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Audit of Corporate Accountability and Administrative Renewal, and Internal Control over Financial Reporting

March 22, 2013

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Acronyms

ALM	Asset Lifecycle Management
ADM	Assistant Deputy Minister
CAAR	Corporate Accountability & Administrative Renewal
CFO	Chief Financial Officer
CIOB	Chief Information Officer Branch
CSB	Corporate Services Branch
DFMS	Departmental Financial Management System
DM	Deputy Minister
EAAC	External Audit Advisory Committee
EC	Environment Canada
EMC	Executive Management Committee
FB	Finance Branch
HRB	Human Resources Branch
ICFR	Internal Control over Financial Reporting
MAF	Management Accountability Framework
MVR	Management Variance Report
OFSS	Oracle Financial Shared Systems
PIC	Policy on Internal Control
PID	Project Initiation Document
PWGSC	Public Works and Government Services Canada
SAP	Systems Applications and Products in Data Processing
TBS	Treasury Board Secretariat
TOR	Terms of Reference

Prepared by the Audit and Evaluation Team

Acknowledgements

The audit team composed of Claude Bélisle (Audit Manager), Stella Line Cousineau (Audit Manager), Daniel Chénier (Audit Team Lead) and Stephanie Brossard (Auditor), under the direction of Jean Leclerc, would like to thank those individuals who contributed to this project and, particularly, employees who provided insights and comments as part of this audit.

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EXECUTIVE SUMMARY

The audit of the governance of the Corporate Accountability and Administrative Renewal (CAAR) and compliance with Internal Control over Financial Reporting (ICFR) was included in the departmental Risk-Based Audit Plan 2011-2014 as approved by the Deputy Minister, upon recommendation of the External Audit Advisory Committee (EAAC).

The purposes of the audit are to provide assurance that the Department has effective governance and project management frameworks in place for the CAAR initiative and its related projects, and to determine whether the Annex to the 2010-2011 Statement of Management Responsibility Including Internal Control over Financial Reporting (included with Environment Canada's financial statement) is compliant with the Treasury Board Secretariat (TBS) Guideline on Internal Control over Financial Reporting (draft) and that the Annex is appropriately supported. Though the testing period covered was April 2009 to December 2011, the fieldwork was completed in August 2012.

The audit team concluded that, overall, the Department has effective governance and project management frameworks in place for the CAAR initiative and most of its projects. The only exception revolves around some unsigned or missing documents, which had minimal impact on the projects. During the testing period, there was some concern surrounding the information reported to the Executive Management Committee and the EAAC by the Assistant Deputy Minister (ADM) Steering Committee, as the project information was sometimes inconsistent and projects were flagged as being on track based on the revised date instead of the actual planned date.

The audit team also concluded that the 2010-2011 Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting is compliant with the TBS Template for Internal Control over Financial Reporting and is appropriately supported.

Recommendations:

The Chief Financial Officer should ensure that in the future:

1. Key project documents (such as Terms of Reference and Project Initiation Documents) are finalized and approved in a timely manner and consultations with business owners are documented;
2. Project reports to senior management are consistent with plans and any changes to initial plans and deliverables are clearly identified, approved and communicated.

1 INTRODUCTION

The audit of the governance of the Corporate Accountability and Administrative Renewal (CAAR) and compliance with Internal Control over Financial Reporting (ICFR) was included in the departmental Risk-Based Audit Plan 2011-2014 as approved by the Deputy Minister (DM), upon recommendation of the External Audit Advisory Committee (EAAC).

1.1 Background

In March 2004, Treasury Board announced that government departments and agencies would, for the first time, be subject to an audit of their stand-alone financial statements according to Treasury Board Accounting Standard 1.2, Departmental and Agency Financial Statements. The Comptroller General of Canada had requested that an assessment be performed as to whether departments had the financial controls and capacity in place to sustain an efficient audit prior to their first full audit.

