



Canadian Space Agency
Agence spatiale canadienne



Annual Report of the External Members of the Audit Committee

2013–2014

Audit and Evaluation Directorate

Canada

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MESSAGE TO THE PRESIDENT OF THE CANADIAN SPACE AGENCY

On behalf of the external members of the Audit Committee (AC) of the Canadian Space Agency (CSA), it is my pleasure to submit the annual report for the 2013–2014 fiscal year. My colleagues and I consider it an honour to be part of the CSA Audit Committee. Our work was made considerably easier by the fact that the President of the CSA attended all of the Audit Committee meetings.

After reviewing the issues associated with the space sector in an international context and the strategic role played by the CSA for the Canadian government, the Audit Committee came to appreciate the complex environment in which the CSA must operate. The CSA interacts with other government departments, the industry, international partners and a number of universities and is therefore exposed to risks over which it has no direct control.

Over the past year, significant changes have been made to improve CSA governance, the main achievements being the Minister of Industry's approval of Canada's new Space Policy Framework, the release of this document to the public, and the setting up of internal and external governance committees. In addition, the Audit Committee carried out a detailed review of the utilization of CSA resources.

The Audit Committee is very satisfied with the decisions made with respect to governance and believes that this new direction, along with the appointment of a new President in August 2013, will provide greater stability for the organization.

This report has been prepared in accordance with the requirements of paragraph 6.6.1.2 of the Directive on Internal Auditing in the Government of Canada, which states that the report must

- summarize the results of the Committee's review of areas under its responsibility;
- include an assessment by the independent members of the capacity, independence and performance of the internal auditors, and issue any necessary recommendations; and
- express the views of the independent members entirely and exclusively.

We are available to discuss the information contained in this report with you at any time.

The original version was signed by
Alain Jolicoeur, June 4, 2014

Alain Jolicoeur, Chair of the Audit Committee

Date

Canadian Space Agency

Annual Report of the Audit Committee 2013–2014

1. QUESTIONS AND OBSERVATIONS

During the 2013–2014 fiscal year, the Audit Committee (AC) had an opportunity to review a large number of documents covering all aspects of CSA management, including audit reports, the values and ethics framework, risk management, governance, the management control framework, financial statements, the Departmental Performance Report, and the Report on Plans and Priorities. This year, the Committee also carried out a detailed review of the CSA's resources, management of projects, and governance.

In the following, we provide an overview of the internal audit activities undertaken, along with the AC members' observations and opinions concerning the AC's main areas of responsibility.

During the three meetings and five teleconferences held in 2013–2014, the discussions between the AC members and CSA senior management were straightforward, transparent and constructive.

A) INTERNAL AUDIT ACTIVITIES

During the 2013–2014 fiscal year, in addition to preparing documents pertaining to internal audit professional practices and AC support activities, the Chief Audit Executive (CAE) submitted the following reports:

- Audit Report on the Process for Preparing Financial Statements for review and approval by the AC;
- Audit Report on the Grants and Contributions Management Control Framework for review and approval by the AC;
- Audit Report on the Advanced Exploration Technologies Development Program Management Framework (including the Economic Action Plan) for review and approval by the AC;
- Audit Report on the Project Management Framework for review and approval by the AC;
- Horizontal Audit Report on the Management of Financial Forecasting carried out in collaboration with the Office of the Comptroller General (OCG) and submitted for the AC's comments;
- Memorandum summarizing the findings of the preliminary review report of the audit project relative to the planning and implementation of the Deficit Reduction Action Plan (DRAP), including reasons in support of the request for approval submitted to the AC in order to complete this audit following the preliminary review.

B) AUDIT COMMITTEE MEMBERS' OBSERVATIONS AND RECOMMENDATIONS RELATIVE TO THE AC'S MAIN AREAS OF RESPONSIBILITY

In the following, we have summarized the AC members' various observations and opinions set out in this report relative to the AC's main areas of responsibility.

i. Assessment of internal audit activities

Despite the challenges associated with the limited resources available to the auditors, the AC finds nonetheless that the internal audit activities are being carried out properly with the resources at hand. It is satisfied with the output of the Audit Section as well as with the monitoring of audit activities and their compliance with the internal audit standards of the Institute of Internal Auditors (IIA) and the Government of Canada. **However, the AC wishes to point out that it is important to complete the reorganization of the Audit Section by staffing the two vacant positions as soon as possible in order to remedy a capacity shortfall.**

ii. Follow-up of management action plans

According to the 2013–2014 Management Accountability Framework (MAF) assessment report, management implemented a large number of the recommendations in the internal audit reports. The MAF report also notes that progress is being made in implementing the management action plans. Data obtained from the CAE show an implementation rate of 61% for 2013–2014, which is comparable to the implementation rate of the year before. Although AC members stated last year that they wanted to see managers responsible for the delayed implementation of some management action plans invited to AC meetings to discuss the circumstances of those delays, this was found to be unnecessary as a result of the acknowledged improvements.

