



Case study 1:
Internal Audit Function in
Québec Government
Ministries

SCMIT

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- Founded in 2023, SCMT’s mission is to help organizations become more efficient and secure through expert advice and value-added insights.
- SCMT’s collaborative, flexible, and agile approach is at the core of its identity.
- The founder and owner of SCMT, Mathieu Tessier, CPA, CIA, brings more than 20 years of experience within major TSX-listed organizations and has supported small and medium-sized businesses as well as government entities.
- Mathieu is a passionate, client-focused accounting professional with international experience, including in the United States, several Canadian provinces, and of course, Québec.
- His key areas of expertise—both in operations and information technology—include internal audit, fraud investigation and prevention, financial compliance, risk management, and management accounting.

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Introduction

I have been passionate about history, politics, and public affairs since I was about 10 or 12 years old. As a citizen and taxpayer, I want to understand how our money is spent for the benefit of the population. It must be acknowledged that, since the 1995 referendum, successive governments have often shown that “it is easy to spend — or even waste — other people’s money with complete impunity.”

In many ways, the Charbonneau Commission (2011) and the Gallant Commission (2025) are similar and address comparable issues. In short, we have learned nothing between 2011 and the SAAQClic scandal. Ironically, Sonia Lebel, the star lawyer of the Charbonneau Commission, became President of the Treasury Board in October 2022. Yet the Treasury Board is responsible for the Act Respecting Contracting by Public Bodies (LCOP) as well as SEAO, the official platform for publishing public tenders — two mechanisms that were bypassed under her leadership and contributed to the SAAQClic scandal.

I must be honest: the first time I read recommendations 22 and 23 of the « *Rapport et recommandations de la Commission d’enquête sur la gestion de la modernisation des systèmes informatiques de la Société de l’assurance automobile du Québec* » (the Gallant Report), published on LinkedIn, I literally almost choked on my coffee. When comparing these practices with those of comparable private-sector companies, I am led to believe that Québec is at least ten to fifteen years behind in terms of internal auditing.

With this case study, my goal is to demystify internal audit, clearly demonstrate why the current model is not viable from a sound public financial management perspective, and spark a discussion that could lead to meaningful changes.

The methodology and scope used in this study may be considered simplistic by purists or “experts” within the public service, but the results reveal serious issues that have been “hidden” by the lack of expertise highlighted in the Gallant Report.

As you may know, ministries oversee and are accountable for various “sub-entities,” including state-owned corporations such as the Société de l’assurance automobile du Québec. However, when the “parents” are poorly equipped or do not pass on proper management reflexes, it becomes difficult to expect the “children” to be exemplary for the province.

Internal Audit Best Practices

What are the best practices in internal auditing and audit committees?
I obviously know the answer, but I still asked the following question to the artificial intelligence software « *Co-Pilot* » on March 10, 2026, in order to obtain a “neutral” response:

Is it accurate to say that internal audit functions typically report to the audit committee, which itself usually reports to the board of directors?

The “robot’s” high level response is as follows:

In most organizations, the internal audit function functionally reports to the audit committee, and that committee reports to the board of directors.

This structure is consistent with governance best practices (e.g., IIA – Institute of Internal Auditors, common practices among publicly traded companies, large nonprofits, and public-sector organizations).

Internal Audit Best Practices

To support its answer, « *Co-Pilot* » adds the following details:

In the vast majority of organizations, from a functional standpoint, the internal audit function typically reports to the audit committee, where the Chief Audit Executive (CAE / Director of Internal Audit) functionally reports to the audit committee or an equivalent committee (risk, finance, governance).

The audit committee generally approves the internal audit plan; the internal audit charter; the internal audit budget and resources; significant reports and follow-up of recommendations; and the performance evaluation of the Chief Audit Executive.

This ensures the independence of internal audit from management.