In June 2007, Environment Canada (EC) had requested Ernst & Young LLP's services to assess whether its financial controls and capacity were in place to sustain an "efficient" audit. This assessment was necessary in order to produce a plan of action that would deliver sound financial statements prior to an audit conducted by an external firm. Ernst & Young concluded that an external auditor could not complete an "efficient" or "effective" audit of EC's financial statements at that time, and therefore recommended that a number of initiatives be implemented to address the issues highlighted through their review. For example, a review of the business process, the development and implementation of a Financial Management Framework, a Financial Management Policy Framework and suite of policies, as well as a new planning and budgeting process, were some of the initiatives proposed by Ernst & Young.

With the implementation in 2009 of the Treasury Board Secretariat (TBS) Policy on Internal Control (PIC), the focus has changed from audited financial statements to auditable financial statements and providing better financial reporting practices by enhancing ICFR.

To improve the Department's financial accountability and to service and support the development of departmental audited financial statements, the CAAR initiative was created in fiscal year 2009-2010. Rapidly, CAAR evolved into an initiative to support auditable financial statements and improve the effectiveness of management decision support in reference to resource management and reporting, and to correct deficiencies in EC's financial management, controls, processes and reporting, including operational issues identified in annual Management Accountability Framework (MAF) assessments. To do so, a number of departmental projects, such as the development of a Management Variance Report (MVR), were created under the CAAR initiative. While CAAR was originally expected to be completed in fiscal year 2013-2014, the initiative keeps evolving to include more projects, mainly in response to recent events such as changes in central agency direction and guidance over financial systems.

During the period covered by this audit, there were five significant departmental projects under the CAAR initiative:

1. **Internal Control over Financial Reporting (ICFR)**

This project's aim is to improve external financial-information monitoring and reporting systems. With the implementation of the PIC, departments were required to demonstrate the measures they are taking to maintain an effective system of ICFR.

As part of this policy, departments are expected to conduct annual assessments of their system of ICFR, establish action plan(s) to address any necessary adjustments, and attach to their Annual Statement of Management Responsibility Including Internal Control over Financial Reporting and Financial Statement a summary of their assessment results and action plans.

As the lead departmental executive, and consistent with the TBS Guideline on Internal Control over Financial Reporting (draft), the Chief Financial Officer (CFO) is responsible for, and provides an overall leadership and coordination role for, establishing, monitoring, overseeing and assessing control over departmental financial management, including ICFR. The CFO leads management's annual risk-based self-assessment of the system of internal control over financial reporting, and develops an action plan for any necessary improvements.¹

As well, ICFR seeks to meet all requirements for achieving the Department's auditable financial statements readiness state as per the PIC. Given the TBS Guideline, work on ICFR will remain an ongoing requirement.

2. **Management Variance Report (MVR) / Hyperion**

In response to a commitment made by the DM in the fall of 2008 to provide departmental managers with regular and more consistent financial information for decision making, the Finance Branch (FB) developed the MVR and implemented it in 2009. The MVR is an extract of the financial data recorded in the Department's financial systems, which is then presented as a multi-level report in a uniform manner across the Department. In this way, all managers have access to the same financial summary reports from a single source of information, in the same format and at the same time.

In order to facilitate the next evolution in the MVR, the Department initiated work on the implementation of the Hyperion software, which is a more evolved software platform. However, due to a shift in EC priorities, the implementation of the Hyperion software was cancelled. Therefore, the MVR remains the financial reporting tool for the department.