iii. Values and ethics

In general, the AC is very satisfied with all of the measures implemented to ensure adherence to values and ethics in the workplace. The AC has closely monitored the implementation of the measures set out in the Management Action Plan included in the Appendix to the audit report concerning the CSA Values and Ethics Management Framework approved in 2010, up until full implementation of those measures as of March 31, 2013. The AC is satisfied with the progress made by the CSA in this area. The 2013–2014 MAF assessment report notes that sufficient progress has been made in implementing activities intended to promote a culture based on values and ethics.

iv. Risk management

The AC believes that there has been an outstanding improvement in the area of risk management over the years and that with the Organizational Risk Profile, the CSA can now include risk management in the existing decision-making process. The process of identifying and managing organizational risks requires the participation of all the branches, so that all risks facing the CSA are taken into account. Given the extensive and complex nature of the undertaking, it has taken time, but as a result, the CSA now has a useful and sophisticated decision-making tool.

v. Management control framework and reports

Throughout the year, the AC looked at various components of the management control framework when it submitted the audit report, when it prepared quarterly financial reports or forecasts and other departmental reports according to current procedures, and when it was given informative presentations on CSA activities.

With respect to governance, the AC found that there had been a significant improvement, the main achievements being the Minister of Industry's approval of Canada's new Space Policy Framework, the release of this document to the public, and the setting up of two new governance committees in the

last quarter of 2013–2014. The AC believes that these two new committees (Space Capability and Requirements Review Board [SCRRB] and Space Program Management Board [SPMB]), consisting of senior staff from the central agencies as well as from federal departments and organizations active in the scientific field, will be strategic assets for the President of the CSA. The two committees, whose main task will be to supervise the government-wide activity of prioritizing and managing the development and use of space resources, will go a long way to help the CSA optimize the use of resources for the benefit of all Canadians.

vi. External assurance providers

A horizontal internal audit of financial forecasting in large and small departments was carried out during the year in collaboration with the Office of the Comptroller General. A single recommendation was addressed to the CSA, namely, that the CSA should document its forecasting processes and ensure that the documentation is made available to managers of responsibility centres. The AC is satisfied with the management action plan submitted to the Office of the Comptroller General in response to this recommendation.

vii. Financial statements and public accounts reporting

During the year, the AC reviewed and commented on the CSA's Financial Statements, its annual Statement of Management Responsibility, including internal controls over financial reporting, as well as the Appendix to the Statement of Responsibility, and its quarterly financial reports.

The AC believes that the Financial Statements and reports that it reviewed are of very high quality, and it found no material misstatements or omissions. It is also satisfied that its concerns, stated last year in its annual report, have been addressed, given that future-oriented financial statements were no longer required this year. Last year, the AC questioned the usefulness of future-oriented financial statements for either planning or control purposes. In addition, as it did the year before, the AC questioned the relevance of Appendix A, Appendix to the Statement of Management Responsibility, attached to the Financial Statements. Notwithstanding a significant improvement in the information provided in the Appendix, **the AC asks whether the Appendix summary could be shortened to a single page. The AC finds that the Appendix is lengthy and provides no additional information.**

In spite of last year's request, the AC did not have an opportunity to review the public accounts this year. Consequently, the AC reiterates that it is interested in reviewing the public accounts next year. **The AC would like to review the public accounts during the coming year and provide any relevant comments.**

viii. Accountability

Throughout the year, the AC reviewed and commented on the Report on Plans and Priorities (RPP) and the Departmental Performance Report (DPR), and it found no material misstatements or omissions in the two reports.

The AC believes that the DPR is protracted and difficult to comment on. However, it understands that preparing the DPR is a laborious but necessary exercise and that the CSA must comply with Treasury Board directives when drafting the document.

As for the RPP, the AC noted that of all the RPPs reviewed by the AC over the past few years, this one is the best produced so far because of the quality of the descriptions of the projects and because of the preface, which provides detailed information to guide the reader through the document.