Internal Audit Best Practices

« *Co-Pilot* » concludes its response with the following details:

As a subcommittee created by the board of directors (the Board), the audit committee generally receives its mandate from the Board, reports directly to the Board, and recommends certain decisions to the Board (financial statements, appointment of external auditors, risk assessments, etc).

The audit committee typically approves the internal audit plan; the internal audit charter; the internal audit budget and resources; significant reports and follow-up on recommendations; and the performance evaluation of the Chief Audit Executive.

From an administrative (“day-to-day”) standpoint, internal audit often reports to the CEO or to a senior executive such as the Chief Financial Officer. This applies solely to matters such as leave management, logistics, and other routine administrative processes.

Not to define or influence the content of the audits

The Gallant report

To complete the contextual background, here is the original French excerpt from page 532 of the Gallant Report ^(note 1):

L'audit interne étant sous l'autorité directe du comité d'audit du conseil d'administration, il est primordial que ce dernier soit composé de membres possédant les compétences nécessaires pour exercer correctement leur rôle. Or, la Loi sur la gouvernance des sociétés d'État ne requiert que la présence d'un membre possédant le titre de comptable professionnel agréé. La Commission croit que cette exigence est insuffisante. Ainsi, la Commission recommande que la Loi sur la gouvernance des sociétés d'État précise explicitement les compétences minimales des membres des comités d'audit. Ces compétences devraient dépasser le profil financier classique et inclure des connaissances en gouvernance, en gestion intégrée des risques, en contrôle interne et en audit. Cette clarification permettrait aux comités d'exercer pleinement leur autorité sur la fonction d'audit interne et de gérer efficacement la relation de double autorité avec la direction générale visée.

Il est essentiel que chaque membre du comité d'audit reçoive une formation obligatoire dès sa nomination et participe à un programme de formation continue. Cette formation devrait porter sur les principes de gouvernance publique, la gestion des risques, les mécanismes de contrôle interne et les enjeux spécifiques aux projets majeurs, y compris les projets de transformation numérique. Une telle mesure vise à renforcer la capacité réelle des comités à exercer leur rôle stratégique de surveillance.

The Gallant report *(cont'd)*

Il serait ainsi possible de prévenir certains risques susceptibles d'affecter l'efficacité de l'audit interne et des comités d'audit, notamment celui de l'illusion de contrôle. Comme le souligne la professeure Mélanie Roussy dans son mémoire, un membre du comité aux compétences ou à l'engagement insuffisants peut accorder une confiance excessive – sans être réellement en mesure de vérifier si elle est justifiée – aux processus de gestion des risques et de contrôle interne ainsi qu'à la fonction d'audit interne et aux personnes qui en sont responsables. Il incombe à chaque membre du comité d'assurer cette surveillance.

Pour les projets majeurs des sociétés d'État, la Commission recommande la mise en place de mandats d'audit interne continus, axés sur les principaux risques identifiés. Ces mandats doivent les accompagner tout au long de leur cycle de vie afin que soient détectés rapidement les dérives, écarts et faiblesses de gouvernance et pour permettre d'apporter des ajustements proactifs.

Recommandation 22

- Renforcer l'indépendance de l'audit interne dans les sociétés d'État en élaborant des compétences minimales que doivent posséder les membres des comités d'audit ainsi qu'une formation obligatoire et un programme de formation continue spécialisés.*

Recommandation 23

- Établir des critères selon lesquels l'audit interne en continu est obligatoire dans le cadre de projets majeurs des sociétés d'État.*

Methodology & Analysis

The Gallant Report highlights several problems related to the functioning of internal audit within the “children.”

I am generalizing here, but if these issues are present at the SAAQ, it is reasonable to assume that similar dynamics may exist at Loto-Québec, Hydro-Québec, museums, and more broadly across other state-owned enterprises. Let us now look at how the “parents” have raised the “children.”

Study methodology & scoping

Based on the « *Conseil des ministres* » document downloaded on March 9, as well as on the review of the organizational charts of the various ministries (downloaded on the same date — see Note 2).

