



Canadian Space Agency
Agence spatiale
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Annual Report by the External Members of the Audit Committee

2012–2013

Audit and Evaluation Directorate

Canada

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MESSAGE TO THE PRESIDENT OF THE CANADIAN SPACE AGENCY

On behalf of the external members of the Canadian Space Agency (CSA) Audit Committee (AC), I am pleased to submit this annual report for the 2012–2013 fiscal year. I would like to convey to Agency officials the appreciation expressed by my external colleagues on being given the opportunity to sit on the CSA's Audit Committee. The members also feel that the CSA President's attendance at every meeting greatly facilitated their work.

Having reviewed the complexity of space sector-related issues in an international context as well as the strategic role that the CSA exercises for the Government of Canada as a whole, the AC members have obtained a more in-depth knowledge of the context in which the CSA must operate. The CSA interacts with other departments, the industry, international partners and universities, and, as a result, is exposed to risks over which it does not have full control—a situation that further complicates strategic planning and governance.

Over the past year, the CSA has also implemented measures stemming from its strategic program review to help further the Deficit Reduction Action Plan (DRAP). AC members were asked to provide senior management with advice and guidance in that regard.

Even though there were positive developments during the year with respect to the Treasury Board's approval of funding for the RADARSAT Constellation Mission, the AC members are still concerned about the CSA's current financial instability resulting from the economic situation, which could hinder the Agency's long-term planning capacity. This financial uncertainty further increases the organizational risk associated with the CSA's viability and its ability to carry out its activities while maintaining its international partnerships.

This report was prepared in accordance with the requirements of Section 6.6.1.2 of the Directive on Internal Auditing in the Government of Canada, which specifies that the report must

- summarize the results of the committee's review of the various areas of responsibility;
- provide the independent members' assessment of the capacity, independence and performance of the internal audit function, and make recommendations if necessary; and
- express views that are entirely and exclusively those of the independent members, notwithstanding any assistance provided by Agency officials in the preparation of the annual report.

We are available to discuss the content of this report with you at your convenience.

Alain Jolicoeur, Audit Committee Chair

Date

*Canadian Space Agency**Annual Report of the
Internal Audit Committee
2012–2013***1. QUESTIONS AND OBSERVATIONS**

During the 2012–2013 fiscal year, the AC members reviewed a variety of documents covering all aspects of CSA management. These included audit reports, documents pertaining to the values and ethics framework, risk management, governance and the management control framework, as well as financial statements, the Departmental Performance Report (DPR) and the Report on Plans and Priorities (RPP).

The following is an overview of the internal audit work carried out, as well as the AC members' comments and advice with respect to the AC's key areas of responsibility.

During the two meetings, the two work sessions and the six teleconference meetings held in 2012–2013, the AC ensured that the discussions between its members and CSA senior management were direct, transparent and constructive.

TASKS RELATED TO THE INTERNAL AUDIT FUNCTION

Over the course of 2012–2013, in addition to drafting documents on professional practices associated with the internal audit function and on AC support activities, the Chief Audit Executive (CAE) submitted

- the report on the audit of the management framework of the International Space Station Assembly and Maintenance Operations Program for review and approval by the AC;
- the results of the preliminary review of the project management framework audit, and sought the AC's approval to postpone the execution and reporting phase of the audit until 2013–2014;
- for information purposes, the draft copy of the report on the audit of the process for preparing the CSA's annual financial statements and quarterly financial reports; and
- for information purposes, the preliminary findings of the audit of the management framework of the grants and contribution program.

AC MEMBERS' OBSERVATIONS AND ADVICE REGARDING KEY AREAS OF RESPONSIBILITY

The following is a summary of the observations and advice presented in this report by the AC members with respect to the Committee's areas of responsibility.

