

Annex to the Statement of Management Responsibility including Internal Control over Financial Reporting 2018–19

1. INTRODUCTION

This document provides summary information on the measures taken by the Courts Administration Service (CAS) to maintain an effective system of internal control over financial reporting, including information on internal control management, assessment results and related action plans.

Detailed information on the Courts Administration Service's authority, mandate and program activities can be found in the [*2018–19 Departmental Results Report*](#) and [*2018–19 Departmental Plan*](#).

2. DEPARTMENTAL SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

2.1 INTERNAL CONTROL MANAGEMENT

The Courts Administration Service has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the Deputy Head, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- Values and ethics;
- Communication and training to staff and managers, as required, on statutory requirements, and policies and procedures for sound financial management and control; and
- Monitoring of and regular updates on internal control management, as well as the provision of related assessment results and action plans to the Deputy Head, departmental senior management and the Departmental Audit Committee.

The Departmental Audit Committee reviews information provided on internal control management and provides advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

2.2 SERVICE ARRANGEMENTS RELEVANT TO FINANCIAL STATEMENTS

The Courts Administration Service relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows.

Common Arrangements

- Public Services and Procurement Canada (PSPC) centrally administers the payments of salaries and the procurement of certain goods and services in accordance with their authorities, and provides accommodation services;
- The Treasury Board of Canada Secretariat provides the Courts Administration Service with information used to calculate various accruals and allowances, such as the accrued severance liability;
- When appropriate, the Department of Justice Canada provides legal services to the Courts Administration Service; and
- Shared Services Canada provides minimal information technology (IT) infrastructure services to the Courts Administration Service in the areas of data centre and network services due to the judicial independence principle. The scope and responsibilities are

addressed in the interdepartmental arrangement between Shared Services Canada and Courts Administration Service.

3. DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2018–19

The Key findings and significant adjustments required from the current year’s assessment activities are summarized below.

Significantly amended key controls: In 2016, the Clerk of the Privy Council committed to making mental health and workplace well-being a priority. As part of this commitment, the Courts Administration Service appointed in March 2019 an Ombudsperson who reports directly to the Chief Administrator. This new entity-level control was assessed as being a key control that was effectively designed. Otherwise, there were no significantly amended key controls in existing processes which required a reassessment.

Ongoing monitoring program: As part of its rotational ongoing monitoring plan, the Courts Administration Service completed, with the support of an independent audit firm, the reassessment of key controls in place within the business processes of Procure-to-Pay, Payroll and Benefits, Deposit Accounts and Financial Statements. For the most part, the key controls that were tested performed as intended, with remediation required as follows:

Key Control Area	Areas for Improvement
Procure-to-Pay	No significant control deficiencies were identified following the assessment.
Payroll and Benefits	One control deficiency was identified following the assessment regarding documentation of evidence of expenditures monitoring and review.
Deposit Accounts	No significant control deficiencies were identified following the assessment.
Financial Statements	One control deficiency was identified following the assessment, where one journal voucher was created and posted by the same individual. Additionally, it was recommended to increase the frequency of the review of FreeBalance users’ access privileges, as well as to avoid the use of generic users.

With the upcoming implementation of the Government of Canada Financial and Material Management (GCfm) solution, the Courts Administration Service will continue the assessment of remaining key business processes of the internal control framework in accordance with its go live date of April 1, 2020.

4. DEPARTMENTAL ACTION PLAN

4.1 PROGRESS DURING FISCAL YEAR 2018–19

In 2018–19, the Courts Administration Service continued to conduct its ongoing monitoring according to the previous fiscal year’s rotational ongoing monitoring plan as shown in the following table:

Progress during fiscal year 2018–19

Previous year’s rotational ongoing monitoring for current year	Status
Financial Statements, and Payroll and Benefits	Completed as planned; remedial actions started.
Procure-to-Pay, and Deposit Accounts	Completed as planned; no remedial actions required.

In addition to activities completed over these business processes, monitoring was performed during the fiscal year that contributed to confirming key controls. See table below for a summary of work completed during fiscal year 2018–19:

Progress during fiscal year 2018–19

Element in previous year’s report on internal controls	Status
Entity level controls: Ongoing Monitoring	<p>Au audit was conducted in 2017–18 on Values and Ethics. Minor control deficiencies were identified relating to the completeness of the existing values and ethics framework. In 2018–19, Management identified the roles and responsibilities of the Delegated Officers and Ethics Champions. Remaining recommendations will be addressed in 2019–20.</p> <p>In addition, the Courts Administration Service added a new entity-level control by implementing the Ombudsman Program.</p> <p>This business process will be part of ongoing monitoring in 2019–20.</p>