However, the AC has provided a few comments to improve the presentation of the information in the RPP and the DPR. **As it did last year, the AC recommends that a sufficient amount of time be allowed between the date when the RPP is submitted for the AC’s review and the date when the AC must provide its comments.**

C) POST-AUDIT RISK HANDLING BY THE CSA

During the year, the AC closely monitored management’s implementation of the action plans associated with the 13 audit reports whose recommendations were pending. By implementing these action plans, the CSA was able to reduce the probability of some risks associated with the following:

- Development of information technology (IT);
- Security of IT systems and data;
- Accountability and performance measurement;
- Preparation of reports and financial statements;
- Documenting of investment project business cases;
- Management of grants and contributions.

The AC also studied the five audit reports submitted and were satisfied with the risk reduction action plans that were submitted, particularly those associated with project management. Following this audit, management planned to amend the CSA’s Project Management Policy to include a new definition of what constitutes a “project” as well as specify the duties and responsibilities of the various stakeholders, based on the new governance structure currently being developed. Management also plans to set up a formal procedure for monitoring all of its projects in accordance with predetermined criteria so that it can document any changes that may occur during the life of a project.

2. COMMITTEE’S ACTIVITIES OF INTEREST

External members provide the President of the CSA with objective, independent advice and recommendations on the relevance, quality and results of the assurances provided with respect to the Agency’s risk management, control and governance framework and processes. In that regard, the AC members assessed various documents submitted to the AC, including the Risk-Based Audit Plan (RBAP) and the audit reports.

In support of the President of the CSA, the AC provides a methodical, integrated and risk-based overview of the main areas of management, control, and accountability, including the preparation of reports, within the CSA. As a strategic resource for the President of the CSA, the external members also provide advice and recommendations, when requested, regarding new priorities or operational concerns.

The AC’s 2013–2014 annual report covers the duties and responsibilities that the Committee has taken on in accordance with its Charter and its annual schedule of activities.

i) ASSESSMENT OF INTERNAL AUDIT ACTIVITIES

The CSA's organizational structure ensures the independence of the audit function because audit staff report to the Chief Audit Executive (CAE), who reports directly to the President of the CSA. The Internal Audit Charter ensures that audit staff have free access to all information, files, employees and consultants as required, that there is no interference with their internal audit duties, and that they are free to submit their conclusions to the President of the CSA, to the AC and to the Comptroller General of Canada.

The internal audit function complies with all the requirements of the Policy on Internal Audit. During the past year, Audit Section employees continued their oversight activities in keeping with their program of quality improvement and assurance, and ensured that the processes and procedures set out in their audit manual were followed throughout audit projects conducted either in house by employees or by outside consultants.

a. Internal Audit Charter

The Internal Audit Charter provides an accountability framework that covers the AC's mission, authority and responsibilities. The latest update of the Charter was approved by the AC on June 3, 2013.

b. Availability of resources allocated to internal audit

The availability of resources allocated to the audit function in 2013–2014 has been a continuing concern for the AC.

As a result of the reorganization of the audit function in 2013–2014, fewer internal resources than indicated in the Risk-Based Audit Plan (RBAP) can be allocated to audit projects identified in the Plan. To compensate for the reduced resources, professional services were used so that the planned audit activities could be carried out. At the end of the year, the rate of completion of projects identified in the RBAP was found to be 79%. It was noted in the MAF assessment report that this rate of completion of audit activities provided for in the RBAP for 2013–2014 was "high."

Despite the challenges associated with the limited resources assigned to the audit function, the AC found that the Audit Section performed well, given the available resources. **However, the AC points out that it is important to complete the reorganization of the Audit Section by staffing the two vacant positions (out of a total of four) as quickly as possible in order to remedy a capacity shortfall.**

c. Approval of the Risk-Based Audit Plan (RBAP) and progress monitoring

The CAE submitted the RBAP for the years 2013–2014 to 2015–2016 during the AC meeting held on June 3, 2013. Risks associated with several elements of the audit universe were discussed. With respect to risk determination, it is important to note that the risks identified by the Audit Section for each element of the audit universe were corroborated with management. Following the discussions, the AC recommended approval of the RBAP to the President of the CSA.