Evaluation of the internal audit function

Despite the challenges posed by a lack of resources, the AC members are satisfied with the performance of the audit function, as well as with the monitoring of the audit function's operations and of its compliance with Institute of Internal Auditors (IIA) and Government of Canada internal auditing standards. This having been said, **the AC members recommend that the President of the CSA consider whether, for expectations to be met, sufficient resources have been assigned to the internal audit function.**

Follow-up on management action plans

According to preliminary data obtained from the CAE, the implementation rate for 2012–2013 is 61%. We noted a significant improvement, compared with the previous year. However, the AC members are concerned by the low implementation rate of management action plans and by the fact that a number of implementation deadlines are continually pushed back. **The AC members recommend that, in the coming year, the managers responsible for the delayed implementation of some of the management action plans be invited to AC meetings to discuss the circumstances surrounding these delays.**

Values and ethics

The AC members are generally very satisfied with steps taken to ensure adherence to values and ethics in the work place.

Risk management

The AC members believe there was considerable improvement in the area of risk management during the year and that the new Corporate Risk Profile will allow the CSA to integrate risk management into the existing decision-making process.

Management control framework and reports

The AC members were exposed to various components of the management control framework throughout the year, e.g., when audit reports were submitted as part of current procedures for preparing quarterly or future-oriented financial statements or other departmental reports, or during sessions designed to inform AC members of the CSA's activities.

With respect to governance, the AC members found, as in the previous year, that there is a decision-making structure in place. However, the new governance structure on which the CSA has been working since last year has yet to be completed. Furthermore, given the climate of uncertainty at the CSA due to a reassessment of the Agency's vision and mandate following the recommendations of the Emerson Report, referred to further on in this report, the AC members have some concerns about the existing governance structure and about the instability resulting from the fact that the CSA is still without a long-term space plan, particularly in the context of the President leaving before the end of his term.

External assurance providers

The AC members were not asked to comment on this matter for the 2012–2013 fiscal year.

Financial statements and public accounts reporting

During the year, the AC members reviewed and commented on the CSA's financial statements, the annual Statement of Management Responsibility including Internal Control over Financial Reporting, and the Appendix to the Statement, as well as quarterly financial reports and future-oriented financial statements.

The AC members found the financial statements and reports that they reviewed to be of very good quality, and did not find any material misstatements or omissions. However, they are not convinced of the usefulness of the future-oriented financial statements for planning and control purposes, and would

like to inform the OCG that they question the relevance of having such a lengthy appendix to the annual Statement of Management Responsibility (10 pages) since, in their view, it does not provide any additional information.

The members also wondered why this year's timetable was such that they were asked to comment on the future-oriented financial statements before having reviewed the Report on Plans and Priorities (RPP). The AC members expressed concern that, in their view, they were not given the information according to an appropriate sequential timetable that would allow them to provide informed advice and opinions.

It is recommended that an effort be made in the future to ensure that all the relevant information is on hand to allow the auditee to benefit from the AC members' informed advice and opinions.

The AC members expressed an interest in reviewing the public accounts in the coming year and providing feedback, as required.

Accountability

During the year, the AC members reviewed and commented on the RPP, the Departmental Performance Report (DPR) and Volume 2 of the Emerson Report entitled "Reaching Higher: Canada's Interest and Future in Space."

The AC members found that the submitted documents were generally easy to understand and read, and they did not note any material misstatements or omissions. However, they made a number of comments about ways to improve the presentation of the information in the RPP and the DPR. **They also recommended that the AC members be given sufficient time, after the RPP is submitted to them for consultation, to formulate and submit their comments.**

IMPACT OF THE CSA'S HANDLING OF RISKS FOLLOWING THE AUDITS

Over the course of the year, the AC members closely monitored management's implementation of action plans stemming from the 15 audit reports that had recommendations outstanding. The actions taken allowed the CSA to reduce some risks associated with IT development, IT data and systems security, documentation for investment project business cases, and contract management. The AC members also looked at the most recently submitted audit report, i.e., the International Space Station (ISS) Assembly and Maintenance Operations Program Management Framework Audit. They found the action plan stemming from this audit to be appropriate in terms of reducing longer-term planning risks. Further to this audit, management had produced a planning document outlining all the anticipated potential costs of extending Canada's participation in ISS activities up until 2020. This planning document also included an assessment of risk likelihood and of the seriousness of the potential consequences.

