

Annex to the
Statement of Management Responsibility
including Internal Control over Financial Reporting of
Transport Canada
For fiscal year 2022-23
(Unaudited)

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1. Introduction

This document provides summary information on the measures taken by Transport Canada to maintain an effective system of internal control over financial reporting (ICFR), as well as information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and core responsibilities can be found in the [2023-24 Departmental Plan](#) and [2022-23 Departmental Results Report](#).

2. Departmental System of Internal Control over Financial Reporting

2.1 Internal Control Management

Transport Canada 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 Minister, is in place and comprises:

- Organizational accountability and oversight structures to support sound financial management, including roles and responsibilities for senior departmental managers (Transport Executive Management Committee (TMX) members and others);
- Values and Ethics Office to provide awareness, educational activities and administration of TC's Code of Values and Ethics, as well as a Senior Integrity Officer to provide advice, guidance and oversight on internal disclosures function;
- Ongoing communication and training on legislative and policy requirements for sound financial management and control;
- Leveraging the work of Audit and Advisory Services for internal audits on the effectiveness of risk management, control and governance processes, where appropriate;
- Monitoring and regular updates on internal controls management as well as provision of related assessment results and action plans to the Deputy Minister, Resource and Investment Management Committee (RIMC) members and the Departmental Audit Committee (DAC), as applicable;
- Annual validations of internal control management implementation through TMX members' sign-off on internal control management for their areas of responsibility.

The Departmental Audit Committee is an independent advisory committee to the deputy head. It is responsible to provide advice to the deputy head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

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2.2 Service Arrangements Relevant to Financial Statements

Transport Canada relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows:

Common Service Arrangement

- Public Services and Procurement Canada (PSPC) administers the payments of salaries, the procurement of goods and services, and provides accommodation services;
- Shared Services Canada (SSC) provides information technology (IT) infrastructure services;
- Department of Justice provides legal services; and
- Treasury Board of Canada Secretariat (TBS) provides information on public service insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

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.

Specific Arrangements

- Through memoranda of understanding with Infrastructure Canada, Transport Canada provides some program management and administrative services under the Building Canada Fund and Canada Strategic Infrastructure Fund.
- On a cost recovery basis, Transport Canada provides financial management, accounting services and reporting, in addition to some information technology and management services to the Administrator of the Ship-Source Oil Pollution Fund and the Fund for Railway Accidents Involving Designated Goods.

3. Departmental Assessment Results for Fiscal Year 2022-23

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

Progress during fiscal year 2022-23

Key Control Areas	Status
Financial Close and Reporting	<ul style="list-style-type: none"> • Ongoing monitoring assessment of operating effectiveness was completed as planned • Remedial plans are in progress and expected to be completed in 2023-24

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Key Control Areas	Status
Financial Planning, Budgeting and Forecasting	<ul style="list-style-type: none"> • Ongoing monitoring assessment of operating effectiveness was completed as planned. • Remedial plans are in progress and expected to be completed in 2023-24
Costing	<ul style="list-style-type: none"> • Design and operating effectiveness assessment was completed in 2021-22 with the results presented to management in 2022-23 • Remedial plans are in progress and expected to be completed in 2023-24
IT General Controls	<ul style="list-style-type: none"> • Ongoing monitoring assessment of operating effectiveness was completed as planned. • Remedial plans are in progress and expected to be completed in 2024-25

3.1 New or Significantly Amended Key Controls

In the current fiscal year, there were no significantly amended key controls in existing processes that required a reassessment.

3.2 Ongoing Monitoring Program

As part of its rotational ongoing monitoring plan, the department completed its reassessment of Information Technology General Computer and Certain Application Controls along with the financial control within the business processes of:

- Financial Close and Reporting
- Financial Planning, Budgeting and Forecasting
- Costing

The key financial controls that were tested performed as intended, with remediation required as follows:

Financial Close and Reporting

- Improve timeliness and sufficiency of supporting documentation of the period-end reporting; and
- Reintroduce Group and Regional Head representation on their financial information and subsequent events.

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Financial Planning, Budgeting and Forecasting

- Confirm sufficiency of mitigation strategies to prevent budget overspending and look at automation of some of these controls;
- Ensure period-end reporting are reviewed, approved and properly documented; and
- Resolve information discrepancies between reports.

Costing

- Develop Costing Framework;
- Update costing templates and improve automation of the costing template consolidation;
- Further analyze variances between approved cost estimates and final actual costs; and
- Strength costing functional role.

IT General Controls

- Develop an IT Continuity Plan (ITCP) and periodically test backups and restoration plans;
- Expedite system access removal upon departure of employees;
- Periodically review access to systems and password settings to align with policy; and
- Improve segregation of duties.

In addition, the Department continued to monitor:

- The completion of the period-end and year-end sign offs as part of the Financial Close and Reporting business process; and
- Compliance with the TBS Directive on Delegation of Spending and Financial Authorities through Transport Canada's National Sampling Plan of expenditure payments as part of its ongoing oversight of key controls.

4. Departmental Action Plan for the Next Fiscal Year and Subsequent Fiscal Years

Transport Canada's rotational ongoing monitoring plan over the next five fiscal years is shown in the following table. 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.

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Rotational Ongoing Monitoring Plan

Rotational Ongoing Risk-Based Monitoring Plan					
Key Control Areas	Fiscal Year 2023-2024	Fiscal Year 2024-2025	Fiscal Year 2025-2026	Fiscal Year 2026-2027	Fiscal Year 2027-2028
Entity Level Controls					
Entity Level Controls	X				
Information Technology (IT) Controls					
IT General Controls (ITGC)			X		
Business Process Controls					
Revenues and Receivables			X	X	
Grants and Contributions (Transfer Payments)			X		
Financial Planning, Budgeting and Forecasting					X
Accruals and Other General Entries		X			
Travel and Events					X
Procurement (Operating Expenditures, Contracting and Commitments)				X	
Environmental Liabilities	X				
Financial Close and Reporting					X
Capital Assets and Assets under Construction	X				
Pay Administration		X			
CFO Attestation of Cabinet and TB Submissions		X			
Investment Planning			X		
Costing				X	
Other ICFM work					
Full Risk Assessment	X				
ICFM Framework	X				