3. **Oracle Financial Shared Systems (OFSS)**

The initial intent of this project was to manage the evolution of EC's financial system. The Oracle Cluster (which was a government-wide initiative) for shared financial systems was EC's preferred mechanism to migrate the current Oracle software version to release R12 by March 2013. This project was also designed

¹ PRACTICE GUIDE: Internal Audit and the Management Representation on Internal Control over Financial Reporting (ICFR).

to remediate controls and business processes related to financial and asset management.²

This project has since evolved into a transition to SAP using a hosting arrangement, consistent with more recent government-wide directions and Treasury Board guidance on investments in the Departmental Financial Management System (DFMS). Although a number of hosting arrangements were considered at the time of the audit, discussions with departments revealed that Public Works and Government Services Canada (PWGSC) was the only department in a position to host EC DFMS for implementation by April 2014. On July 10, 2012, EC entered into an agreement with PWGSC to conduct a scoping and planning exercise, cooperating on activities to define responsibilities of each party for the implementation and management of the project. The objective will be a Memorandum of Understanding, a business case, and other supporting documents to secure project approval authority for implementation.

The project to implement SAP and related changes to business processes is expected to occur from 2012-2013 to 2014-2015, at an estimated cost of \$11.1M.

4. **Asset Life-Cycle Management (ALM)**

In 2009-2010, the Department embarked on a new initiative, the Asset Life-Cycle Management (ALM) project. The initiative's purpose was to improve the way that assets are life-cycle managed in the Department. The initiative included a definition of how assets are defined, tracked, recorded and managed; a review and adjustment of business processes; an assessment of the current state of asset information; and implementation of new software, Oracle Asset Lifecycle Management.

At the time of this audit, the project was expected to be implemented by the fall of 2012. The only main item not anticipated to be completed by then was the asset count and valuation that started in 2012, which is planned to be completed by April 1, 2013. At the time of this audit, the impact of SAP on ALM was not assessed.

5. **PeopleSoft**

This project implemented the components of PeopleSoft v8.9 (the government-wide human resources management information system), which is used for employee leave management at EC. This includes modules for: leave, base benefits, workforce administration, position management, and partial recruiting. EC has the fundamental modules in place and can add modules to expand the functionality of its PeopleSoft system. An audit of PeopleSoft conducted in 2012 concluded that the system was successfully implemented between April 2009 and March 2010, and was on time and within budget.

² Integrated Corporate Plan 2010-2011.

1.2 Objectives and Scope

The two primary objectives of the audit are as follows:

1. To determine if the Department has effective governance and project management frameworks in place for the CAAR initiative and sub-projects; and
2. To determine whether the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting (included with EC's financial statements) as of March 31, 2011 is compliant with the TBS Guideline on Internal Control over Financial Reporting (draft), and is appropriately supported.

The scope of the audit covers the period of April 2009 to December 2011; the actual audit work was completed by August 2012. The audit primarily covers the activities of FB, and where applicable the Corporate Services Branch (CSB) and Human Resources Branch (HRB), as their activities pertain to the management of projects under the CAAR initiative.

This audit did not include any audit work for the ALM and PeopleSoft projects, as these were the subject of other audits by the Internal Audit Division. However, the audit has drawn from the results of these audits. Where possible and appropriate, the audit also considered and drew upon external reviews performed by FB (such as the recent Financial Statements Reporting Risk Assessment and Review of Implementation of the Policy on Internal Control).

The initial audit plan for this audit was submitted to the EAAC in February 2012 for information. Further discussions with senior management have resulted in a revised plan, in which one of the proposed objectives was removed.

Please refer to Annex 1 for a breakdown of the audit objectives and criteria.

1.3 Statement of Conformance

This audit has been conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the PIC.

In our professional judgement, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusions contained in this report. The conclusions were based on a comparison of the situations as they existed at the end of the fieldwork, against the audit criteria.

2 FINDINGS AND RECOMMENDATIONS

2.1 Effective Governance and Project Management

As reflected in Annex 1, best practices specific to effective governance and project management include: a well-structured governance; a project lead who has clearly defined and communicated the project's strategic directions and strategic objectives; effective operational plans and monitoring processes that are supported by management information; a process for monitoring the external and internal environments and risks; and governance bodies (i.e., the CAAR Assistant Deputy Minister [ADM] Steering Committee and the Executive Management Committee [EMC]) that request and receive sufficient, complete, timely and accurate information.