2. COMMITTEE'S ACTIVITIES OF INTEREST

The external members provide the President of the CSA with objective, independent advice and recommendations on the sufficiency, quality and results of the assurance provided with respect to the adequacy and operation of the Agency's risk management, control and governance frameworks and processes. In that regard, the members evaluate the various documents submitted to the AC, including the Risk-based Audit Plan (RBAP) and the audit reports.

In order to support the President in a systematic, integrated, and risk-focused manner, the AC exercises oversight of core areas of CSA management, control and accountability, including reporting. In their capacity as the President's strategic resource, the external members also provide such advice and recommendations as may be requested by the President on emerging priorities and operational concerns.

The AC's 2012–2013 Annual Report focuses on the roles and responsibilities that the Committee undertook in accordance with its Charter and annual calendar of activities.

ASSESSMENT OF THE INTERNAL AUDIT FUNCTION

The CSA's organizational structure ensures the independence of the audit function, since audit staff report to the CAE, who reports directly to the President of the CSA. The Internal Audit Charter ensures that audit staff have access to all necessary information, files, employees and consultants, and that internal auditors are not prevented from carrying out their responsibilities and are free to submit their findings to the CSA President, the AC and the Comptroller General of Canada.

The internal audit function was in compliance with all requirements of the Policy on Internal Audit. During the past year, the auditors performed their oversight activities associated with their quality improvement and assurance program, and updated their procedures manual, further to the external evaluation of professional practices, so as to include the fact that they can now use the statement of assurance to the effect that the audit activities were conducted in compliance with Institute of Internal Auditors (IIA) professional standards.

The AC members made only one recommendation in this section of the report. The said recommendation concerned the insufficiency of resources for the audit function.

Internal Audit Charter

The Internal Audit Charter provides an accountability framework that sets out the internal auditors' mission, authority and responsibilities. The most recent Charter update was approved by the AC on May 24, 2012.

Availability of resources allocated to the internal audit function

Owing to circumstances beyond the CSA's control, fewer resources than provided for in the Risk-Based Audit Plan (RBAP) were allocated to audit projects identified in the RBAP. According to the Office of the Comptroller General (OCG) calculation grid in the 2012–2013 Management Accountability Framework (MAF) assessment report, the completion rate for the projects identified in the RBAP was 60%. Extended sick leave and the subsequent unexpected departure of the Chief of Audit Operations and Professional Practices had an impact on this result. The MAF assessment report also notes that the CSA is having difficulty assigning enough resources to its audit function to be able to conduct the projects identified in the RBAP.

The AC members are concerned about what will happen in early 2013–2014 when the number of internal audit resources will decrease from four auditors (three senior auditors and the Chief, Audit Operations and Professional Practices) to three (three senior auditors, since the salary for the Chief of Audit Operations and Professional Practices position was not renewed). The RBAP will therefore have

to be carefully developed in order to include a sufficient number of projects to allow the AC members to express an opinion on risk-management, control and governance procedures, while covering the CSA sectors most at risk, with the limited resources available. **The AC members recommend that the President of the CSA look into the matter of the resources assigned to the internal audit function with a view to ensuring that expectations are met.**

Approval of the internal Risk-based Audit Plan and monitoring of its degree of implementation

The CAE submitted the RBAP for the fiscal years from 2012–2013 to 2014–2015 at the AC meeting on May 24, 2012. A work session was held prior to the submission of the RBAP, during which AC members and the CAE discussed primarily the risks associated with each component of the audit universe. This helped speed up the procedures for submitting and recommending approval of this document during the AC meeting. In regard to risk identification, it is important to note that the risks identified by the auditors for each component in the audit universe were corroborated with management.

