



STANDING COMMITTEE
ON
AUDIT AND OVERSIGHT

COMITÉ PERMANENT
DE L'AUDIT ET DE LA
SURVEILLANCE

Tuesday, June 8, 2021

The Standing Committee on Audit and Oversight has the honour to present its

FIFTH REPORT

Your committee, which is authorized to adopt a report to the Senate nominating two external members to the committee pursuant to rule 12-13(4), presents herewith its report which contains the said nominations.

Your committee also includes in this report recommendations relating to the remuneration, permissible expenses and terms and conditions of appointment for the external members.

Background

Rule [12-13\(4\)](#) of the *Rules of the Senate* (Rules) requires your committee, after electing its chair and deputy chair, to present a report to the Senate recommending the nomination of two external members to the committee. This report must be agreed to by all senators who are members of the committee and is expected to include recommendations on remuneration and permissible expenses for the external members. Also, the rule specifies that a former senator or former member of the House of Commons is not eligible to be nominated as an external member.

Your committee met for the first time on November 25, 2020, for the purpose of organization and the election of a chair, pursuant to rule 12-13(2). At that meeting, members discussed the requirement to adopt a report to nominate its external members. Your committee noted at that time the importance of the principles of integrity, independence, transparency and accountability in fulfilling the mandate of the committee, and therefore, after further discussion, determined that it would establish an open and transparent process for the selection of its potential external members.

Accordingly, on December 1, 2020, your committee presented its [First Report](#) to the Senate recommending that the committee be authorized to continue to meet with a quorum of the three senators who are members of the committee, but only for the purpose of its consideration of issues relating to the nomination of its external members to the Senate and making recommendations on remuneration and permissible expenses, notwithstanding rules [12-6\(2\)](#) and 12-13(4). This report was adopted by the Senate on December 3, 2020.

Selection Process

Your committee began its work almost immediately. We met in January 2021 to decide on how we wished to consider prospective candidates and what type of candidate we felt would be suitable for this type of work. We also met with the former chairs of the Audit Subcommittee of the Standing Committee on Internal Economy, Budgets and Administration (CIBA) and with senior officials in the Senate Administration to get their views on the type of work our committee might undertake and what qualities we might therefore seek in selecting external members. In order to ensure that high-quality, executive-level candidates were brought forward through a fair,

transparent and arm's length process, the committee determined that it would be beneficial to engage the services of an executive recruitment firm, and initiated a competitive process in March 2021 to select a firm with suitable credentials and the experience to assist the committee with all subsequent steps in the search and selection process.

With the assistance of the successful firm, your committee held several planning sessions in March and April to develop a recruitment strategy and workplan. During this phase, we established our candidate profile and developed outreach materials about the Senate and the committee to provide to interested candidates. Part of the recruitment strategy was to provide the committee's direction on preferred target markets for potential recruitment such as professional associations or organizations with similar Board-level positions. One important development was the committee's drafting of terms and conditions of appointment, which are described in greater detail in the next section. These terms and conditions of appointment were intended to help clarify expectations, roles and responsibilities with prospective candidates. In April 2021, the committee also communicated with all senators to ensure that they could provide their input or direct interested parties who wished to be considered for one of the positions. Finally, your committee established specific timelines for the recruitment phase so that members could carefully review candidate assessment reports and conduct interviews with an ambitious goal of completing this process so that we would be in a position to recommend two highly-qualified candidates to the Senate before the end of June.

In conducting its search, your committee directed the firm to prioritize candidates with the following professional qualifications and experience:

- financial expertise including experience in finance, accounting, and/or assurance;
- business management skills including an understanding of governance, internal controls, risk management, and information management;
- governance experience through executive or board-level involvement in the public, private, or not-for-profit sectors; and
- governance experience through executive or board-level involvement in a federal government environment.

Your committee also considered candidates with a professional designation in the field of accounting, internal audit, corporate directorship, public sector management, or previous audit committee experience. As well, experience with the design and management of internal controls was considered an asset. Your committee also looked for potential candidates with the following competencies and attributes:

- integrity and impartiality – a commitment to transparency and accountability, while respecting the confidential or sensitive nature of the work;
- analytical thinking – the ability to analyze complex or sensitive issues and use professional judgment in reaching conclusions;
- communication – the ability to communicate clearly and deliver constructive advice to internal stakeholders;
- adaptability – the ability to use prior professional experience to adapt to the unique context of the Senate;
- relationship management – the ability to work with various partners, senators, internal Senate Administration, internal auditors, external auditors, and other external consultants;
- collaboration – evidence of the ability to work collaboratively in an environment with senators and other external members, contributing to a productive and positive team dynamic; and
- diversity and inclusion – balance was sought with respect to equity-seeking groups (women,

Indigenous peoples, persons with disabilities and members of visible minority groups), regional representation, and those with proficiency in both official languages.