With respect to progress in implementing the RBAP, at each AC meeting, the CAE submits a table in which each audit project in the RBAP is identified as well as the degree of completion and the target dates for the various milestones of in-progress and upcoming audits.

d. Monitoring and assessment of internal audit performance

The CSA's internal audit policies and procedures manual describes in detail the monitoring processes set out in the Quality Assurance and Continuous Improvement Program (QAP) of the Internal Audit Section. This program comprises three levels:

- Level 1 consists in the direct supervision of the work of internal auditors during the audit planning, execution and report drafting phases;
- Level 2 is an independent review of each audit file to assess the quality and relevance of the audit work carried out, in accordance with the policies and standards of the Treasury Board, the IIA and the CSA;
- Level 3 concerns the inspection of professional practices, which takes place every five years in order to determine whether the practices of the internal audit function comply with the internal audit standards of the IIA and the Government of Canada.

In the past year, three internal audit files were submitted for an independent review of their quality. The reviews found that overall, the audit projects are carried out and managed meticulously and professionally.

However, some opportunities for improvement were identified, particularly where the audit is carried out by a consultant. In such cases, the Audit Section should make sure that the service provider understands and uses the same file structure as the CSA.

It is also important to remember that in 2012, it was found during the independent inspection of professional practices that the Internal Audit Section complied with all international internal audit standards and the Institute of Internal Auditors (IIA) Code of Ethics.

As for the performance of the Internal Audit Section, the MAF 2013–2014 assessment report noted the following with respect to the implementation of the Risk-Based Audit Plan:

"The internal audit completion rate relative to the 2013–2014 Risk-Based Audit Plan is high. Internal audit is mostly aligned with areas of highest risk and significance, thereby contributing to improved organizational performance."

However, with respect to internal audit capacity, the MAF 2013–2014 assessment report stated the following:

"There is insufficient capacity and capability impacting the delivery of internal audit services in 2013–2014."

The MAF assessment report also noted the following: the overall quality of internal audit reports meets most expectations; the Chief Audit Executive is independent and thus able to provide objective assurance services; the Audit Section demonstrated a commitment to growth, professional development and improvement through a systematic and ongoing learning process; and the internal audit regime contributed to improvements in risk management, control and governance processes.

Despite the challenges associated with the limited resources available for the audit function, the AC finds that the Audit Section is nonetheless going in the right direction with regard to resources. It is also satisfied with the performance of the audit function and its compliance with the internal audit standards of the Institute of Internal Auditors (IIA) and the Government of Canada.

e. Review of internal audit reports and related management action plans

During the 2013–2014 fiscal year, the CAE submitted the following reports:

- Audit Report on the Process for Preparing Financial Statements for review and approval by the AC;
- Audit Report on the Grants and Contributions Management Control Framework for review and approval by the AC;
- Audit Report on the Advanced Exploration Technologies Development Program Management Framework (including the Economic Action Plan) for review and approval by the AC;
- Audit Report on the Project Management Framework for review and approval by the AC;
- Horizontal Audit Report on the Management of Financial Forecasting carried out in collaboration with the Office of the Comptroller General (OCG) and submitted for the AC's comments;
- Memorandum summarizing the findings of the preliminary review report of the audit project relative to the planning and implementation of the Deficit Reduction Action Plan (DRAP), including reasons in support of the request for approval submitted to the AC in order to complete this audit following the preliminary review.

The audits associated with the above were included in the RBAP and covered governance, risk management and controls in all CSA activity areas. A brief summary of the findings of these audits is provided below.

The Audit Report on the Process of Preparing Financial Statements and Quarterly Financial Reports revealed that the CSA had established appropriate internal controls for the preparation of financial statements, but had to ensure that it kept evidence to show that the controls had been implemented. It was also pointed out that the quality assurance process for reviewing journal entries was a best practice that enhanced the quality of internal controls associated with those entries.

With respect to the Audit of the Grants and Contributions Management Framework, the report showed that the CSA's Centre of Expertise for the Management of Grants and Contributions had established a management framework and best practices for the management of agreements. In general, the current procedures were implemented to ensure compliance with the terms and conditions of the program and with Treasury Board policies and directives pertaining to financial management and transfer payments. However, the systematic use of existing control mechanisms would ensure that proper documentation was included in files according to established standards and procedures.

The Audit of the Advanced Exploration Technologies Development Program Management Framework found that the individuals responsible for the program had established best practices to ensure that operations were planned effectively and that the resources used were properly monitored. In addition, although all program activities are subject to accountability reporting, it was recommended that the performance measurement strategy be adjusted to reflect future activities and that the strategy be implemented.

