2 – Final reports (target Aug 15)  2015/16 Q2 (tbd) – Cost basis for Extension Years	
<b>Acknowledgments:</b>			
Chair Ministry of Finance		<b>Date:</b>	May 29, 2014
Chair HP Advanced Solutions Inc.		<b>Date:</b>	May 29, 2014