



Agence spatiale  
canadienne Canadian Space  
Agency



## Audit of the Chief Financial Officer Attestation for Cabinet Submissions

### AUDIT REPORT

Project # 15/16 01-01

Prepared by  
Audit and Evaluation Directorate

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Canada



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## **1.0 SUMMARY**

### **1.1 Audit objective**

The purpose of this audit was to provide reasonable assurance that an adequate process is in place at the Canadian Space Agency (CSA) to effectively support the Chief Financial Officer (CFO) attestation process for Cabinet submissions.

### **1.2 Audit opinion**

In our opinion, an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions.

### **1.3 Statement of assurance**

As Chief Audit Executive, I am of the opinion that sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the opinion provided in this report. That opinion is based on a comparison of the circumstances, as they existed at the time of the audit, with the pre-established audit criteria agreed on with management. The opinion is only applicable to the particular entity examined. Evidence was gathered in accordance with Treasury Board internal audit policy, directives and standards. The procedures followed comply with the professional standards of the Institute of Internal Auditors. Sufficient evidence was gathered to convince senior management of the validity of the opinion derived from the internal audit.

### **1.4 Summary of findings and recommendations**

Following the coming into force of the new *Guideline on Chief Financial Officer Attestation for Cabinet Submissions* issued by the Treasury Board Secretariat (TBS) on January 1, 2014, the CSA's Finance Directorate established a due diligence review process for Cabinet submissions to support CFO attestation. As part of this audit, we examined the due diligence review process for a sample of five CFO attestations for Cabinet submissions selected out of a total of 11 attestations made since the coming into force of the Guideline. We found that, for each submission examined, a due diligence review was comprehensively applied, that it meets the Guideline's requirements and that it is adequately documented. In addition, the main conclusions related to the CFO attestation process are conveyed in a letter attached to the Cabinet submissions, as required.

We also found that a management framework is in place to support the attestation process. The requirements, the CFO attestation process, and the associated roles and responsibilities are clearly described in the CSA Guide to Costing. These requirements as well as these roles and responsibilities will also be included in a new guideline for Cabinet submissions currently being developed. Lastly, standardized work tools are used to guide the costing and due diligence review processes.

No recommendations are made for this audit.

The original version signed by the Chief Audit Executive

#### **Audit team member**

Dany Fortin  
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## **2.0 AUDIT REPORT**

### **2.1 Context and risk**

Cabinet submissions are official documents through which organizations seek authorities or approvals for implementing programs or projects or for making large-scale purchases in support of government operations. This includes, but is not limited to, Memoranda to Cabinet and Treasury Board submissions. A number of players are involved in the Cabinet submission process, including CFOs when funding applications are submitted. Given their responsibilities under the *Policy on Financial Management Governance*, CFOs are well positioned to evaluate the financial data contained in the primary decision documents, and to submit expert conclusions regarding their usefulness for decision-making.

A new *Guideline on Chief Financial Officer Attestation for Cabinet Submissions* issued by the Treasury Board Secretariat (TBS) came into effect on January 1, 2014. The purpose of the Guideline is to provide a formal framework and practical guidance for CFOs of departments and agencies in the due diligence review and attestation they provide on the financial management aspects of Cabinet submissions.

The Guideline specifies that an attestation letter must be attached to Treasury Board submissions and Memoranda to Cabinet and must contain the CFO's opinion based on the conclusions and observations arising from the due diligence review in connection with the following six assertions:

1. The nature and extent of the proposal is reasonably described and material assumptions having a bearing on the associated financial requirements have been disclosed and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
5. The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
6. Key financial controls are in place to support the implementation and ongoing operation of the proposal.

At the Canadian Space Agency (CSA), responsibility for Cabinet submissions lies with the Directors General responsible for the project or program, and responsibility for Memoranda to Cabinet lies with the Policy Branch. A number of directorates also come into play for various components. Following the coming into force of the Guideline, the CSA's Finance Directorate established a process for CFO attestations. The Departmental and Strategic Planning team is responsible for applying a due diligence review to enable the CFO to attest to the financial information contained in submissions.



## **2.2 Audit objective, scope and approach**

### **Objective**

The purpose of this internal audit project was to provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions.

### **Scope**

This internal audit project covered the following:

- The management framework surrounding the CFO attestation process for Cabinet submissions
- Application of the *Guideline on Chief Financial Officer Attestation for Cabinet Submissions*

A sample of five CFO attestations for Cabinet submissions, from a total of 11 attestations made between January 1, 2014 and June 30, 2015, was selected and examined.

The audit project was limited to the procedures and reviews surrounding the CFO attestation process and did not evaluate the Cabinet submission process as a whole.

