

# Canadian Space Agency

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting - Unaudited

Fiscal year 2013-2014

### 1. Introduction

This document provides summary information on the measures taken by the Canadian Space Agency (CSA) to maintain an effective system of internal control over financial reporting (ICFR) including information on internal control management, assessment results and related action plans.

Detailed information on the CSA's Act, its mandate, and program activities can be found in the [Departmental Performance Report](#) and in the [Report on Plans and Priorities](#).

### 2. Departmental system of internal control over financial reporting

#### 2.1 Internal control management

The CSA has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control which promotes continuous improvement. The CSA Framework for the internal control management, which indicates the objective, the expected results, the principle and approach as well as the roles and responsibilities in regards to internal controls, was approved by the President on June 19, 2013.

The CSA internal control management framework includes the following :

- Organizational accountability structures as they relate to internal control management to support sound financial management and the production reliable financial reports including the roles and responsibilities of senior managers in their areas of responsibility for internal control management;
- A CSA Value and Ethics Code;
- Ongoing communication and training on statutory requirements, policies and procedures in order to ensure sound financial management and reliable controls to manage risks;
- Monitoring and regular updates, at least twice a year, on internal control management, as well as the provision of related assessment results and action plans to the President, the Chief Financial Officer, the members of the Executive Committee and the members of the Audit Committee.

The CSA established an Audit Committee (AC) in 2010. The AC is composed of the CSA President, three external members, one of whom chairs the Committee and two ex-officio

members whom are the Chief Financial Officer and the Chief Audit and Evaluation Executive. The CA provides advice and oversees management, control and accountability procedures. It reviews amongst others, the internal control system, by the update on results on the monitoring and the action plans related to the system of ICFR as well as the financial reports. In 2013-2014, the AC had three meetings and participated in five teleconferences.

## **2.2 Service Arrangements Relevant to Financial Statements**

The CSA relies on other organizations for the processing of certain transactions that are recorded in its financial statements :

### **Common Arrangements :**

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and the procurement of goods and services, as per the Department's Delegation of Authority and provides accommodation services;
- Treasury Board Secretariat provides the CSA the necessary information to calculate various accruals and allowances, such as the accrued severance liability;
- The Department of Justice provides legal services to the CSA;

Shared Services Canada (SSC) provides IT infrastructure services to the CSA in the areas of emails, data centers and telecommunications. The scope and responsibilities are addressed in the interdepartmental agreement between SSC and the CSA.

### **Specific Arrangements :**

- The department of Agriculture and Agri-Food provides the CSA with a SAP financial system platform to capture and report all financial transactions.

### **3. Assessment results for fiscal year 2013-2014**

During 2013-2014, the CSA completed the design effectiveness testing and significantly progressed in the operating effectiveness testing in all key control areas. The ongoing monitoring was implemented according to the plan.

#### **3.1 Design effectiveness testing of key controls**

In 2013-2014, the CSA completed, in accordance with the plan, the design effectiveness testing of the following control elements: organizational risk management, budgeting, forecast performance and work in progress (capital assets). Also, the CSA added design effectiveness testing for the following control elements : holdbacks and payables at year end.

As a result of design effectiveness testing, no improvements were required.

#### **3.2 Operating effectiveness testing of key controls**

In 2013-2014, the CSA completed, in accordance with the plan, the operating effectiveness testing for organizational risk management, the delegation instrument and the assignment of delegated authority, the general IT controls and the write-off and disposal. Also, the CSA added operating effectiveness testing for operating expenditures (procurement to payment), holdbacks and payables at year end.

As a result of the operating effectiveness testing, the CSA identified the following required improvements :

##### **Delegation instrument**

- Systematically ensure the annual review of the instrument.
  - The improvement has been implemented in this area of control.

##### **Assignment of delegated authority**

- Improve communications in regards to the activation and cancellation of delegated authority and for mandatory training required to maintain the delegation.
- Ensure on-time updates to the specimen signature master file.
  - The improvements have been implemented in this area of control.

##### **Procurement to payment**

- Ensure the accuracy of the information posted on the website in regards to the proactive disclosure of contracts greater than 10 thousand dollars, and thus, within 30 days following the end of the period aimed by the reporting.
  - The improvement has been implemented in this area of control.

## **Holdbacks**

- Provide the required training to ensure consistent accounting treatment for the recognition of the expense and the reimbursements of previous year holdback.
  - The improvements have been implemented in this area of control.