As for the monitoring of the degree of RBAP implementation, the CAE submits at each AC meeting a table identifying all of the audit projects included in the RBAP, along with their degree of completion and the target dates for various audit milestones.

Monitoring of the internal audit function and evaluation of internal audit performance

The CSA's Internal Audit Policy and Procedures Manual describes in detail the monitoring procedures for the internal audit function that are set out in the quality assurance and continuous improvement program (QAP). This program provides for three levels of monitoring:

- The first level consists of direct supervision of the auditor's work having to do with the planning and execution phases and the drafting of the report;
- The second level consists of an independent review of each audit file to evaluate the quality and relevance of the audit work carried out, in accordance with Treasury Board, IIA and CSA policies and standards;
- The third level is associated with the inspection of professional practices, required every five years, to determine whether the auditors' practices comply with IIA and Government of Canada internal audit standards.

In the past year, two audit files were submitted for an independent quality review. Although these reviews revealed that, in general, the audits were carried out thoroughly and professionally, nevertheless, some areas in need of improvement were identified, particularly in the case of the audit conducted by a consultant.

A professional practices inspection of the internal audit function was carried out in February 2012, and the ensuing report was submitted to the AC on May 24, 2012. The inspection revealed that the internal audit function was generally in compliance with the International Standards for the Professional Practice of Internal Auditing, as well as with the IIA Code of Ethics. The results of this inspection will allow the internal auditors to state in their audit reports that their activities were "conducted in accordance with the International Standards for the Professional Practice of Internal Auditing." No recommendations were made following the professional practices inspection; only opportunities for improvement were identified.

As for the performance of the audit function, the following was noted in the 2012–2013 MAF assessment report:

The CSA's internal audit completion rate relative to the 2012–2013 Risk-Based Audit Plan is low and TBS notes that the CSA has challenges devoting sufficient resources to its audit function. The CSA is encouraged to continue its efforts in executing the planned audits from its Risk-Based Audit Plan and to follow-up on the implementation of its management action plans.

It was also mentioned in the MAF assessment report that the quality of evaluation reports met the expectations of the OCG, that the CAE was independent and could therefore provide objective assurance services, and that the audit team demonstrated a commitment to professional development and continuous learning.

Despite the challenges posed by a lack of resources, the AC members are satisfied with the performance of the audit function, as well as with the monitoring of the auditors' operations and the auditors' compliance with IIA and Government of Canada internal auditing standards.

Review of internal audit reports and ensuing management action plans

In 2012–2013, the CAE submitted

- the report on the audit of the management framework of the International Space Station (ISS) Assembly and Maintenance Operations Program for review and approval by the AC;
- the results of the preliminary review of the project management framework audit, and sought approval from the AC to postpone the execution and reporting phase of the audit until 2013–2014;
- for information purposes, the draft copy of the report on the audit of the process for preparing the CSA's annual financial statements and quarterly financial reports; and
- for information purposes, the preliminary findings of the audit of the management framework of the Grants and Contribution Program.

These reports covered audits identified in the RBAP. The conducted audits focused on various aspects of governance, risk management and control in all CSA areas of activity.

The report on the audit of the ISS Program management framework identified a number of best practices with respect to operational planning, the management of funds and accountability reporting.

Regarding the project management framework, the CAE recommended that the audit be postponed until 2013–2014 so that the audit could take into account all of the work carried out in 2012 to set up project management procedures and practices and ensure compliance with the TB's new Policy on the Management of Projects, expected to be mandatory as of April 1, 2013.

The report on the audit of the preparation of financial statements and quarterly financial reports revealed that, although it had appropriate internal controls in place for the preparation of financial reports, the CSA had to ensure that supporting documentation was kept on file to prove that the controls had indeed been applied.

Since only one audit report was submitted to the AC for approval this year, a single management action plan was subsequently submitted to the AC for review. It was noted in this plan, which concerned the audit of the ISS Program, that management planned to take appropriate steps to implement better documentation procedures for information pertaining to all of the anticipated extraordinary costs

associated with the extension of Canada's involvement in ISS activities up until 2020, as well as information related to the risk analysis process.