As a result of this rigorous recruitment strategy, your committee is pleased to report that after the careful review of over 200 candidate profiles, we narrowed the list to just over 20 senior-level, highly-qualified individuals with the desired background and experience that aligned with the committee's stated qualifications, competencies and attributes. After an extensive outreach and review, your committee held several interviews with top candidates this spring and has now selected two exceptional people for the Senate's consideration.

Terms and Conditions of Appointment for the External Members of the Standing Committee on Audit and Oversight

Historically, the Parliament of Canada has not appointed non-parliamentarians as external members of parliamentary committees. Your committee is the first Senate committee to formally include non-senators as committee members. However, the Rules are silent on the legal relationship between the external members and the committee or with the Senate. There is no definition in the Rules for the role of an external member to a Senate committee – they are not senators, nor are they employees or contractors. After looking at examples from other audit bodies in different legislative and government organizations and in other jurisdictions, your committee opted to include in its nomination report, in addition to the requirements set out in the Rules, specific terms and conditions of appointment for its external members. This is to provide clarity about the full scope of their roles and responsibilities as external members to this committee. These terms and conditions of appointment will take effect in relation to the external members, upon adoption of this report, subject to the external members' acknowledgement of the terms and conditions, signature of a non-disclosure agreement and an ethics and conflict of interest declaration, and satisfactory security checks. The full text of these terms and conditions is [appended](#) to this report; however, they can be summarized as follows:

COMMITTEE MANDATE: The external members participate in the proceedings of the committee, which are conducted according to the mandate as set out in rule [12-7\(17\)](#).

EXTERNAL MEMBERSHIP: The Rules outline the process by which external members are to be appointed to the committee, prohibit former parliamentarians from being named to the committee and prohibit the external members from voting, among other procedural considerations. The terms and conditions stipulate that, for the duration of their appointment, the external members shall be subject to the relevant *Rules of the Senate*, and those Senate policies which may reasonably apply (with any modifications necessary to account for their unique status).

TENURE: The Rules are silent on the tenure of the external members and their membership would expire upon prorogation or dissolution, as it would for any senator appointed to a committee, in the absence of a legislative provision to extend their membership (as is the case for CIBA). Senators remain senators during a prorogation or dissolution.

Your committee proposes that the external members serve during pleasure. The committee recognizes that a prorogation or dissolution would bring the standing committee's full membership to an end. In order to encourage continuity of its external membership, we nevertheless recommend that the terms of appointment for each external member should initially be, in principle, for a period of four (4) years for one external member and five (5) years for the other member, so that they do not expire at the same time. Thereafter, your committee recommends that all terms for external members should not exceed five (5) years and external members should be limited to serving a maximum of two (2) terms.

Your committee recognizes that these terms may be interrupted by prorogation or dissolution, so these terms are not binding on future sessions. However, your committee considers that some stability, continuity and overlap in the duration of appointments for the external members to be desirable. Your committee is therefore hopeful that these recommendations for a specific duration for each term - although not binding in a new session - will nevertheless encourage future committees to take an external member's tenure into consideration when recommending the nomination of members to the committee in a new parliamentary session.

Another important reason for this recommendation is in relation to one of the key recommendations contained in the [21st report](#) of CIBA in 2017 and the [10th report](#) of the Standing Committee on Rules, Procedures and the Rights of Parliament in 2018, both of which recognized the need to ensure that the work of an audit and oversight committee be permitted to continue through an intersessional period in some manner. Your committee has proposed a way for this to occur in its 4th report. Subject to the Senate's approval of that report, if the work of this committee were to be undertaken by an intersessional authority composed of the members of this committee at the end of the session, these terms of appointment will guide the external members' on-going relationship with the Senate.

REMUNERATION AND PERMISSIBLE EXPENSES: Your committee reviewed compensation models for members of a variety of audit committees at the federal and provincial levels, as well as in several international jurisdictions. We found that most Board-level positions are remunerated through an annual retainer, a per diem rate or a combination of both. As one example, the external members of the United Kingdom House of Lords and House of Commons Audit Committees are each paid £9,000 per annum (or roughly \$15,000 CDN), with all reasonable out-of-pocket expenses incurred reimbursed, subject to arrangements agreed to in advance. After reviewing a variety of compensation models in other organizations and jurisdictions, your committee chose a hybrid model for its external members, one that compensates them with a fixed annual amount, a per diem for meetings attended and reimbursement for any travel expenses, should they need to travel to attend meetings. Your committee settled on amounts that reflect the level of the position and the qualifications and commitment required of its external members.

After reviewing these and other examples, your committee now makes the following recommendations for the remuneration and permissible expenses for the external members of the committee, pursuant to rule 12-13(4):

1. Each external member shall be paid a retainer of \$15,000 per annum.
2. In addition, each external member shall be eligible to be paid \$1,000, per meeting attended, for the duration of their appointment.
3. Remuneration to an external member shall not exceed \$60,000 per annum.
4. In addition, each external member shall be reimbursed for their travel expenses to attend meetings, subject to guidelines established by the Senate of Canada.