Application of the audit principle: “***what is not published or visible does not exist,***” in order to identify the presence or absence of an audit committee and an internal audit office within each ministry.

For the calculation of the number of entities assessed, the concept of “*Ministre responsable de...* » was not retained, as it is usually already included within a “regular” ministry.

- Exception: *le Sous-secrétariat à la performance et à l’efficacité de l’État, relevant du Conseil du trésor.*

The « *Sociétés d’états* » (SAAQ, Hydro-Québec, etc.) are not included in the analysis; only the ministries responsible for these enterprises were considered.

General Findings on the 23 Ministries Analyzed

Linked to Table 1, which lists the names of the 23 ministries analyzed as well as the names of the offices responsible for internal audit, here are the high-level findings:

- **Note 1:** 4% (1) have no internal audit office.
- **Note 2:** 100% (22) of existing internal audit functions report directly to the deputy minister.
 - **Note 2a:** 13% (3) of audit offices report to an intermediate management layer positioned between the deputy minister's office and the audit office.
- **Note 3:** 13% (3) of ministries have an audit committee.
 - In 100% of these cases, the committees also report to the deputy minister.
- **Note 4:** 17% (4) of ministries share a single audit office (two shared offices in total).
- **Note 5:** 13% (3) have an audit office, but the chief audit position is vacant.

The detailed observations and recommendations appear immediately after Table 1.

Table 1 – Ministries with notes

Ministry name	Internal Audit office name	Note #
Culture et des Communications		1 : No Internal Audit function
Éducation	Bureau de la sous-ministre, Secrétariat général et responsable de l'audit interne	2a : Direction « Audit interne » reports to « Bureau de la... » 4 : Share office between « Éducation » & « Enseignement Supérieur »
Enseignement Supérieur	Audit interne	4 : Share office between « Éducation » & « Enseignement Supérieur »
Sécurité publique	Direction Générale de l'audit interne, des enquêtes et de l'inspection	2a : « Direction de l'audit interne » reports to « Direction Générale... »
Transports et de la Mobilité durable	Enquêtes, audit, Intégrité, performance et Bureau de l'inspection générale	2a : « Audit interne » reports to « Enquête... »
Immigration, de la Francisation et de l'Intégration	Audit Interne	3 : Audit Committee in Place
Emploi	Audit interne et enquêtes administratives	3 : Audit Committee in Place 4 : Share office between « Emploi » & « Famille »
Famille	Audit interne	4 : Share office between « Emploi » & « Famille »
Tourisme	Audit Interne	3 : Audit Committee in Place 5 : Vacancy
Travail	Audit interne et enquêtes administratives	5 : Vacancy
Relations Internationales et de la Francophonie	Audit Interne	5 : Vacancy

Table 1 – Ministries without note

Ministry name	Internal audit office name
Finances	Direction de l'audit interne, des enquêtes et de l'évaluation de programme
Économie, de l'Innovation et de l'Énergie	Audit interne
Justice	Direction de l'audit interne et des enquêtes
Santé	Audit interne et vérification
Affaires municipales	Audit interne, vérification et évaluation des programmes
Environnement, de la Lutte contre les changements climatiques, de la Faune et des Parcs	Direction de l'audit interne et de la gestion des risques
Conseil du trésor	Direction de l'audit interne
Sous-secrétariat à la performance et à l'efficacité de l'état	Direction de la gouvernance en évaluation et en audit interne
Langue française	Secrétariat général et Direction du bureau de la sous-ministre (SGDBSM) Responsable de l'audit interne
Agriculture, des Pêcheries et de l'Alimentation	Évaluation de programmes et vérification interne
Ressources naturelles et des Forêts	Audit interne
Cybersécurité et du Numérique	Direction générale de l'audit, des enquêtes et de l'amélioration continue

Detailed Observation #1

My first concern is the effectiveness and efficiency of all internal audit functions across the government and state-owned enterprises. Ironically, let us begin with the « *Ministère responsable de l'Administration gouvernementale et de l'Éfficacité de l'État*, » which reports to the Treasury Board. The Treasury Board's organizational chart shows the existence of two internal audit offices:

- the Treasury Board's own office, identified as the « Direction de l'audit interne » ;
- and the « *Sous-secrétariat à la performance et à l'efficacité de l'État* », named « *Direction de la gouvernance en évaluation et en audit interne* ».