The following table represents a summary of the findings specific to this objective:

Objective 1: To determine if the Department has effective governance and project management frameworks in place for the CAAR initiative and sub-projects	CA-AR	MVR	Hype- rion	ICFR	OFSS
Sub-criteria					
1.1.1 A governance process is established. ³	1	N/A	N/A	N/A	N/A
1.2.1 The project has an approved mandate, terms of reference or other founding document.	2	2	2	2	1
1.2.2 Strategic direction and objectives are established and revisited through formal strategic planning activities. Consideration is given to government priorities, identified risks and client needs.	1	2	2	1	1
1.2.3 All relevant key functions (i.e., HRB, Chief Information Officer Branch [CIOB], FB, CSB) have been involved in the establishment of the project's objectives.	1	1	3	1	1
1.3.1 Operating objectives and priorities exist for all key activities, and are documented and linked to strategic objectives and priorities. The objectives and priorities are aligned with resources.	1	1	2	1	1
1.3.2 Objectives, risks and operational plans are effectively communicated to staff and oversight body(ies).	1	1	1	1	1
1.3.3 Operating objectives are reviewed from time to time for continued relevance.	1	1	1	1	1
1.4.1 Environmental scans (such as user or employee surveys, meetings with stakeholders, and documents or information from central agencies) are conducted internally and externally on a periodic basis.	1	1	2	1	1
1.5.1 There is ongoing and transparent communication between the oversight body(ies) and management.	1	3	1	1	1
1.5.3 A process exists to inform the DM and the oversight body(ies) of significant issues.	1	1	1	1	1
1.5.4 Financial and non-financial information is provided to members of	1	1	1	1	1

³ This criterion applies to the CAAR initiative only.

Objective 1: To determine if the Department has effective governance and project management frameworks in place for the CAAR initiative and sub-projects	CA-AR	MVR	Hype- rion	ICFR	OFSS
Sub-criteria					
the oversight body(ies) in advance of the scheduled meeting date in order to permit sufficient time for review of the information and to prepare for the meetings.					
1.5.5 Information presented is accurate and has been the subject of quality assurance.	3	3	3	3	3

Legend: 1 = met; 2 = minor issues; 3 = moderate issues; 4 = not met.

Overall Findings

Generally, the overall governance for CAAR was sound, as illustrated in the preceding table. A majority of the projects contained a project management framework or Project Initiation Document (PID) describing clear roles, responsibilities and accountabilities, as well as processes in relation to project integration, cost management, project schedule management, contract administration, quality management, risk management, information systems, human resources, communication, material management, and environmental matters. The project management aspect was based on PRINCE2,⁴ a project management methodology.

The audit also noted that a process for monitoring the internal and/or external environment for risks to the project existed for most of the projects. As well, most of the CAAR sub-projects had operational plans and review processes. Through interviews and document review, the audit team found that there was adequate information exchanged with the oversight bodies in order for them to make informed decisions, with the caveat explained below under “Specific Findings: CAAR.”

Regular monitoring was performed by the project leads, and progress on the projects under the CAAR initiative was reported approximately bi-monthly to the CAAR ADM Steering Committee via presentations and scorecards. CAAR updates were presented to the EAAC and EMC.

Specific Findings

CAAR

At the time of the audit, the CAAR Project Brief was still in draft form, and the Terms of Reference (TOR) for CAAR had not been signed by the ADMs (and branch heads) of the CAAR Steering Committee.

For the projects under the CAAR initiative, there was regular reporting. Start and end dates, along with revised end dates, were provided, as was information on the deliverables. However, the projects were being flagged as being on track based on the revised date instead of the initial planned date. In addition, when dates were revised, it

⁴ PRINCE2 (an acronym for PProjects IN Controlled Environments) is a de facto process-based method for effective project management.

was rarely flagged and there was no explanation of the possible impact on the project. Also, the milestone descriptions were not always consistent, as they sometimes changed from period to period, creating difficulties in effectively tracking progress of the project deliverables and milestones. The lack of consistency in reporting could be related to the fact that the projects were still being developed, or changing, as a result of reallocation of funds and change in priorities. The lack of consistency could have hindered the oversight body's capacity to make informed decisions.