Concerning the Audit of the Project Management Framework conducted last year, the CAE had recommended that the audit be postponed to 2013–2014, so as to be able to conduct an audit that would take into account the improvements to processes and practices implemented in 2012. The 2013–2014 audit found that the CSA had adopted a new Project Management Policy in January 2013 and that it is currently developing a new governance structure and reviewing project management practices. The

areas in need of improvement that were brought to the attention of management made reference to the need to amend the CSA's Project Management Policy to include a new definition of what constitutes a "project" as well as clarifications of the duties and responsibilities of the various stakeholders based on the new governance structure currently being developed.

With respect to horizontal internal audits, the CSA had an opportunity this year to participate in the audit of financial forecasts in large and small departments in collaboration with the OCG. The audit found that although the CSA has effective financial forecasting practices, it should document its forecasting processes and make the documentation available to the managers of responsibility centres.

To conclude, the Audit of the Planning and Implementation of the Deficit Reduction Action Plan (DRAP) was conducted up to the preliminary review phase, but following this review, the AC approved the CAE's request to conclude the audit, given that the residual risks identified after the preliminary review were considered low. The preliminary review found that the CSA had implemented the measures set out in the strategy implementation plan, that the implementation schedule had been followed and that consequently, there were no issues that might significantly affect the achievement of the DRAP objectives or the objectives of the Agency's programs.

The AC is satisfied with the reports and action plans submitted by management.

f. Advice provided for the Deputy Head on the recruitment and appointment of the Chief Audit Executive (CAE)

The CAE has held a permanent position since August 17, 2011. Consequently, during the past year, no advice has been given to the President of the CSA concerning the recruitment or appointment of the CAE.

ii. FOLLOW-UP ON MANAGEMENT ACTION PLANS

During the June 2013 meeting, the March 31, 2013, Annual Report on the Follow-up of Management Action Plans was submitted to the AC for information purposes. The report covered 14 internal audit projects for which the management action plans were being implemented. Of the 14 audit reports submitted, five, including one from 2005, showed that the implementation of the action plan had been fully completed, while in six reports, the implementation was nearly completed.

According to the 2013–2014 Management Accountability Framework (MAF) assessment report, a large number of the recommendations arising from the internal audits have been implemented by management. This has earned the CSA an "acceptable" rating for this sub-element of the "Internal Audit" area of management of the MAF. Subsequent to the implementation of the continuous management action plan follow-up process in September 2011, there has been an improvement in the rate of implementation of management action plans from year to year. The data obtained from the CAE show a 61% rate of implementation for 2013–2014, which is similar to the rate of implementation for the previous year.

Although the AC stated last year that it would like to see the managers responsible for the delayed implementation of some management action plans invited to AC meetings to discuss the circumstances of these delays, this turned out to be unnecessary owing to the acknowledged improvements.

iii. VALUES AND ETHICS

The 2013–2014 MAF assessment report notes that the evidence provided shows that the CSA has made progress in implementing activities intended to promote a values and ethics-based culture that reflects and defends public sector values. This resulted in an “Acceptable” rating.

During the past year, with the ongoing involvement of management and employees, the organizational Code of Conduct was drafted and disseminated throughout the Agency and to our partners and suppliers. This was another significant accomplishment. In addition, the Values and Ethics Committee, most of whose members come from senior management, met several times to discuss values and ethics issues and ensure that initiatives in this area were properly implemented. All of the activities carried out show that the CSA has adopted a values and ethics-based culture and demonstrated strong leadership in this area through the ongoing participation of management in values and ethics activities throughout the year.

Overall, the AC is very satisfied with the measures implemented to provide a workplace that adheres to values and ethics. The AC closely monitored the implementation of measures set out in the management action plan (which is included in the Appendix to the Audit Report on the CSA’s Values and Ethics Management Framework) from the time it was approved in June 2010 until the plan’s complete implementation as at March 31, 2013. The AC is satisfied with the CSA’s progress in this area.

iv. RISK MANAGEMENT

The AC believes that major improvements to risk management have been made over the years.

As stated in last year’s annual report, the Integrated Risk Management Policy was approved by the CSA Executive Committee in February 2012. This policy applies to all CSA activities, including, but not limited to, the following: development of strategic and operational plans; allocation of human and financial resources; and selection, prioritization and management of Agency investments.

Later in 2012–2013, the CSA developed a methodology for drawing up a new Organizational Risk Profile (ORP), and the first edition of the new ORP was published. Last year, the methodology was further developed and the ORP was updated. The CSA now uses the ORP to incorporate risk management into the existing decision-making process.