The AC members said they were satisfied with the submitted report and the management action plan, but would have liked to have received more reports to review.

Advice for the deputy head about the recruiting and appointment of the Chief Audit Executive

The CAE took up her duties on a permanent basis on August 17, 2011. No advice was given to the President of the CSA this year in this regard.

Follow-up on management action plans

The Annual Report on Follow-up on Management Action Plans, dated March 31, 2012, was submitted to the AC for information purposes at the meeting in May 2012. The report covered 15 audit projects that were currently in progress. Of the 15 audit reports, 3 indicated that the action plans had been fully implemented, while 4 others noted that the action plans were nearly completed.

According to the 2012–2013 MAF assessment report, the management action plan implementation rate for 2011–2012 was very low (42%). This resulted in the CSA being given an "Attention Required" rating for this sub-component of the "Audit" Area of Management in the MAF. Further to the implementation of the ongoing monitoring process for management action plans, we expected to see an increase in the management action plan implementation rate. According to data obtained from the CAE, the implementation rate for 2012–2013 is 70%, a substantial year-over-year improvement.

The AC members are concerned about the management action plan implementation rate and the fact that a number of implementation deadlines are continually postponed. **The AC members recommend for the coming year that the managers responsible for implementing management action plans that are behind schedule be invited to AC meetings to discuss the circumstances surrounding these delays.**

Values and ethics

According to the 2012–2013 MAF assessment report, the CSA's results with respect to values and ethics generally exceeded expectations, thus earning the Agency a "Strong" rating. Over the past year, management's ongoing involvement resulted in the drafting of key documents, including an integrated values and ethics action plan and an organizational code of conduct. In addition, the values and ethics committee, whose members are mostly from senior management, met several times to discuss values and ethics issues and ensure that values and ethics activities were conducted properly. All of the activities carried out demonstrated that the CSA has adopted a culture based on values and ethics, and has provided strong leadership in this respect, as attested by management's continual involvement in values and ethics activities throughout the year.

Further to the audit of the values and ethics management framework submitted to the AC in June 2010, as well as the annual follow-up report on the implementation of the management action plan submitted at the AC meeting in June 2011, the ongoing monitoring of the implementation of

management action plans provided a further opportunity to assess the measures implemented throughout the year to develop the CSA's values and ethics management framework.

The AC members are generally very satisfied with the steps taken to ensure respect for the CSA's values and ethics in the work place.

Risk management

The CSA Integrated Risk Management Policy was approved by the Executive Committee in February 2012. In 2012–2013, the CSA developed the methodology for drawing up a new Corporate Risk Profile. This methodology was submitted to the AC during the year. Discussions on how specific risks were identified were held. The AC members were very impressed by the scope and quality of the work that went into developing the new Corporate Risk Profile. In their view, outstanding improvements were made during the year in the area of risk management, and the new Corporate Risk Profile will allow the CSA to incorporate risk management into the existing decision-making process.

Management control framework and reports

During the 2012–2013 fiscal year, the AC members had an opportunity to review and comment on the results of the CSA's assessment of the 2011–2012 MAF, as well as the preliminary results for 2012–2013. The rating for the "Audit" Area of Management changed from "Acceptable" to "Opportunity for Improvement."

The AC members looked at various components of the management control framework throughout the year, e.g., when audit reports were submitted as part of current procedures for preparing quarterly or future-oriented financial statements and other departmental reports, or during presentations held to inform AC members of the CSA's activities.

Discussions on the context, roles and functions of the Corporate Project Management Office were held during the AC meeting on September 18, 2012, at the same time as the preliminary results of the Corporate Project Management Office were submitted. During these discussions, it was mentioned many times that the Corporate Project Management Office lacked the necessary resources to carry out the various activities required in keeping with its role. Given that the activities of this Office have an impact on all CSA projects, the AC members said that the CSA would increase its level of risk and put itself in a vulnerable position if it failed to ensure that the Corporate Project Management Office had appropriate resources to carry out its duties. Specific attention would be given to this aspect during the execution phase of the Corporate Project Management Office audit scheduled for 2013–2014.