ICFR

The audit team found that the governance structure adopted for ICFR was the same as the CAAR governance structure. The team could not locate a project charter, PID or TOR; however, a five-year plan is being implemented, which essentially consists of implementing Ernst & Young's recommendations for addressing gaps in the ICFR.

In addition, the new PIC requires that organizations demonstrate the measures they are taking to maintain an effective system of ICFR. As a result, FB contracted the Interis Group to conduct an assessment of its internal controls over financial reporting. The report, finalized in March 2011, noted that EC was implementing PIC and assessing its system of ICFR in line with guidance from the Government of Canada's Office of the Comptroller General. The report also noted that the Department was making progress with design and operational testing planned for entity-level controls, IT general controls and business process controls.

MVR

The audit team could not find relevant documentation such as a PID, TOR or project charter for the MVR project, nor was there evidence that relevant business owners had been involved in establishment of the project's objectives. Interviews with managers indicated that the approved mandate, objectives and client needs originated from the DM in 2008 as a result of his bilateral meetings with his ADMs, and that informal reporting on the project occurred between the ADMs and DM.

Hyperion

The Hyperion PID was unsigned at the time of the audit. The audit team was unable to obtain evidence that relevant key clients or business owners had been involved in establishment of the project specifications. The draft Hyperion PID discusses the importance of environmental scans, but no evidence was found to indicate that environmental scans had taken place. One reason for the lack of formal approval and environmental scans could be the result of a shift in EC priorities in July 2011, when the funding allocated to the Hyperion project was reallocated to the OFSS project, which in turn was replaced by the implementation of SAP, the Department's new financial system.

Examples of issues with reporting

- The project brief and PID for Hyperion were reported as completed in November 2009, in the June 2010 dashboard. It was reported as completed in May 2010 in the October 2010 dashboard. Auditors were not able to locate a final PID.
- In the June 2010 dashboard, a revised date for deployment of Hyperion was added. The revised date for the last deployment phase is nine months after the planned end date, and no explanations are provided; in fact, this milestone is reported as “on track.”
- Between the January 2010 and February/March 2010 dashboards, the National Capital Region training for MVR was postponed by two months, and that item was reported as “on track.”
- In the Hyperion dashboards, some of the deliverables’ planned end dates were changed from one 2010 dashboard to the other, instead of changing the revised end date (e.g., Production Architecture Design & Installation; Prototype Testing; Organization Change – Communiques and Training Development).
- In 2010, the dashboards for OFSS included between 15 and 26 milestones. It was not always clear if the milestones were split or merged, or if a given activity simply did not take place.
- The three dashboards for ICFR between January 2011 and June 2011 reported a planned completion date of September 2011 and a status of “on track” for the Physical Asset Count. This milestone is not contained in the November 2011 dashboard and no explanation is provided. At the time of this audit report, the expected completion date is March 2013.

Recommendation

The Chief Financial Officer should ensure that in future projects:

1. Key project documents are finalized and approved in a timely manner and consultations with business owners are documented;
2. Project reports to senior management are consistent with plans and any changes to initial plans and deliverables are clearly identified, approved and communicated.

Management Response

Management agrees with this recommendation, and actions have been taken or are already underway to address the recommendation. The examples found were from the time of the former Finance and Corporate Branch.

Since November 2011, FB has implemented measures to address this recommendation. The following are some key improvements that form an integral part of the Project Management Office in Integrated Enterprise Services’ ongoing operations:

- A sound quality assurance and communications process is in place to ensure key project documents are finalized and approved in a timely manner.
- Consultations with business owners are documented, and communicated to stakeholders in a timely manner.