### **3.3 On-going monitoring of key controls**

In 2013-2014, the CSA performed, in accordance with the plan, the on-going monitoring of key controls for payroll and transfer payments.

As a result of the on-going monitoring, the CSA identified the following required improvements :

#### **Payroll**

- Amend the Casual Employees Attendance Report in order that the delegated manager be responsible to certify that services have been rendered.
- Take appropriate measure in regards to hours not worked that have been claimed and paid and make the necessary reminders to managers related to their responsibilities concerning the certification of services rendered.
  - The improvements have been implemented in this area of control.

#### **Transfer payments**

- Maintain the required evidence to support internal controls.
- Apply control mechanisms to ensure that appropriate supporting documents accompanied by the memorandum with the required information are attached to the payment request.
- Ensure the accuracy of the Executive Comity decisions in the minutes including the conditions or subjections, as appropriate.
  - The improvements have been implemented in this area of control.

## 4. Canadian Space Agency's Action Plan

### 4.1 Progress during fiscal year 2013-2014

During 2013-2014, the CSA continued to make significant progress in assessing and improving its key controls and the progress status is in line with the Treasury Board Secretariat's expectations. The progress made by the CSA based on the plans identified in the previous fiscal year's annex are summarized as follows :

Key Control Areas	Documentation	Testing		On-going Monitoring	Progress Status
		Design	Operating		
<b>ENTITY LEVEL CONTROLS</b>					
Organizational Risk Management		X	X		Design and operating effectiveness testing is complete. No weaknesses were found.
Delegation Instrument and Assignment of Delegated Authority			X		Operating effectiveness testing is complete and weaknesses have been identified. Improvements have been implemented.
Budgeting and Forecast performance		X			Design effectiveness testing is complete. No weaknesses were found
<b>GENERAL IT CONTROLS</b>					
General IT Controls			X		Operating effectiveness testing is complete. No weaknesses were found.
<b>PROCESS LEVEL CONTROLS</b>					
Payroll				X	On-going monitoring was conducted and weaknesses have been identified. Improvements have been implemented.
Write-Off and Disposal			X		Operating effectiveness testing is complete. No weaknesses were found.
Work in Progress - Capital Assets		X			Design effectiveness testing is complete. No weaknesses were found.
Transfer Payments				X	On-going monitoring was conducted and weaknesses have been identified. Improvements have been implemented.
<b>Additional assessments not foreseen in the previous year's plan</b>					
Operating Expenditures - Procurement to Payment			X		Testing for operating effectiveness was added for 2013-14 and weaknesses have been identified. Improvements have been implemented.
Payables at Year End	X	X	X		These control areas were added during the year. The documentation, the design and operating effectiveness testing are complete and weaknesses were identified. The improvements were implemented.
Hold-backs	X	X	X		

## 4.2 Status and action plan for the next fiscal year and subsequent years

Due to progress to date, the CSA will complete the full assessment of its system of ICFR in 2014-2015. At that time, the CSA will be applying its rotational on-going monitoring plan to reassess control performance on a risk basis across all control areas. The status and action plan for the completion of the assessment of the identified control areas and the continued on-going monitoring for fiscal 2014-2015 for the next fiscal years are as follows:

Key Control Areas	Assessment Elements		
	Design effectiveness testing and improvement measures	Operating effectiveness testing and improvement measures	On-Going Monitoring Rotation <sup>(1)</sup>
<b>ENTITY LEVEL CONTROLS</b>			
Organizational Risk Management	Completed	Completed	2015-2016
Performance Appraisal and Mandatory Training	Completed	2014-2015	2015-2016
Delegation Instrument and Assignment of Delegated Authority	Completed	Completed	Future years
Budgeting and Forecast performance	Completed	2014-2015	Future years
<b>GENERAL IT CONTROLS</b>			
General IT Controls	Completed	Completed	2014-2015
<b>PROCESS LEVEL CONTROLS</b>			
Payroll <sup>(2)</sup>	Completed	Completed	2014-2015
Travel and Hospitality	Completed	Completed	2015-2016
Operating Expenditures - Procurement to payment	Completed	Completed	2014-2015
Write-Off and Disposal	Completed	Completed	2014-2015
Work in Progress - Capital Assets	Completed	2014-2015	Future years
Transfer Payments	Completed	Completed	2015-2016
Month / Year-End procedures and Financial Reports	Completed	Completed	Future years

**Note 1 :** The frequency of the on-going monitoring of key control areas is risk-based and may occur over a multi-year cycle.

**Note 2 :** Control area for which an annual assessment will be conducted.