With respect to governance, the AC members found, as in the previous year, that there is a decision-making structure in place. However, the new governance model on which the CSA has been working since last year has not yet been completed and the AC members have therefore not had an opportunity to study it in depth. Furthermore, given the climate of uncertainty at the CSA due to a reassessment of the Agency's vision and mandate following the recommendations of the Emerson Report, the AC members have some concerns about the existing governance structure and about the instability resulting from the fact that the CSA is still without a long-term space plan, particularly in the context of the President leaving before the end of his term.

External assurance providers

The only auditing work carried out by an external assurance service provider during the year was the audit of the assets account conducted by the OCG as part of its annual audit of the Government of Canada's financial statements. No specific recommendations were made at the conclusion of this audit, although the AC members were informed that the audit had taken place. The AC was therefore not asked to comment on this matter for the 2012–2013 fiscal year.

Financial statements and public accounts reporting

Over the course of the year, the AC members reviewed and commented on the CSA's financial statements, the annual Statement of Management Responsibility, including the Appendix to the Statement concerning internal control over financial reporting, as well as quarterly financial reports and future-oriented financial statements.

The AC members' comments regarding the review of the financial statements, the annual Statement of Management Responsibility, including Internal Control over Financial Reporting, and the Appendix to the Statement, were taken into consideration in the final version. The AC members noted that the financial statements complied with the accounting standards in effect, and to the best of their knowledge, they did not find any material misstatements or omissions in the financial statements.

Further to the audit of the procedure for preparing financial statements and quarterly financial reports, conducted during the year and for which a draft report was submitted to the AC, the AC members were more at ease commenting on these financial statements and reports because the audit had shown that sound procedures had been followed to prepare these documents.

The AC members recommended to the President and the Chief Financial Officer that the final version of the financial statements and the Appendix to the Statement of Responsibility be approved.

However, they said that they deemed it necessary that the information in the Appendix to the Statement of Responsibility included with the financial statements be discussed at a future AC meeting. Following a discussion of the Appendix at the AC meeting held on September 18, 2012, the AC members said they wished to inform the OCG, by means of this report, that they **questioned the relevance of having such a lengthy appendix (10 pages) since, in their view, it did not provide any additional information.**

As for the quarterly financial reports, the AC members noted an improvement in the quality of the documents submitted throughout the year, and stated that the final quarterly report reviewed was very well prepared and easy to understand. They even congratulated the authors of the report.

Lastly, the AC members examined the future-oriented financial statements in late December 2012. The members wondered why, in scheduling terms, they were asked to comment on the future-oriented financial statements before having examined the Report on Plans and Priorities (RPP). The AC members expressed concern, saying that they felt they were not given information according to an appropriate sequential timetable that would allow them to provide informed advice and guidance. They asked that a note be included with the future-oriented financial statements explaining that they were

not fully at ease with the fact that they had not read the RPP prior to submitting their comments on the future-oriented financial statements. Nonetheless, although the AC members made a number of comments regarding the content and presentation of the future-oriented financial statements, they did not find any material misstatements or omissions. They were also not convinced of the usefulness of the future-oriented financial statements for planning and control purposes.

It is recommended that in the future, all the relevant information should be on hand to allow the auditee to benefit from the AC members' informed advice and guidance.

The AC members said they were interested in reviewing the public accounts in the coming year and providing feedback, if necessary.

Accountability (Departmental Performance Report, Report on Plans and Priorities and the Emerson Report)

Report on Plans and Priorities (RPP)

The preliminary version of the CSA's 2013–2014 RPP was submitted to the AC in early January 2013. Owing to circumstances beyond the control of the persons responsible for drafting the RPP, the AC members had a very short time frame in which to submit their comments. They expressed their unease at having to submit their comments within such a brief time period.