The ORP is one of the key elements of the integrated risk management framework established after the adoption of the CSA’s Integrated Risk Management Policy in February 2012. The ORP serves as the interface for presenting and implementing the approach and processes developed after the adoption of the Policy. It is also a key tool for disseminating the integrated risk management approach used within the CSA to the entire organization.

The process of identifying and managing organizational risks requires the participation of all branches and thus promotes the integration of all CSA risks. This comprehensive and complex undertaking has taken time, but the CSA now has a useful decision-making tool.

v. MANAGEMENT CONTROL FRAMEWORK AND REPORTS

During the 2013–2014 fiscal year, the AC had an opportunity to review and comment on the results of the CSA's 2012–2013 Management Accountability Framework (MAF) assessment as well as on the preliminary results for 2013–2014. In 2013–2014, the rating of the "internal audit" area of management changed from "opportunity for improvement" to "acceptable."

Throughout the year, the AC looked at various components of the management control framework when it submitted the audit report and outlined existing procedures for the preparation of quarterly financial statements and other departmental reports, and when it was given informative presentations on CSA activities.

During the AC meeting held on December 10, 2013, the results of this audit were submitted for approval and there were discussions about the management framework of an important program, including major expenses associated with Canada's Economic Action Plan initiative. There were also discussions around that time about existing best practices relative to the management framework for this program. Other discussions held during the AC meeting of March 18, 2014, concerned the context, duties and responsibilities, and current procedures for CSA project management. The discussions between management and the AC primarily concerned the new governance structure for project management as well as the new practices being developed at the time of the meeting.

With regard to CSA governance, the AC has noticed a significant improvement, the main achievements being the Minister of Industry's approval of the Canada's Space Policy Framework, the public release of this document, and the setting up of two new governance committees during the final quarter of 2013–2014. The AC believes that these two new committees (Space Capability and Requirements Review Board [SCRRB] and Space Program Management Board [SPMB]), made up of senior managers from the central agencies and from federal departments and organizations active in the scientific field, will become strategic assets for the President of the CSA. These two committees, whose overall task will be to supervise the government-wide prioritization and management of space resources for their development and use, will go a long way to help the CSA optimize the use of resources for the benefit of all Canadians.

vi. EXTERNAL ASSURANCE PROVIDERS

During the year, the only audit conducted by an external assurance provider was a horizontal internal audit of financial forecasting in large and small departments, carried out jointly with the OCG. A single recommendation addressed the CSA, that is, that the CSA should document its forecasting processes and ensure that the documentation is made available to the managers of responsibility centres. The AC is satisfied with the action plan that management proposed to the OCG to follow up on this recommendation.

vii. FINANCIAL STATEMENTS AND PUBLIC ACCOUNTS REPORTS

During the year, the AC reviewed and provided comments on the CSA's Financial Statements, the annual Statement of Management Responsibility, including internal controls over financial reporting, as well as the Appendix to the Statement of Responsibility and the quarterly financial reports.

With respect to the review of Financial Statements, the annual Statement of Management Responsibility and the Appendix to the Statement on the Internal Control of Financial Information, the AC's comments were considered in the final version. The AC found that the Financial Statements comply with accounting standards in effect. In addition, to the best of its knowledge, the AC did not find any inaccuracy or significant omission in the Financial Statements.

The AC also noted that the Financial Statements were very well prepared and found there has been continuous improvement over time. The AC sends its congratulations on a job well done to those who prepared these documents.

However, one comment was made with respect to the Statement of Operations and Net Financial Position. **It was found that the column entitled "Anticipated \$ in 2013" was not useful in this table.**

In addition, as it did the year before, the AC again questioned the relevance of Appendix A, Appendix to the Annual Statement of Responsibilities, appended to the Financial Statements. Despite a significant improvement in the information contained in the Appendix, **the AC asks whether it might be possible to shorten the Appendix summary to a single page, because it believes that the Appendix is too long and provides no additional information.**

Having found that its comments had been taken into consideration, the AC recommended to the President of the CSA and the Chief Financial Officer that the final version of the Financial Statements and the Appendix to the Statement of Responsibility be approved.

With regard to the quarterly financial reports, the AC found an improvement in the quality of the documents submitted throughout the year. In fact, the AC noted that the last quarterly report that it reviewed had become an intelligible document that was enjoyable to read. The AC made its comments with regard to the quarterly financial reports in order to improve their content and to the best of its knowledge, found no material misstatements or omissions in these reports.