### **Approach**

The audit criteria were established based on best management practices. The criteria and sub-criteria are presented in a table in the appendix to this report. The audit involved various audit processes, including interviews and the review of documents.

It should be noted that the audit's objective and criteria were discussed with management.

## **2.3 Findings, recommendations and management responses**

In order to provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions, we expected to find the following:

- A management framework that is in place to support the CFO attestation process for Cabinet submissions.
  - The requirements, roles and responsibilities concerning application of the TB Guideline on CFO Attestation for Cabinet Submissions are defined and communicated.
  - Work tools have been developed to support the CFO attestation process.
- A due diligence review fulfilling the requirements of the Guideline on CFO Attestation for Cabinet Submissions that is performed when required and properly documented.
  - The analyses carried out to support CFO attestation for Cabinet submissions are appropriate, sufficient and well documented.
  - The main conclusions related to the CFO attestation process for Cabinet submissions are conveyed in a letter attached to the Cabinet submissions.



### 2.3.1 Management framework

| Audit objective: Provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions. |             |  |
|--|-------------|--|
| FINDINGS   | Criterion 1 | A management framework is in place to support the CFO attestation process for Cabinet submissions.   |
|  | Condition   | <p><b>Conclusion about the criterion:</b></p> <p>Our audit found that a management framework is in place to support the CFO attestation process for Cabinet submissions.</p> <p><i><b>Sub-criterion 1.1: The requirements, roles and responsibilities concerning application of the TBS Guideline on CFO Attestation for Cabinet Submissions are defined and communicated.</b></i></p> <p>The requirements as well as the roles and responsibilities concerning application of the TBS Guideline on CFO Attestation for Cabinet Submissions are defined and communicated in the CSA Guide to Costing (CGC). The approach for costing a project is divided into seven steps, and CFO attestation is the final step. The CGC describes the general information regarding the assertions that are evaluated, the due diligence review to be performed, and each player's role.</p> <p>Also, a new CSA guideline for Cabinet submissions is currently being developed. This new guideline will help to not only formalize the CSA's Cabinet submission process, but also to communicate the players' roles and responsibilities in the CFO attestation process. The former official documented process was several years old and did not include CFO attestation, which was not mandatory at the time.</p> <p>We conclude that the requirements, roles and responsibilities concerning application of the TBS Guideline on CFO Attestation for Cabinet Submissions are defined and communicated.</p> <p><i><b>Sub-criterion 1.2: Work tools have been developed to support the CFO attestation process.</b></i></p> <p>We found that work tools have been developed and are used to support the CFO attestation process. These standardized work tools are used to guide the costing and due diligence review processes. The tools developed are the following: <i>due diligence review form for the project</i>, attestation letter template, and pre-established spreadsheets for costs and risks. As for the cost spreadsheet, this tool is sometimes adjusted based on the type of project or program in order to meet specific needs. As for the <i>due diligence review form for the project</i>, it provides good guidance to</p> |



|   |                     |  |
|---|---------------------|--|
| <b>Audit objective:</b> Provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions. |                     |  |
|   |                     | the financial analyst who carries out the due diligence review in keeping with the Guideline on CFO attestation requirements.<br><br>A few minor improvements could be made to the <i>due diligence review form for the project</i> to include the signature of the individual who performs the evaluation, the reviewer's name and the dates when the work was performed. |
|   | Causes              | n/a  |
|   | Effect              | n/a  |
| <b>RECOMMENDATIONS</b>  | n/a                 |  |
| <b>RESPONSIBILITY IDENTIFIED</b>  | Organization        | n/a  |
|   | Function            | n/a  |
| <b>MANAGEMENT RESPONSE</b>  | n/a                 |  |
| <b>MANAGEMENT ACTION PLAN</b>   | Action plan details | Deadline   |
|   | n/a                 | n/a  |

### 2.3.2 Due diligence review

|   |             |   |
|---|-------------|---|
| <b>Audit objective:</b> Provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions. |             |   |
| <b>FINDINGS</b>   | Criterion 2 | A due diligence review fulfilling the requirements of the Guideline on CFO Attestation for Cabinet Submissions is performed when required and is properly documented.   |
|   | Condition   | <p><b>Conclusion about the criterion:</b></p> <p>A due diligence review fulfilling the Guideline's requirements was performed for all Cabinet submissions examined, and they were all properly documented. Also, the main conclusions related to the CFO attestation process are communicated in a letter attached to the Cabinet submissions, as required.</p> |



