

Courts Administration Service
Annex to the Statement of Management Responsibility
including Internal Control over Financial Reporting
2019–20

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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 CAS's authority, mandate and core responsibilities can be found in the [*2019–20 Departmental Results Report*](#) and [*2020–21 Departmental Plan*](#).

2 DEPARTMENTAL SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

2.1 INTERNAL CONTROL MANAGEMENT

CAS 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 , as required, on statutory requirements, and policies and procedures for sound financial management and control; and
- Monitoring and regular updates on internal control management, as well as the provision of related assessment results and action plans to the Deputy Head, senior management and the Departmental Audit Committee.

The Departmental Audit Committee 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

CAS relies on other organizations for processing certain transactions that are recorded in its financial statements, as follows.

Common service arrangements

- Public Services and Procurement Canada centrally administers the payments of salaries and the procurement of certain goods and services in accordance with their authorities, and provides accommodation services;
- Treasury Board of Canada Secretariat, which provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans;
- Department of Justice Canada, which provides legal services to the CAS, when appropriate; and

- Shared Services Canada, which provides minimal information technology (IT) infrastructure services to CAS 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 CAS.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of internal control over financial reporting related to these specific services.

3 DEPARTMENTAL ASSESSMENT RESULTS FOR FISCAL YEAR 2019–20

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year’s rotational plan.

Progress during fiscal year 2019–20

Previous fiscal year’s rotational ongoing monitoring plan for current fiscal year	Status
Entity-level controls and Information technology general controls	Completed as planned; remedial actions started.
Capital Assets	Assessment began and will be completed in 2020–21.

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

3.1 NEW OR SIGNIFICANTLY AMENDED KEY CONTROLS

During the current fiscal year, key controls related to the risk-based approval of expenditures under the *Financial Administration Act* (section 34) were significantly amended effective March 16, 2020, following the instructions from the Office of the Comptroller General Management in response to the economic context related to the COVID-19 pandemic, to ensure prompt payment of invoices. These controls were deemed to be compliant with the policy on Financial Management and performing as intended.

3.2 ONGOING MONITORING PROGRAM

As part of its ongoing rotational monitoring plan, CAS began its first assessment of the capital assets. The areas for improvement and remediation will be disclosed in the 2020–21 Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting. CAS also completed, with the support of an independent audit firm, its reassessment of entity-level controls and IT general controls. For the most part, the key controls that were tested performed as intended, with remediation required as follows:

Key Control Area	Areas for Improvement
Entity- level controls	No significant issues were found. Three moderate control issues were identified in relation to the documentation available to support fraud risk management and internal controls over financial management (ICFM). CAS has started to address these deficiencies by adding four additional business process (i.e. planning and budgeting

Key Control Area	Areas for Improvement
	including forecasting, investment planning, costing and CFO attestation) to its rotational ongoing monitoring plan and by developing a Budget Management Framework as well as a Fraud Risk Framework in 2020–21.
Information technology general controls	No significant issues were found. Three moderate control issues were identified related to users’ access prompt removal, IT Infrastructure Changes evidence of approval and Database Password Parameters. A management action plan was developed by the process owners to address the recommendations in 2020–21, which includes the review and documentation of the departure process and the RFC / CAB approval process, as well as the creation of a password policy for the Oracle Database.

In 2019–20, in addition to activities completed over these business processes, monitoring was performed during the fiscal year that contributed to confirming key controls. See the table below for a summary of work completed during fiscal year 2019–20:

Progress during fiscal year 2019–20

Key Control Area	Status
Entity level controls: Ongoing Monitoring	<p>An 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. As of March 31, 2020, all recommendations were completed, which included the approval of the Triennial Strategic Plan on Values and Ethics, the development of a comprehensive multi-year strategic plan, performance indicators and a communications plan.</p> <p>An internal audit function was implemented in August 2019, using an internal resource delivery model.</p> <p>In 2019–20, a Budget Management Framework was designed, that incorporates multi-year budgeting and investment planning activities. It will be implemented in 2020–21.</p>
Information technology general controls	CAS is scheduled to onboard to the Government of Canada Financial and Material Management (GCfm) Solution to replace its legacy financial system in 2021–22. The former IT general controls business process will no longer be relevant and as a result, documentation, design and