With regard to future-oriented financial statements, the AC was satisfied to see that the concerns it had raised the year before in its annual report had been addressed, given that future-oriented financial statements were no longer required this year. The year before, the AC had, in fact, questioned the usefulness of future-oriented financial statements for planning and control purposes.

One final comment about the Financial Statements and Public Accounts Reports is that, in spite of its request last year, the AC did not have an opportunity to review the public accounts this year. Consequently, the AC reiterates that it is interested in conducting a review next year. **The AC would like to review the public accounts during the coming year and provide its comments, as needed.**

*viii. ACCOUNTABILITY (DEPARTMENTAL PERFORMANCE REPORT AND REPORT ON PLANS AND PRIORITIES)**a. Report on Plans and Priorities (RPP)*

The CSA's preliminary version of the 2014–2015 RPP was submitted to the AC in early January 2014 and, as is so often the case, its comments were requested within a very short time frame in order to comply with the tight deadlines established for document preparation. Given that a year earlier, the AC had expressed its displeasure over the limited amount of time allowed for its feedback, this year, a preliminary version of the RPP was submitted to the AC a week prior to the meeting at which the AC's comments were to be submitted, and the best draft was submitted a few days before the meeting. This year, the challenge was to reconcile the two versions in order to determine whether or not the best draft differed substantially from the preliminary version sent the week before. This resulted in additional work. The AC would like to know whether the method used this year is truly more efficient than that of the previous year.

That said, the AC found no material misstatements or omissions in the 2014–2015 RPP and stated that, of all the RPPs reviewed by the AC thus far, this year's RPP is the best ever produced, the main reason being the quality of the descriptions of various projects as well as the preface, which provides detailed information to guide the reader through the document.

The AC provided several comments on the information contained in the report. After receiving the AC's comments, the persons responsible for preparing the RPP agreed to consider the proposed changes, and the final version of the RPP was submitted to the AC for information purposes during the AC meeting of March 18, 2014.

Despite the changes made this year to the consultation methodology and fully understanding the reasons given for the short deadlines, the AC again recommends that it be given a sufficient interval between the time when the best draft of the RPP is submitted to the AC for review and the date when the AC is required to submit its comments.

b. Departmental Performance Report (DPR)

The CSA's 2012–2013 Departmental Performance Report (DPR) was reviewed by the AC, and the AC's comments were submitted to the persons responsible for drafting the report during a teleconference meeting held on August 9, 2013. Overall, the AC found the document to be somewhat protracted and difficult to comment on. However, the AC understands that the DPR is part of an important accountability reporting exercise and that the document format cannot be changed because the Treasury Board has very strict directives on the information to be included in the document and on document format.

That said, the AC asked several questions and provided a number of comments intended to improve the presentation and content of the DPR. The AC believes that Section 1.4, Organizational Priorities, is the most informative section because it identifies the CSA's eight priorities and provides a summary of the progress made in each priority area.

Following the teleconference meeting, the persons responsible for drafting the DPR agreed to check some of the information and make changes to the document, as needed.

The AC concluded that, despite the very strict presentation requirements, the document was outstanding, and it found no material misstatements or omissions.

3. AUDIT COMMITTEE EVALUATION

The external members of the AC provided an evaluation of the Committee's operations as well as a self-evaluation by each AC member during the AC meeting held March 18, 2014.

It is the opinion of the AC external members that holding three meetings instead of four, as was previously the case, means that there is a lengthy interval between meetings that results in a lack of continuity and makes the AC's work more difficult. **The AC's work would be made easier if there were four meetings a year.**

4. APPENDIX – AUDIT COMMITTEE MEMBERSHIP AND ACTIVITIES

A) AUDIT COMMITTEE MEMBERSHIP

i. Members

The audit committee consists of four members, i.e., the President of the CSA and three external members, one of whom acts as AC chairperson. The AC has recently concluded its fourth year of operation.

2013–2014 members:

- Gilles Leclerc, acting President of the CSA (until August 6, 2013);
- Walter Natynczyk, President of the CSA (as of August 6, 2013);
- Alain Jolicoeur, external member, Chair of the Audit Committee;
- Marie Bernard-Meunier, external member of the Audit Committee (contract renewed in May 2013 for four years);
- Gérard Caron, external member of the Audit Committee (contract renewed in May 2013 for four years).

The AC complies with the Directive on Internal Auditing in the Government of Canada, particularly Section 6.4 concerning AC membership.