|  |  |   |
|--|--|---|
| <p><b>Audit objective:</b> Provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions.</p> |  |   |
|  |  | <p><b>Sample</b></p> <p>A sample of five CFO attestations for Cabinet submissions, from a total of 11 attestations made between January 1, 2014 and June 30, 2015, was selected and examined.</p> <p>The selection criteria for the projects were as follows:</p> <ul style="list-style-type: none"><li>• Relative importance</li><li>• Individuals assigned to the due diligence review</li><li>• Nature of the space/non-space activities</li><li>• Branches</li></ul> <p>The examination sought to determine whether the due diligence review had been performed in a way that fulfilled the requirements of the Guideline on CFO Attestation for Cabinet Submissions.</p> <p>The selected sample consisted of the following:</p> <ul style="list-style-type: none"><li>• Three Space Exploration Branch projects for which the budget was sizable</li><li>• One Space Utilization Branch project</li><li>• One Corporate Services Branch project of a non-space-related nature</li></ul> <p><b><i>Sub-criterion 2.1: The analyses performed to support CFO attestation for Cabinet submissions are appropriate, sufficient and well documented.</i></b></p> <p>For each file examined, the observations and conclusions provided in the <i>due diligence review form for the project</i> demonstrate that an appropriate and sufficient analysis was carried out to support CFO attestation. These analyses are supported with communications and detailed working papers showing that a thorough due diligence review was carried out to evaluate the assertions. A number of questions on the assumptions, costs and risks associated with the project are sent to managers by the financial analysts. The general conclusions address each assertion and are based on the evaluation of multiple criteria and sub-criteria. This evaluation is supported with references to relevant documentation and/or an argument related to the professional judgment of the financial analysts.</p> <p>A file is set up by the finance directorate to document the due diligence review process performed for each CFO attestation. The file is saved in a separate directory on the CSA's network and contains the documents used and produced during the attestation process. The files are all structured in a similar way, as follows:</p> |



| <b>Audit objective: Provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions.</b> |                     |   |
|---|---------------------|---|
|   |                     | <p>Project Charter, costs, risks and contract. Important written communications with managers are also saved in that directory.</p> <p><i><b>Sub-criterion 2.2: The main conclusions related to the CFO attestation process are communicated in a letter attached to Cabinet submissions.</b></i></p> <p>We found that the main conclusions related to the CFO attestation process for Cabinet submissions are communicated in a letter attached to the Cabinet submissions. Each of the five project files that were audited included an attestation letter that meets the requirements of the guideline on CFO attestation. For each of those letters, the CFO's opinion is clearly stated and presents the observations and conclusions of the due diligence review process. The attestation letters officially communicate the six assertions based on the text of the standard assertions set out in Annex A of the <i>Guideline on CFO Attestation for Cabinet Submissions</i>, and they are signed by the CFO, as required by the Guideline.</p> |
|   | Causes              | n/a   |
|   | Effect              | n/a   |
| <b>RECOMMENDATION</b>   | n/a                 |   |
| <b>RESPONSIBILITY IDENTIFIED</b>  | Organization        | n/a   |
|   | Function            | n/a   |
| <b>MANAGEMENT RESPONSE</b>  | n/a                 |   |
| <b>MANAGEMENT ACTION PLAN</b>   | Action plan details | Deadline  |
|   | n/a                 | n/a   |



**APPENDIX – TERMS OF REFERENCE**

|  |   |                                      |
|--|---|--------------------------------------|
| <b>Audit objective:</b>  | <b>Provide reasonable assurance that an adequate process is in place to effectively support the CFO attestation process for Cabinet submissions.</b>  |                                      |
| <b>Audit criteria</b>  | <b>Audit sub-criteria</b> <div style="text-align: right; margin-top: -10px;"> <span>Sub-criterion met</span> <span style="color: green;">●</span><br/> <span>Sub-criterion partially met</span> <span style="color: yellow;">○</span><br/> <span>Sub-criterion not met</span> <span style="color: red;">●</span> </div> |                                      |
| <b>Criterion no. 1:</b><br><br>A management framework is in place to support the CFO attestation process for Cabinet submissions.  | Sub-criterion 1.1: The requirements, roles and responsibilities concerning application of the TBS Guideline on CFO Attestation for Cabinet Submissions are defined and communicated.  | <span style="color: green;">●</span> |
|  | Sub-criterion 1.2: Work tools have been developed to support the CFO attestation process.   | <span style="color: green;">●</span> |
| <b>Criterion no. 2:</b><br><br>A due diligence review fulfilling the requirements of the Guideline on CFO Attestation for Cabinet Submissions is performed when required and is properly documented. | Sub-criterion 2.1: The analyses performed to support CFO attestation for Cabinet submissions are appropriate, sufficient and well documented.   | <span style="color: green;">●</span> |
|  | Sub-criterion 2.2: The main conclusions related to the CFO attestation process are communicated in a letter attached to Cabinet submissions.  | <span style="color: green;">●</span> |