Key Control Area	Status
	operating effectiveness will need to be reassessed. In the meantime, CAS continues to maintain its IT general controls infrastructure but is focusing its efforts on the implementation of the GCfm Solution.
Procure-to-pay	<p>In 2018–19, the Office of the Procurement Ombudsman completed the review of CAS’s Procurement Management Control Framework. Remaining recommendations were addressed in 2019–20, as follows:</p> <ul style="list-style-type: none"> • The policy on procurement was updated in May 2020, to ensure that employees understand the statutory, regulatory and policy framework that supports government procurement, the principles underpinning effective procurement, and their respective responsibilities; • The Account Verification and Quality Assurance Framework was reviewed in April 2020, to develop supporting tools and strengthen the communication of related processes and associated controls as required. <p>In 2018–19, as part of its ongoing rotational monitoring plan, CAS hired an independent audit firm to perform the internal control assessment of the Procure-to-pay business process. No significant control deficiencies were identified.</p> <p>In 2019–20, post-payment verification testing was performed. No significant control deficiencies were identified but recommendations were issued to increase training and improve documentation practices.</p>
Capital assets	<p>In 2018–19, the planning of the capital asset book to physical inventory count started. Due to the travel restrictions related to COVID-19, this exercise will be finalized in 2020–21 in order to provide assurance over the existence and accuracy of the tangible capital assets. In 2019–20, additional procedures were documented, and the draft directive on tangible capital assets was updated. Mapping of the process will be performed in 2020–21.</p> <p>This business process assessment will be finalized in 2020–21.</p>

Key Control Area	Status
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>An internal control assessment was performed in 2018–19 on this business process. One control deficiency was identified regarding documentation of evidence of expenditures monitoring and review. In 2019-20, internal procedures were updated and information is now retained and tracked. Adjustments are still required to ensure full participation by RC Managers, which will be addressed in 2020–21.</p> <p>In 2018–19, the Office of the Auditor General performed an audit of the 2018 consolidated financial statements of the Government of Canada and identified nine (9) government-wide recommendations specifically relating to the pay administration. Eight (8) of them were not applicable or not problematic to CAS and that key controls are working as intended. As for the 9th recommendation on training needs, the compensation unit confirmed that all compensation advisors have been attending the training sessions provided by PSPC as they are being made available.</p>
Financial Statements	<p>An internal control assessment was performed in 2018–19 on this business process. There was one remaining recommendation regarding the frequency of the review of FreeBalance users’ access privileges. In 2019–20, this review was performed when exit signatory processes were received, and an annual review was performed in April 2020. The scope of this review was extended to include credit card, petty cash and other financial exit tasks. Procedures will be completed in 2020–21.</p>

4 DEPARTMENTAL ACTION PLAN FOR THE NEXT FISCAL YEAR AND SUBSEQUENT YEARS

CAS will start its assessment of Internal Controls over Financial Management (ICFM) in the 2020–21 fiscal year. The plan over the next three fiscal years is shown in the following table and is comprehensive of ICFM elements to meet the Policy on Financial Management requirements by 2023. The ongoing monitoring plan is based on:

- an annual validation of high-risk processes and controls; and
- related adjustments to the ongoing monitoring plan as required.

4.1 ROTATIONAL ONGOING MONITORING PLAN

Key Control Area	Fiscal year 2020–21	Fiscal year 2021–22	Fiscal year 2022–23
Entity-level controls	Monitoring	Monitoring	Update
Information technology general controls	Monitoring	Design testing*	Operational testing
Procure-to-pay	Documentation*	Design testing*	Operational testing
Payroll and benefits	Documentation*	Design testing*	Operational testing
Deposit accounts		Design testing*	Operational testing
Tangible Capital Assets	Design and Operational testing	Design testing*	Operational testing
Financial statements		Design testing*	Operational testing
Planning, budgeting and forecasting	Documentation	Design testing*	Operational testing
Investment planning	Design testing	Operational testing	Monitoring
Costing	-	Design and Operational testing	Monitoring
Chief financial officer attestations (included in Cabinet submissions)	-	Design and Operational testing	Monitoring

* As CAS is scheduled to onboard to the GCfm solution on April 1st, 2021, the ongoing monitoring plan was updated in order to include documentation of the ‘to be’ processes in 2020–

21, as well as a redesign of the majority of the key control areas in 2021–22, following the onboarding on GCfm. It is also understood that the quality assurance function will be increased during the stabilization phase as a detective control, due the increased risks related to the system implementation.