Element in previous year’s report on internal controls	Status
IT general controls	<p>The Courts Administration Service is scheduled to onboard to the Government of Canada Financial and Material Management (GCfm) Solution to replace its legacy financial system in 2020–21. The former IT general controls business process will no longer be relevant and as a result, documentation, design and operating effectiveness will need to be reassessed. In the meantime, the Courts Administration Service will continue to maintain its IT general controls infrastructure but will focus its efforts on the implementation of the GCfm Solution. This business process will be part of ongoing monitoring in 2019–20.</p>
Procure-to-Pay	<p>In 2018–19, as part of its rotational ongoing monitoring plan, the Courts Administration Service hired an independent audit firm to perform the internal control assessment of the Procure-to-pay business process. This included the performance of post-payment verification testing. No significant control deficiencies were identified.</p> <p>The Account Verification and Quality Assurance Framework was reviewed to develop supporting tools and strengthen the communication of related processes and associated controls as required. This work will be finalized in early 2019–20.</p> <p>Finally, the Office of the Procurement Ombudsman completed the review of the Courts Administration Service’s Procurement Management Control Framework. Results were shared and a management action plan was developed in response to six recommendations. In 2018–19 four of them were implemented and the remaining ones will be addressed in 2019–20 in line with GCfm implementation.</p>

Element in previous year's report on internal controls	Status
Tangible Capital Assets	<p>In 2018–19, additional procedures were documented, and the draft policy on tangible capital assets was updated. Mapping of the process will be performed in 2019–20. In 2018–19, the planning of the capital asset book to physical inventory count started and will be finalized in 2019–20 in order to provide assurance over the existence and accuracy of the tangible capital assets.</p> <p>This business process will be part of ongoing monitoring in 2019–20.</p>
Payroll and Benefits	<p>With the implementation of the new Phoenix Pay System, documentation, design and operating effectiveness of internal controls related to the pay business processes, including human resources and finance, are being reassessed on an ongoing basis as post-implementation issues are being addressed.</p> <p>Last year, the Office of the Auditor General performed an audit of the 2018 consolidated financial statements of the Government of Canada and identified 9 government-wide recommendations specifically relating to the pay administration. The Courts Administration Service completed a review of the recommendations and noted through its Management Action Plan that 8 of them were not applicable or not problematic to the department and that key controls are working as intended. As for the 9th recommendation on training needs, a Management Action Plan was put in place and the department will work in collaboration with OCHRO and PSPC.</p> <p>In 2018–19, as part of its rotational ongoing monitoring plan, the Courts Administration Service hired an independent audit firm to perform the internal control assessment of the Payroll</p>

Element in previous year's report on internal controls	Status
	and Benefits business process. This included the performance of post-payment verification testing. One control deficiency was identified following the assessment regarding documentation of evidence of expenditures monitoring and review.
Deposit Accounts	In 2018–19, as part of its rotational ongoing monitoring plan, the Courts Administration Service hired an independent audit firm to perform the internal control assessment of the Deposit accounts business process. This included the performance of post-payment verification testing. No significant control deficiencies were identified.
Financial Statements	In 2018–19, as part of its rotational ongoing monitoring plan, the Courts Administration Service hired an independent audit firm to perform the internal control assessment of the Financial Statements business process. One control deficiency was identified and a Management Action Plan was put in place to address it.

4.2 ACTION PLAN FOR THE NEXT FISCAL YEAR AND SUBSEQUENT YEARS

The Courts Administration Service’s ICFR plan over the next three years, based on an annual validation of the high and medium risk processes, key controls and related adjustments to the ICFR plan as required, is shown in the following table.

As the Courts Administration Service is scheduled to onboard to the GCfm solution on April 1, 2020, the ICFR plan was updated in order to include a review of the majority of the key control area in 2020–21 following the onboarding on GCfm.

Key Control Area	Fiscal year 2019–20	Fiscal year 2020–21	Fiscal year 2021–22
Entity level controls	Full Review	Update	Monitoring
IT general controls	Monitoring	Full Review	Monitoring
Procure-to-Pay	-	Full Review	Monitoring
Payroll and Benefits	-	Full Review	Monitoring
Deposit Accounts	-	Full Review	Monitoring
Tangible Capital Assets	Design and Operational testing	Full Review	Monitoring
Financial Statements	-	Full Review	Monitoring

In addition to the ICFM plan, the Courts Administration Service plans to continue the following implementation work in 2019–20:

- **Procure-to-Pay:**
 - As part of GCfm implementation, the work on the review, update and development of tools of the Account Verification and Quality Assurance Framework will continue.
 - Also, the work on straightening the procurement planning, policies, reporting and monitoring will continue.
- **Tangible Capital Assets:**
 - As part of GCfm implementation, a book to physical capital asset inventory count will validate the existence and accuracy of the tangible capital assets.

- **Entity level controls:**
 - Implementation of an internal audit function using an internal resource delivery model.
 - Implementation of a Budget Management Framework that incorporates multi-year budgeting and investment planning activities.