Let me also remind that the Treasury Board is responsible for the Act Respecting Contracting by Public Bodies (LCOP) as well as SEAO, the official public-tender publishing platform — both of which were bypassed and contributed to the SAAQClic scandal.

Adding the SAAQClic scandal to the picture... The SAAQ reports to the ministère des Transports et de la Mobilité durable. The SAAQClic project was also overseen by the ministère de la Cybersécurité et du Numérique. This gives us a total of **four internal audit sectors** that could have detected the issues:

The SAAQ, as a state-owned enterprise, has its own board of directors and an audit committee — and therefore logically its own internal audit function.

There is also another actor: the co-external auditor of the SAAQ's financial statements is the « Vérificateur Général du Québec (VGQ) ». I acknowledge that the VGQ did not have an internal audit role in this context, but on a personal note, I have always viewed the VGQ as a form of “internal auditor” appointed by the Cabinet. Probably a “missed” role regarding continuous auditing... Altogether, **we have six audit mechanisms** capable of supporting or monitoring the SAAQClic project.

Finding No. 2 explains why ***none of these mechanisms detected or reported the project's issues.***

Detailed Observation #2

The SAAQClic scandal is most likely explained by my second concern. I am not accusing anyone here, but the administrative chaos (see observations #1 and #3), combined with the lack of independence highlighted in this finding, forms the “simple and quick” explanation for our weak performance in managing public funds — a weakness that leads to scandals such as SAAQClic or Northvolt.

Based on the analysis of Table 1, together with the image on the right, what becomes evident is the complete absence of independence and the appearance of clear conflicts of interest. When the internal audit function reports directly to operations, it becomes vulnerable to pressure from management — whether budgetary, philosophical, or, as in this case, political.

Example: Internal audit examines Project ABC and discovers that Program XYZ does not meet expectations nor aligns with best management practices. However, this program represents a flagship commitment of the government and the minister. Do we truly believe that an internal audit office placed under operational or political authority would be able to publish a “negative” report without clashing with the decision-making sphere?

On top of this, the internal audit function — and, when it exists, the audit committee — both report to the deputy minister. Thus, in the same example, the director of internal audit could either be blocked directly by the deputy minister, or the deputy minister could put pressure on the audit committee to weaken or soften the negative content of the report.

To conclude this concern, it is important to recall that in three of the ministries with the largest budgets — Education, Public Security, and Transport (Note 2a) — the internal audit function is “buried” under an additional administrative layer that does not report directly to the deputy minister. This structure adds an extra risk to both the real and perceived independence of internal audit.

◆ Aperçu généré par IA

A sous-ministre (deputy minister) in Quebec is the top-ranking non-partisan civil servant in a provincial department, responsible for **managing its daily operations and advising the Minister**. They bridge the gap between political goals and administrative execution, overseeing staff, implementing policies, and managing budgets. [Fondation Jean-Charles-Bonenfant +3](#)

Key Responsibilities:

- **Strategic Advice:** Acting as the primary advisor to the Minister on policy formulation and administrative matters.
- **Operational Leadership:** Managing the ministry's daily activities, human resources, and financial resources (often as the administrative head).
- **Policy Implementation:** Transforming government priorities and legislation into action.
- **Accountability:** Ensuring the ministry complies with government policies and reporting directly to the Minister. [Guichet-Emplois +3](#)

Detailed Observation #3

My final concern, linked to Notes 1 and 3 of Table 1, relates to the administrative confusion observed in the organizational charts.