Nonetheless, the AC members did not find any material misstatements or omissions in the 2013–2014 RPP. In their view, the document was generally well written and comprehensible; however, they noted that the RPP should further highlight the relative importance of each program, because there was currently no way of assessing the relative importance of the various programs and the resources needed to carry out the projects associated with these programs. It is not clear from the document what the CSA's top priorities are.

Upon receiving the AC members' comments, the persons responsible for drafting the RPP agreed to incorporate the suggested changes.

It is recommended that in the future, once the RPP is submitted to the AC for consultation, members should be given sufficient time to prepare their comments.

Departmental Performance Report (DPR)

The AC members reviewed the CSA's 2011–2012 Departmental Performance Report (DPR) and during a teleconference meeting held on July 26, 2012, submitted their comments to the persons responsible for drafting the DPR. To start with, the members noted that the DPR was particularly well written.

They also made several comments on how to improve the DPR presentation and content. They said that after a first reading of the document, it was hard to know whether or not the CSA had performed well, because there was little baseline measurement of performance, even though the report contained a lot of supporting figures and comments. Other discussions focused on the current document presentation; however, a number of the AC members' proposals could not be considered because of presentation constraints related to TB requirements.

Following the teleconference meeting, the persons responsible for drafting the DPR agreed to make some changes to the document to make it more accurate and to highlight not only the CSA's problems, but also its achievements.

The AC members concluded that, despite the stringent presentation requirements, the document was outstanding, and said that they had not found any material misstatements or omissions.

Emerson Report

In November 2012, Volume 2 of the Emerson Report entitled "Reaching Higher: Canada's Interest and Future in Space" was published. This report, consisting of an aerospace industry review commissioned by the Government of Canada, makes recommendations regarding the need to set more clear-cut priorities and plans and to boost technological and commercial capacity.

The AC members held in-camera discussions with the CSA President regarding the Report's key findings and recommendations and subsequent steps for the CSA.

3. DEPARTMENTAL AUDIT COMMITTEE EVALUATION

During the work session held in March 2013, the external AC members assessed the Committee's operations and each member conducted a self-assessment. No specific deficiencies were identified during this exercise; in fact, the members were very satisfied with the way the Committee was run.

4. APPENDIX: AUDIT COMMITTEE COMPOSITION AND OPERATIONS

Audit Committee composition

Membership

The Committee is made up of four members: the President of the CSA and three external members, one of whom acts as Chair of the AC. The AC recently completed its third year of operation.

In 2012–2013, the members were as follows:

- Steve MacLean, President of the CSA (until February 1, 2013);
- Gilles Leclerc, Acting President (as of February 2, 2013);
- Alain Jolicoeur, External Member, Audit Committee Chair;
- Marie Bernard-Meunier, External Audit Committee member (contract ended in December 2012; currently in the process of being renewed);
- Gérard Caron, External Audit Committee Member (contract ended in December 2012; currently in the process of being renewed).

The Audit Committee meets the requirements of the Directive on Internal Auditing in the Government of Canada, and specifically Section 6.4 pertaining to Audit Committee membership.

A strict procedure is followed to select members with an appropriate combination of experience, knowledge and skills for promoting synergy and thus allowing the members to carry out their duties effectively and act as key strategic resource persons for the CSA President.

One of the members has extensive knowledge of politics and the machinery of government; another has an accounting designation and vast experience in accounting and auditing; while the third member has knowledge of the international environment, the CSA's activities outside Canada, and the Agency's collaborative projects with foreign partners.

The AC's advice and suggestions regarding both content and how information is written or presented provide added value for the audit function.

This year, given that they were in their third year of membership in the Committee and had already taken most of the training sessions offered by the Office of the Comptroller General, the members focused their efforts on expanding their knowledge of the CSA. They attended a presentation on the operations of the Corporate Project Management Office, as well as a presentation on the Advanced Exploration Technology Development Program, which included a demonstration of rover prototypes.

