Canadian Heritage Patrimoine canadien

Canada

Annex to the Statement of Management Responsibility Including Internal Control Over Financial Management – Fiscal year 2024-2025

Catalogue Publication Information

Financial Policies and Internal Controls
Chief Financial Officer Branch
June 2025

This publication is available upon request in alternative formats.

This publication is available in PDF and HTML format on the Internet at:
https://www.canada.ca/en/canadian-heritage

Catalogue No. CH1-48E-PDF
ISSN 2817-2353

1.Introduction

This annex provides summary information on the measures taken by Canadian Heritage (PCH) to maintain an effective system of internal control over financial management (ICFM), including a system of internal controls over financial reporting (ICFR), as well as assessment results and related action plans.

Detailed information on PCH's authority, mandate and core responsibilities can be found in the *Departmental Plan 2024-2025* and the *Departmental Results Report 2023-2024*.

2. Departmental system of internal control over financial management

The *Policy on Financial Management* requires the establishment, monitoring and maintenance of a risk-based system of ICFM.

In this context, PCH must perform the ongoing monitoring of the design and operation of its internal controls and remediate identified deficiencies. Implementing a system of ICFM provides reasonable assurance that:

- Public resources are used prudently and economically;
- Financial management processes are effective and efficient; and
- Laws, regulations, and financial management policy instruments are respected.

2.1 Internal control management

PCH 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 the roles and responsibilities of senior departmental managers for control management in their areas of responsibility;
- References to values and ethics, including the responsibilities of the Office of the Ombuds, Well-being and Ethics, which serves as a communication channel to promote a sound organizational environment that respects values and ethics;
- Ongoing communication and training regarding legislative, policy and procedure requirements for sound financial management and control; and
- Monitoring and regular updates on internal control management, as well as provision of related assessment results and action plans to the Deputy Minister and senior departmental management and, as applicable, the Departmental Audit Committee.

The Departmental Audit Committee is an independent and objective committee that provides advice to the Deputy Minister on the adequacy and functioning of the department's governance, risk management and control frameworks and processes.

2.2 Service arrangements relevant to financial statements

PCH relies on other organizations for the processing of certain transactions that are recorded in its financial statements.

2.2.1 Common service arrangements

- Public Services and Procurement Canada administers the payment of salaries, the procurement of certain goods and services in accordance with the PCH delegation of authorities, and provides accommodation services;
- Treasury Board of Canada Secretariat 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 provides legal services; and
- Shared Services Canada provides information technology (IT) infrastructure services in the areas of data centers and network services.

Readers of this annex may refer to the annexes of the above-noted departments for a greater understanding of the systems of ICFM related to these specific services.

2.2.2 Specific arrangements

- Parks Canada Agency provides PCH with a PeopleSoft system platform to capture and report on human resources data;
- Agriculture and Agri-Food Canada provides hosting services to PCH for the SAP financial system servers.

3. Departmental assessment results during the 2024-2025 fiscal year

Ongoing monitoring is intended to ensure that ICFM, including ICFR, continues to operate effectively and as designed, following the guidance received from the Office of the Comptroller General. As of March 31, 2025, PCH has reached the stage of ongoing monitoring for the majority of ICFM and ICFR control areas.

The following table summarizes the internal control areas and monitoring activities completed by PCH during the 2024-2025 fiscal year:

Table 1 - Internal control areas and monitoring activities for fiscal year 2024-2025

Internal control areas	Status of monitoring activities
Fraud Risk Assessment on Grants and Contributions	Completed as planned; remedial actions started
Investment planning	Completed as planned; remedial actions started
Procurement and Other Payment (Office of the Comptroller General horizontal audit)	Completed as planned; results of the horizontal audit were leveraged as part of ongoing monitoring
Financial Close and Reporting	Completed as planned; remedial actions started
Pay Administration	In progress; final report to be issued in 2025-2026
Information Technology General Controls (Departmental Financial Management System)	In progress; final report to be issued in 2025-2026

The key findings from the current fiscal year's assessment activities are summarized in the subsections 3.1 and 3.2.

An environmental scan of financial management risks was also completed during fiscal year 2024-2025. This exercise made it possible to update risk ratings and set priorities for the 2025-28 Ongoing Monitoring Plan (refer to Section 4).

3.1 New or significantly amended key controls

In the fiscal year 2024-2025, there were no new or significantly amended key controls in existing processes that required a reassessment.

3.2 Ongoing monitoring program

In accordance with its ongoing monitoring plan, PCH completed the review of key control areas presented in Table 1.

While most controls tested performed as intended, the following table provides a summary of key findings and related areas for improvement identified during the assessments:

Table 2 - Key control areas assessment results

Key control areas	Areas for improvement
Fraud Risk Assessment on Grants and Contributions	Further measures could reinforce fraud mitigation controls in areas such as the transition to automated authentication processes, the further distribution of grants and contributions by third parties, and internal administrative practices.
Investment Planning	Opportunities exist to strengthen governance practices and to implement standardized approaches for prioritizing and monitoring investment activities
Procurement and Other Payment (horizontal audit led by the Office of the Comptroller General)	Opportunities exist to formalize and communicate the departmental procurement management framework
Financial Close and Reporting	Opportunities for improvement are administrative and have no significant impact on the effectiveness of financial management controls

Action plans will be developed by business owners to implement the proposed improvement opportunities.

4. Departmental action plan for the next fiscal year and subsequent fiscal years

PCH's rotational ongoing monitoring plan is shown in the following table. This plan is based on the following elements:

- A periodic full-scale financial management risk assessment;
- An annual validation of high-risk processes and controls; and
- Related adjustments to the ongoing monitoring plan, as required.

Table 3 - Rotational Ongoing Monitoring Plan

An X indicates the year in which the monitoring for each key control area will take place.

Key Business Processes	2025-2026	2026-2027	2027-2028	Future Years
Entity Level Controls	-	-	X	
IT General Controls: SAP-Financial Management System	X	-	-	-
IT General Controls: Grants & Contributions Management Systems	X	-	-	-
IT General Controls: PeopleSoft – Human Resources Management System	-	X	-	-
Planning and Budgeting	-	X	-	-
Investment Planning	-	-	-	X
Forecasting and Budget Review	-	-	X	-
Costing	-	X	-	-
CFO Attestation (for Cabinet Submissions)	-	X	-	-
Revenues, Receivables and Receipts	X	-	-	-
Delegation of Financial and Spending Authorities	(Note 1)	-	X	-
Travel, Hospitality, Conferences, Event Expenditures	X (Note 2)	-	-	-
Procurement and Other Payment	-	-	X	-
Manage Vendor Master Data	X	-	-	-
Pay Administration	X	-	-	-
Grants & Contributions	(Note 1)	-	-	-
Financial Close and Reporting	-	-	-	X

Note 1
Internal audits are planned for the financial delegation of authorities and the grants and contributions application assessment and monitoring processes. The Internal Controls team will leverage the work performed by OCAE, as required.

Note 2
The monitoring project is pending the implementation of the NEO Travel and Expense Management Tool.

5. Internal controls not at the ongoing monitoring stage

The department has not reached the state of ongoing monitoring for the investment planning business process including project management. PCH will be able to establish a date of ongoing monitoring once the action plans outlined in the preceding sections of this annex are implemented by key stakeholders of this business process.