It seems unlikely that the Ministry of Culture and Communications does not have an internal audit office, and just as surprising that 87% of ministries do not have an audit committee. If my assumption is correct, this represents a major governance issue for our government...

In addition, the names of internal audit offices vary widely from one ministry to another. A review of the organizational charts shows that, in some cases, internal audit stands “alone,” while risk management and program evaluation are structured as separate directorates. In other cases, these functions are grouped within a single entity. Note that this does not undermine internal audit independence, as these domains are related and grouped mainly for budgetary reasons.

There is one notable exception: the ministries of Education and the French Language, where an “operational” component is included within the same structure, exposing internal audit to potential conflicts of interest.

Finding #3 highlights the varying seriousness with which ministries appear to treat the internal audit function. Consider the example of two “comparable” ministries in terms of budget and size:

- at the Ministry of Health, the function is simply called « *Audit interne et vérification* »
- whereas at the Ministry of Education, it falls under the « *Bureau de la sous-ministre, Secrétariat général et responsable de l’audit interne* ». The internal audit office reports to the Deputy Minister’s Office. It should also be noted that the internal audit function at the Ministry of Education is shared with the Ministry of Higher Education (Note 4 – Table 1).
 - ***Let’s just say we are starting to “muddy the waters” here...***

Key Recommendations

The general findings from Table 1, along with my three concerns/detailed findings, lead me to formulate five recommendations aimed at supporting Recommendations 22 and 23 of the Gallant Report, strengthening the independence of internal audit functions, and avoiding the need for a third commission of inquiry after the Charbonneau and Gallant Commissions to ensure sound management of public funds.

In the current structure, and in order **to ensure full independence**, it is recommended that 100% of audit committees and internal audit functions across all ministries report to the VGQ and/or to a committee composed of the Treasury Board, the Cabinet, and the VGQ—rather than to deputy ministers.

1

I am quite fond of the idea of shared audit offices *(Table 1 – Note 4)*. In a context of labour shortages and lack of expertise—issues that sometimes result in vacant positions—it is recommended that 100% of internal audit staff be transferred under the authority of the VGQ. Under the supervision of the committee proposed in Recommendation 1, the VGQ would then be responsible for developing a government-wide audit plan, managing the budget, and allocating resources based on priorities and key projects requiring oversight.

2

Key Recommendations (cont'd)

3

Regardless of whether Recommendations 1 and 2 are implemented, the ministries responsible for « *Société d'état* » enterprises must exercise significant influence over internal auditing and audit committees. It is therefore recommended that the head of internal audit and/or the chair of the ministerial audit committee sit on the audit committee of the state-owned enterprises.

In a context where certain audit committee chairs or members accumulate multiple “attendance fees,” it is recommended that each ministry’s organizational chart clearly display the audit committee, along with the composition of its members—either directly within the chart or in an annex. This measure would add an essential level of transparency to the government structure

4

5

In connection with Note 4–Table 1 and observation 3, it is recommended that the Treasury Board and/or the VGQ issue clear guidelines defining the conditions under which an internal audit office may be merged with other functions within the same ministry, or under which resource-sharing between two ministries may be permitted

- **Note on VGQ independence** — *Le Vérificateur général du Québec (VGQ)* acts as co-auditor of the SAAQ’s financial statements. As such, in one way or another, the office was likely aware of the project’s issues between 2020 and 2023. Following the scandal, the VGQ issued four recommendations in January 2025, which led to the creation of the Gallant Commission. In other words, the government ended up investigating a situation in which it had itself been directly involved “on the ground.” From this perspective, if recommendations 1 and/or 2 are implemented, it would likely be necessary to reassess the role of the VGQ as external auditor of state-owned corporations and certain ministries or agencies, in order to avoid any appearance of a conflict of interest.



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