- The CAAR TOR were signed by all members in September 2012.
- Project reports to senior management are consistent with plans, and any changes to initial plans and deliverables are documented.
- Plans and changes to plans are clearly identified, are approved, and are communicated to the CAAR Steering Committee, senior management and the EAAC.
- Project dashboards are being updated to show the original planned and revised completion dates, and project managers are providing a written rationale for these changes. The dashboards will be presented at the next EAAC meeting in March 2013.

No further management action is required.

2.2 The 2010-2011 Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting

The PIC requires that organizations demonstrate the measures they are taking to maintain an effective system of ICFR. As part of this policy, organizations are expected to conduct annual assessments of their system of ICFR, establish action plans to address any necessary adjustments, and attach a summary Annex of their assessment results and action plan to their Annual Statement of Management Responsibility Including Internal Control over Financial Reporting and Financial Statement.

Effective systems of ICFR aim to produce reliable financial statements and to provide assurances that:

- transactions are appropriately authorized;
- financial records are properly maintained;
- assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement; and
- applicable laws, regulations and policies are complied with.

This section of the audit mainly focused on ensuring that:

1. the information for each element of the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting is compliant with the TBS Guideline on Internal Control over Financial Reporting (draft), and that the documents referenced are appropriately supported;
2. appropriate mechanisms are in place to provide assurance that the major remediation activities and controls reported in the Annex are functioning as intended; and
3. EC progress and action plans reported in the Annex are appropriately supported and are consistent with planning documents and overall strategy.

The audit team determined that the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting was compliant with the TBS Template for Internal Control over Financial Reporting and contained the required

information. All statements found in the Annex are supported by appropriate documentation. Examples of some of these documents are: Procedures for Cut-off of Payables and Accruals at Year-end; Business Processes and Key Controls Relating to Travel; Hospitality and Acquisition Cards; and Entity-level Control Project Plan and Operational Plan for Internal Control Management.

The audit team noted that even though EC was compliant with the TBS Template, which was used by FB to prepare the Annex, the template was not consistent with the TBS Guideline on Internal Control over Financial Reporting (draft). Inconsistencies were found between the Guideline format and the Template. This being said, the Department is in line with other government departments, as they also followed the Template.

The Department has implemented an action plan to ensure that remediation activities and key controls reported in the Annex are functioning as intended. The plan describes the test period, method and frequency of testing. This means that EC has developed a methodology to prioritize assessment of the various business processes and has developed a testing approach for each. To date, of the 18 business processes that were identified in the initial assessment, only one is at the stage where remediation and monitoring is taking place. Three more were scheduled to start in 2012-2013, and the remaining 14 processes are scheduled to start between 2013 and 2016 (see Annex 2).

The audit team determined that EC progress on past and new action plans reported in the Annex is appropriately supported, and is consistent with planning documents and overall strategy.

3 CONCLUSION

Overall, the Department has implemented sound governance and project management practices. In general, founding documents have been created that take into account the Department's strategic and operating objectives, and the possible risks. Environmental scans are carried out and incorporated into the management of projects. At the same time, the information provided to the governing bodies by the project leads was not always consistent with changes to timelines and deliverables were not always explained.

The Department's Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting was in line with the TBS Template for Internal Control over Financial Reporting, and statements in the Annex were supported by appropriate documentation.

Annex 1 Audit Methodology, Objectives and Criteria

Methodology

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and the Treasury Board Policy on Internal Audit.

The methodology used to address the audit criteria was designed to provide a high level of assurance, and thus included the following:

- reviewing relevant documentation such as Treasury Board and departmental policies, procedures and guidelines, and central agency assessments against the MAF;
- developing interview guides and conducting interviews (with financial management and corporate services staff) to review processes and internal controls used in the governance and project management of CAAR and sub-projects;
- examining supporting documentation in order to audit governance and project management controls as well as compliance with requirements of EC and TBS policies, in particular the PIC; and
- a review of each element of the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting against the TBS Template and the Guideline on Internal Control over Financial Reporting (draft), and of the documentation supporting each element.

