

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

Transport Canada

For fiscal year 2024-25
(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 [2025-26 Departmental Plan](#) and [2024-25 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;
- Leveraged work of Audit and Advisory Services for internal audits on the effectiveness of risk management, control and governance processes, where appropriate;
- Monitoring and updates on internal controls management, as well as provision of related assessment results and action plans to the Deputy Minister, Resource Management Committee and the Departmental Audit Committee, 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 for providing 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

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 Border Infrastructure Fund.
- On a cost recovery basis, Transport Canada provides financial management, accounting services and reporting, in addition to security screening services and 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 2024-25

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

Progress during fiscal year 2024-25

Key Control Areas	Status
Pay Administration	<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 by 2026-27.
CFO Attestation of Cabinet and TB Submissions	<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 by 2026-27.

3.1 New or Significantly Amended Key Controls

In the current fiscal year, there were no new or 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 certain application controls along with the financial controls within the business processes of:

- Pay Administration; and
- CFO Attestation of Cabinet and TB Submissions.

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

Pay Administration

- Remind managers of their responsibilities with regard to HR and financial delegated authorities for staffing actions and letters of offers.
- Enhance automated processes to validate that leave-related transactions in the HR system are approved by persons with the appropriate financial delegated authority when applicable.
- Continue progress in reducing the volume of pending salary overpayments for recovery.

CFO Attestation of Cabinet and TB Submissions

- Ensure that important supporting documentation, including final costing information, reviews and approvals, are retained and centrally stored.

In addition, the Department continued to monitor:

- The completion of the period-end and year-end closing status reports and 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 integrated ICFM risk assessment completed every five years supplemented by an annual environmental scan to validate high and medium-high risk processes and controls; and
- Related adjustments to the ongoing monitoring plan as required.

Rotational Risk-Based Ongoing Monitoring Plan

Key Control Areas	Rotational Risk-Based Ongoing Monitoring Plan				
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2025-26	2026-27	2027-28	2028-29	2029-30
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				
Capital Assets and Assets under Construction				X	
Environmental Liabilities				X	
Procurement (Operating Expenditures, Contracting and Commitments)		X			
Pay Administration					X
Travel and Events		X			
Accruals and Other General Ledger Entries	X				
Financial Close and Reporting			X		
Financial Planning, Budgeting and Forecasting			X		
Investment Planning	X				X
CFO Attestation of Cabinet and Treasury Board Submissions					X
Costing		X			