Your committee also includes in the terms and conditions of appointment a provision to ensure that the Senate equip each external member with the necessary equipment and devices to allow them to participate fully in committee meetings and other activities related to the work of the committee (e.g., computer, mobile device, software and applications, headset, etc.), along with the necessary access to the Senate network.

DUTIES AND RESPONSIBILITIES OF EXTERNAL MEMBERS: Given the mandate and nature of the work expected to be undertaken, your committee believes that external members must

conduct themselves in an ethical manner, avoid conflicts of interest and arrange their private affairs so that reasonably foreseeable real or apparent conflicts of interest are prevented from arising. This is similar to what is expected of senators and of employees or contractors in the service the Senate. Your committee has therefore included several provisions in the terms and conditions of appointment respecting the conduct of the external members, that they must acknowledge in writing and further includes a requirement to obtain and maintain the required security clearance and the signing of a non-disclosure agreement and an ethics and conflict of interest declaration, as a condition of their appointment.

Nomination of External Members:

Pursuant to rule 12-13(4), and the order of reference of December 3, 2020 regarding the nomination of external members, your committee has the honour to recommend the following external members for the Standing Committee on Audit and Oversight:

1. **Robert Plamondon**, to serve on the committee during pleasure, for a period not to exceed four (4) years, subject to the terms and conditions of appointment.
2. **Hélène F. Fortin**, to serve on the committee during pleasure, for a period not to exceed five (5) years, subject to the terms and conditions of appointment.

Furthermore, your committee confirms that, having undertaken a rigorous selection process as described in this report, all three senators who currently serve as members of the committee agree with the above nominations, which we now recommend to the Senate.

A copy of the terms and conditions of appointment are appended to this report and will take effect in relation to the nominees upon adoption of this report by the Senate.

Respectfully submitted,

Le président du comité,

David M. Wells

Chair of the Committee

APPENDIX

Terms and Conditions of Appointment for the External Members of the Standing Committee on Audit and Oversight

COMMITTEE MANDATE:

1. To supervise the Senate's internal and external audits.
2. To report to the Senate regarding the internal and external audits.
3. To review the Senate Administration's action plans.
4. To review the Senate's Quarterly Financial Reports and audited Financial Statements.
5. To review and report to the Senate with observations and recommendations.

EXTERNAL MEMBERSHIP:

1. The committee shall nominate two individuals to be external members to the committee by way of a report presented to the Senate.
2. Former senators and former members of the House of Commons are not eligible to be nominated as external members.
3. For the duration of their appointment, the two external members shall be subject to the *Rules of the Senate* and those Senate policies which may reasonably apply, with any modifications necessary to account for their unique status.
4. The external members may participate in all proceedings of the committee but shall not vote on any motion put to the committee.

TENURE:

1. External members serve on the committee during pleasure.
2. The appointment of external members shall take effect upon adoption of the nomination report by the Senate, subject to acknowledgement of these terms and conditions.
3. So that the terms do not expire at the same time, one external member should be first appointed to serve for a period not to exceed four (4) years and the other external member should be appointed to serve for a period not to exceed five (5) years. Thereafter, all terms for external members should not exceed five (5) years.
4. External members should be limited to serving a maximum of two (2) terms.

REMUNERATION AND PERMISSIBLE EXPENSES:

1. The nomination report shall include recommendations for the remuneration and permissible expenses for the external members.
2. Each external member shall be paid a retainer of \$15,000 per annum.
3. In addition, each external member shall be eligible to be paid \$1,000, per meeting attended, for the duration of their appointment.
4. Remuneration to an external member shall not exceed \$60,000 per annum.
5. In addition, each external member shall be reimbursed for their travel expenses to attend meetings, subject to guidelines established by the Senate of Canada.
6. The Senate of Canada will provide each external member with the necessary electronic and digital equipment and devices to allow them to participate fully in committee meetings and other activities related to the work of the committee.
7. The Senate of Canada will provide each external member with access to the Senate Network, subject to the policies and guidelines for all Senate network users.

DUTIES AND RESPONSIBILITIES OF EXTERNAL MEMBERS:

1. External members are expected to conduct themselves in an ethical manner, to avoid conflicts of interest and to arrange their private affairs so that reasonably foreseeable real or apparent conflicts of interest may be prevented from arising.
2. External members shall not act or attempt to use their position to further their private interests or to influence a decision to further their or another person's private interests.
3. External members shall refrain from acting in a way that could reflect adversely on their position or the institution of the Senate.
4. External members shall, in exercising their duties and actions, act with honesty, integrity, independence, transparency and accountability.
5. Because the external members will have significant access to confidential and privileged materials in the performance of their duties, external members are required to sign a non-disclosure agreement as a condition of their appointment.
6. As a condition of their appointment, external members are required to sign an ethics and conflict of interest declaration and to obtain and maintain security clearance as verified by the Senate Corporate Security Directorate, to the committee's satisfaction.

These terms and conditions are hereby acknowledged and accepted.

Name of External Member (please print):

Signature of External Member

Date

THESE TERMS AND CONDITIONS ARE SUBJECT TO THE APPROVAL OF THE SENATE