

Canadian Space Agency

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

Fiscal year 2015-2016

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 Canadian Space Agency 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, including the roles and responsibilities of senior managers in their areas of responsibility for internal control management;
- A CSA Value and Ethics Code;
- On-going 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 and three external members, one of whom chairs the Committee. In addition, the Vice-President, the Chief Financial Officer and the Chief Audit and Evaluation Executive attend all meetings. The AC provides advice to the President on the adequacy and functioning of the Agency's risk management, control and governance frameworks and processes. 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 2015-2016, the AC had four meetings and participated in two 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 Services and Procurement Canada (PSPC) 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.
- The department of Transport Canada provides support services for the human resources management system at the CSA.

3. Departmental assessment results during fiscal year 2015-2016

3.1 New or significantly amended key controls

During the current fiscal year, the travelling process has been modified to reflect the deployment of the new electronic travel system HRG. Design effectiveness tests were carried out on this new process. No changes were made to key control.

Following the implementation of the new payroll system Phoenix in April 21, 2016, the payroll process will be reviewed in 2016-17. The review aims to ensure that the process reflects the activities as they are carried out, in order to comply with the internal control policy.

3.2 On-going monitoring program

In 2015-2016, the CSA performed, in accordance with the plan, the on-going monitoring of key controls for payroll, performance appraisal for Senior Management, operating expenditures for travel and hospitality, transfer payments as well as specific related IT controls within the business processes.

The key financial controls evaluated for the above mentioned process, were found to be operating effectively, to prevent any material misstatement to the Financial Statements. There were no control weaknesses identified with a high risk impact. As for the low risk impact of the controls, findings were noted and corrective measures have been or will be rectified in 2016-17.

As a result of the on-going monitoring, the CSA identified the following improvements to strengthen its control environment.

Payroll

- Update the delegation of Human Resources authority charter with respect to the delegation level required for the authorization of the professional membership fees.
 - Corrective measures are being developed in this control sector.

Travel and hospitality

- Set up a verification process on the conformity of the usage of the general travel authorization form.
- Ensure that the relevant documentation is included with the traveler's expense report and with the hospitality request in order to have a comprehensive verification trail.
- Ensure that the manager, with the appropriate delegated authority, authorizes the hospitality request.
 - The improvements have been implemented in this control sector.

Transfer payments

→ Ensure that the verification of the transfer payments claim is done by the Quality Control according to the approved sampling plan.

- Corrective measures are being developed in this control sector.

4. Canadian Space Agency's Action Plan

4.1 Progress during fiscal year 2015-2016

The CSA has maintained the on-going monitoring for the ICFR system according to the previous fiscal year's plan. The progress achieved according to this plan is summarized as follows:

Elements in previous year's action plan identified for 2015-2016		
Key Control Areas	On-going monitoring	Progress Status
ENTITY LEVEL CONTROLS		
Performance Appraisal	X	On-going monitoring testing was conducted. No weaknesses were found.
GENERAL IT CONTROLS		
General IT Controls	X	On-going monitoring testing was conducted. No weaknesses were found.
PROCESS LEVEL CONTROLS		
Payroll	X	On-going monitoring testing was conducted and weaknesses have been identified. Corrective measures are still being developed.
Travel and Hospitality	X	Operating effectiveness testing is complete and weaknesses were found. Corrective measures have been implemented.
Transfer Payments	X	On-going monitoring testing was conducted and weaknesses have been identified. Corrective measures are still being developed.

In 2015-16, in addition of achieving relative progress in the on-going monitoring, the CSA has also carried out tests on the design effectiveness of the new electronic travel system HRG.

4.2 Action plan for the next fiscal year and subsequent years

The three year cycle plan for on-going monitoring focused on the CSA's risks is presented in the following table. It is established yearly following the validation of our processes and high risk controls.

Risk-based rotational ongoing monitoring plan ⁽¹⁾			
Key Control Areas	2016-2017	2017-2018	2018-2019
ENTITY LEVEL CONTROLS			
Organizational Risk Management	X		
Performance Appraisal and Mandatory Training			X
Delegation Instrument and Assignment of Delegated Authority	X		
Budgeting and Forecast performance		X	
GENERAL IT CONTROLS			
General IT Controls	X	X	X
PROCESS LEVEL CONTROLS			
Payroll ⁽²⁾	X	X	X
Operating Expenditures - Travel and Hospitality			X
Operating Expenditures - Procurement to payment		X	
Write-Off and Disposal		X	
Work in Progress - Capital Assets		X	
Transfer Payments	X		
Month / Year-End procedures and Financial Reports	X		

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

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

Other than the rotational on-going monitoring plan, the CSA will perform evaluations on the new or heavily modified key controls related to the payroll process following the transfer to the new payroll system Phoenix.