Conflicts of interest

During the year, the external members carried out their duties impartially and in compliance with Part III of the Terms and Conditions of Appointment for Audit Committee Members, entitled "Conflict of Interest and Ethical Conduct Code for Audit Committee Members," to which the external Audit Committee members are subject, as stipulated in each member's Appointment Order.

Meeting participants

During this period, the Chief Audit Executive attended the two meetings, two work sessions and six teleconference meetings held in 2012–2013; while the Chief Financial Officer attended the two meetings.

The Chief, Audit Operations and Professional Practices, was present as either a participant or an observer at the two meetings, the two work sessions and the six teleconference meetings held in 2012–2013.

The following CSA representatives also attended one or more of the meetings held during the year:

- Vice-President
- Director General, Corporate Services
- Director General, Space Exploration
- Director, Governance, Planning and Performance
- Director, Space Exploration Operations and Infrastructure
- Director, Program Assurance, Corporate Services
- Manager, Accounting Operations and Financial Policies
- Manager, Integrated Corporate Management
- Senior Analyst, Governance, Planning and Performance
- Senior financial analysts, Finance
- Senior Analyst, Accounting Operations and Financial Policies
- Senior financial analysts, Financial Planning and Management
- Analyst, Governance, Planning and Performance

- Chief, Corporate Accounting and Internal Control
- Senior Engineer, Projects/Programs
- Planning Co-ordinator, Audit and Evaluation
- Senior auditors, Audit and Evaluation

No external assurance providers were present at the meetings this year. Representatives of the following two consulting firms attended the two AC meetings:

- Samson Bélair / Deloitte & Touche LLP
- Price Waterhouse Coopers

Audit Committee's operations

Committee's duties and responsibilities, operations and Charter

At the meeting held on May 24, 2012, the AC approved its annual plan, which set out the number of AC meetings to be held and for each meeting, the types of activities on which the AC would focus its attention. It should be noted that, although three official AC meetings were indicated on the calendar, only two were held because the mandates of two of the three members were in the process of being renewed when the third meeting was scheduled to be held. In addition to these two meetings, held in May and September, two work sessions and six teleconference meetings were also held. A large number of people attended the meetings, work sessions and teleconferences. See the previous section for the detailed list of participants.

The AC's duties and responsibilities, as well as the activities it is expected to carry out, are described in the Audit Committee Charter. Minor amendments were made to the Charter following the publication on April 1, 2012, of the new Directive on Internal Auditing in the Government of Canada. The Charter now complies in every respect with the Directive's requirements. The AC approved the updated Charter on May 24, 2012.

The cost of the AC's operations for 2012–2013 was \$48,773, which can be broken down as follows:

- Per diems: \$46,055
- Travel expenses: \$1,818
- Hospitality expenses: \$900
- Training expenses: \$0

In-camera meetings

During the year, after every AC meeting, the AC held in-camera meetings with the CAE, the Chief Financial Officer (CFO) and the President of the CSA. These meetings gave the AC members an opportunity to freely discuss sometimes sensitive topics that it would be inappropriate to discuss during AC meetings. The meetings also allowed AC external members to obtain more specific information on certain issues.

Approach taken for the drafting of the annual report

The information in this annual report, drafted by the CAE, stems from discussions held throughout the year and from a work session held in March 2013 that was attended by AC external members. The views expressed in this report are entirely and exclusively those of the AC external members.

Opinions and/or recommendations

Last year, four AC meetings were held. As a result of budget cuts affecting the entire CSA in 2012-2013, the deputy head decided to reduce the number of meetings to three. Owing to circumstances beyond the CSA's control, only two AC meetings were held this year.

The AC members believe that there should be a minimum of three AC meetings per year. Below this minimum, the period of time between meetings is too long, resulting in a lack of continuity that makes it more difficult for the AC to operate effectively. **It is therefore recommended that the minimum of three AC meetings per year be maintained.**