

Courts Administration Service

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

2020-21

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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 [2020-21 Departmental Results Report](#) and [2021-22 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 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 centrally administers payment of the employer's share of contributions toward statutory employee benefit plans;
- Department of Justice Canada provides legal services to CAS, when appropriate; and
- Shared Services Canada 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 2020-21

CAS' ongoing monitoring plan for 2020-21 was established based on a scheduled onboarding to the Government of Canada Financial and Material Management (GCfm) system April 1, 2021. It included documentation of 'to be' processes for Procure to Pay, Payroll and Benefits, Planning, budgeting and forecasting, and Investment Planning, as well as a redesign of the majority of the key control areas in 2021-22, following the onboarding to GCfm.

In May 2021, the Comptroller General announced that the GCfm project was terminated as it was not financially sustainable. Documentation of the above business processes in that context is no longer relevant. Documentation and controls established for the current financial system remain valid (Procure to Pay, Payroll and Benefits) and documentation of business processes newly added to the plan will be completed in 2021-22 (Planning, budgeting and forecasting, and Investment Planning).

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year's rotational plan, with the exception of the above business processes.

Progress during fiscal year 2020-21

Previous fiscal year's rotational ongoing monitoring plan for current fiscal year	Status
Entity Level Controls	Monitoring focused on policies, directives and procedures related to procure-to-pay, as well as communication and training on values and ethics, harassment and violence in the workplace.
Information Technology General Controls	Annual review and confirmation of user access. Documentation of arrivals and departures access to the financial system. No additional work was performed considering planned migration to GCfm.
Capital Assets	Book to physical inventory and reconciliation substantially completed. Asset management system implemented. Documentation completed.

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 were assessed to determine the impact of the COVID-19 pandemic on CAS's internal controls over financial reporting and CAS has not identified deficiencies in the operation of CAS internal controls over financial reporting as a result of the COVID-19 pandemic which could have a material impact on its financial statements.

Key controls related to the risk-based approval of expenditures under the *Financial Administration Act* (section 34) were amended, following the instructions from the Office of the Comptroller General in

response to the economic context related to the COVID-19 pandemic, to ensure electronic approval and prompt payment of invoices. These controls were deemed to be compliant with the policy on Financial Management and performing as intended.

Treasury Board also issued the Special Emergency Contracting Limitation, increasing the limit for contracts related to COVID emergency measures. CAS has a Contract Review Committee (CRC) which reviews procurements and associated risks in accordance with its terms of reference.

3.2 Ongoing monitoring program

As mentioned above, CAS’s ongoing monitoring plan for 2020-21 was based on a planned system migration to GCfm. Given the termination of the project, documentation completed in that context is no longer relevant and the monitoring plan has been revised accordingly. However, the exercise was valuable, as it allowed CAS to conduct reconciliations, revalidate controls and data, and identify areas for improvement in existing business processes. Existing documentation for the current system remains valid for Procure to Pay and Payroll and Benefits.

Another important area of focus in 2020-21 was Tangible Capital Assets. Two major initiatives were conducted, as an essential foundation to enhance controls over Capital Assets and complete the associated documentation: a full book to physical inventory and reconciliation of all assets; and implementation and population of an asset management system (BassetPro).

In 2020-21, in addition to activities completed over these business processes, monitoring was performed during the fiscal year that contributed to confirming key controls. See the tables below for a summary of work completed during fiscal year 2020-21:

Progress during fiscal year 2020-21

Key Control Area	Status
Entity Level Controls	CAS completed approval of policies, directives and procedures related to procure-to-pay. Ongoing communication and training activities on values and ethics, and harassment and violence prevention were conducted.
Information Technology General Controls	CAS conducted annual review and confirmation of user access, including the Financial System, Standard Payment System and Electronic Authorization and Authentication. Documentation of arrivals and departures access to the financial system, and annual review user access.
Tangible Capital Assets	The capital asset book to physical inventory count was completed as of March 31, 2021 and adjusting entries were booked. The majority of business processes were documented and design testing was started in 2020-21. Design testing will be finalized in 2021-22.

Key Control Area	Areas for Improvement
Procure to Pay	The work done on this business process was in support of the migration to GCfm, and is therefore not relevant. However, in light of the work done and given turnover, CAS identified that additional training should be provided to Responsibility Center Managers on this process.

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

The ongoing monitoring plan over the next three fiscal years is shown in the following table and is comprehensive of Internal Controls over Financial Management (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 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24
ICFR	Entity-Level Controls		Monitoring	
	Information Technology General Controls		Monitoring	
	Procure-to-Pay			Monitoring
	Payroll and Benefits		Monitoring	
	Deposit Accounts			Monitoring
	Tangible Capital Assets	Design testing	Operational Testing	
	Financial Reporting		Monitoring	
ICFM (New business processes)	Planning, Budgeting and Forecasting	Documentation	Design & Operational Testing	
	Investment Planning	Documentation	Design & Operational Testing	
	Costing	Documentation	Design & Operational Testing	
	CFO Attestation	Documentation	Design & Operational Testing	

Note: With the new Policy on Financial Management, ICFM focuses on four main business processes supporting controls beyond ICFR requirements.