Objective 1: Determine if the Department has effective governance and project management procedures in place for the CAAR initiative and sub-projects.

Criteria	Met / Not Met
1.1.1 A governance process is established.	Met
1.2.1 The project has an approved mandate, terms of reference or other founding document.	Met (minor issues)
1.2.2 Strategic direction and objectives are established and revisited through formal strategic planning activities. Consideration is given to government priorities, identified risks and client needs.	Met (minor issues)
1.2.3 All relevant key functions (i.e., HRB, CIOB, FB, CSB) have been involved in the establishment of the project's objectives.	Met (moderate issues)
1.3.1 Operating objectives and priorities exist for all key activities, and are documented and linked to strategic objectives and priorities. The objectives and priorities are aligned with resources.	Met (minor issues)
1.3.2 Objectives, risks and operational plans are effectively communicated to staff and oversight body(ies).	Met (well controlled)
1.3.3 Operating objectives are reviewed from time to time for continued relevance.	Met (well controlled)

Criteria	Met / Not Met
1.4.1 Environmental scans (such as user or employee surveys, meetings with stakeholders, and documents or information from central agencies) are conducted internally and externally on a periodic basis.	Met (minor issues)
1.5.1 There is ongoing and transparent communication between the oversight body(ies) and management.	Met (moderate issues)
1.5.3 A process exists to inform the DM and the oversight body(ies) of significant issues.	Met (well controlled)
1.5.4 Financial and non-financial information is provided to members of the oversight body(ies) in advance of the scheduled meeting date, to permit sufficient time to review the information and prepare for meetings.	Met (well controlled)
1.5.5 Information presented is accurate and has been the subject of quality assurance.	Met (moderate issues)

Objective 2: Determine whether the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting (included with EC financial statements) is compliant with the Guideline on Internal Control over Financial Reporting (draft) and is appropriately supported.

2.1 The information for each element of the Annex complies with the requirements of the Guideline and is appropriately supported.	Met (well controlled)
2.2 Appropriate mechanisms are in place to provide assurance that the major remediation activities and controls reported in the Annex are functioning as intended.	Met (minor issues)
2.3 EC progress and action plans reported in the Annex are appropriately supported and are consistent with planning documents and overall strategy.	Met (well controlled)

Annex 2 Control Testing Status as of August 1, 2012

Legend: **Doc:** process documentation; **D&I:** design and implementation testing; **OE:** operating effectiveness testing; **R&M:** remediate and monitor.

Business Processes	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Entity-level Controls	Doc	D&I and OE	R&M	R&M
Information Technology General Controls (ITGCs) (control effectiveness related to existing Oracle Financials enterprise resource planning system)	R&M	R&M	R&M	R&M
ITGCs (remaining security, business continuity planning and access control effectiveness related to departmental financial management system elements)	Doc	D&I	OE	R&M
Procure to Payment (Common Process) Accounts Payable and Accruals	Doc	D&I	OE	R&M
Procure to Payment (Procurement)		Doc	D&I and OE	R&M
Procure to Payment (Travel)	D&I and OE	R&M	R&M	R&M
Procure to Payment (Acquisition Card)	D&I and OE	R&M	R&M	R&M
Procure to Payment (Hospitality)	D&I and OE	R&M	R&M	R&M
Procure to Payment (De-commitment)	Doc	D&I	OE	R&M
Revenue / Accounts Receivable			Doc and D&I	OE
Pay Administration (Finance)	Doc	D&I	OE and R&M	R&M
Pay Administration (Human Resources)		Doc and D&I	OE and R&M	R&M
Capital Assets	Doc (started)	Doc and D&I	OE	R&M
Transfer Payments		Doc and D&I	D&I and OE	R&M
Inventory		Doc and D&I	OE	R&M
Financial Closing and Reporting	Doc	D&I and OE	R&M	R&M
Period End Close		Doc, D&I and OE	R&M	R&M
Environmental Liabilities			Doc and D&I	OE