The members were chosen following a meticulous selection process in which the objective was to select individuals with an appropriate combination of experience, knowledge and skills that would enable them to have a certain synergy to carry out their duties effectively and serve as a significant strategic resource for the President of the CSA. To preserve this synergy, over the course of the year, the President of the CSA renewed the appointments of two of the Committee members for four years.

One of the members has extensive knowledge of politics and the machinery of government; another has an accounting designation and extensive experience in accounting and internal auditing; while the third has knowledge of the international environment, the CSA's activities outside Canada, and the CSA's collaborative projects with external partners.

The AC's advice and suggestions regarding both the information contained in the report and the manner in which the information is written or presented provide added value for the internal audit function.

Because the members have been serving for four years and taken most of the training sessions offered by the OCG, they focused this year on expanding their knowledge of the CSA. In particular, AC members attended a presentation on the operations of the new Programs and Integrated Planning Branch and those of the Policies Branch.

ii. Conflicts of interest

During the year, the external members carried out their duties with impartiality and in compliance with the Conflict of Interest and Ethical Conduct Code for Audit Committee Members Appointed by the Treasury Board, included in Part III of the Treasury Board's Terms and Conditions of Appointment for Audit Committee Members, to which the AC external members are subject, as stipulated in each member's appointment order.

iii. Meeting participants

Throughout this period, the CAE participated in the three meetings and five teleconferences held in 2013–2014, while the Chief Financial Officer (CFO) attended the three meetings and one teleconference.

Several CSA representatives, listed below, also attended one or more of the meetings held throughout the year.

- Director General, Future Canadian Space Capacity
- Director General, Programs and Integrated Planning
- Director General, Policy
- Executive Director, Corporate Services and Human Resources
- Director, Space Utilization Development
- Director, Space Exploration
- Director, Policy and External Relations
- Director, Governance, Planning and Performance
- Manager, Planning, Learning, Policies and Projects
- Manager, Grants and Contributions Centre of Expertise
- Manager, Accounting Operations and Financial Policies, Finance
- Manager, Financial Resource Planning and Management, Finance
- Manager, Robotics
- Manager, Integrated Corporate Management, Programs and Integrated Planning
- Manager, Financial Policies and Systems, Finance
- Chief, Departmental Accounting and Internal Control, Finance
- Chief, Financial Resources, Finance
- Chief, Departmental and Strategic Planning, Finance
- Internal Audit Project Manager, Audit and Evaluation
- Evaluation Project Manager, Audit and Evaluation
- Planning Coordinator, Audit and Evaluation
- Senior Analyst, Finance

- Senior Analyst, Programs and Integrated Planning
- Senior Analyst, Exploration Business Planning
- Senior Analyst, Accounting Operations and Financial Policies, Finance
- Senior Engineer, Robotics
- Advisor, Programs
- Advisor, Organizational Development and Career Management
- Special Advisor, Programs and Integrated Planning
- Senior Internal Auditor, Audit and Evaluation
- Intern, Audit and Evaluation

No outside assurance provider attended the meetings held during the year. However, representatives of the consulting firm Samson and Associates attended two of the Committee's meetings.

B) AUDIT COMMITTEE OPERATIONS

i. Audit Committee duties and responsibilities, operations and Charter

During the meeting of June 3, 2013, the AC approved its annual plan establishing the number of AC meetings and the types of activities the AC would address during its meetings. The three scheduled meetings were held on June 3, 2013, December 10, 2013, and March 18, 2014. In addition to these three meetings, a working session and five teleconferences were held. There were many participants at the meetings, the working session and the teleconferences. A detailed list of participants is included in the previous section of this report.

The AC's duties and responsibilities as well as its activities are set out in the Committee Charter. Minor changes have been made to the Charter, based on the OCG's recommendations, namely, that the term "audit" be used in place of "vérification" in the French version of the Charter. This is further to an official memorandum received from the OCG on April 1, 2013. The AC approved the updated Charter on June 3, 2013.

During 2013–2014, the costs of AC activities amounted to \$42,336, broken down as follows:

- Per diems: \$40,140
- Travel expenses: \$1,539
- Hospitality expenses: \$657
- Training expenses: \$0

ii. In-camera meetings

During the year, the AC held in-camera meetings with the CAE, the CFO, and the President of the CSA after each AC meeting. These meetings promoted an open discussion with AC members and allowed the external AC members to obtain more detailed information about certain issues.

iii. Approach taken to draft the annual report

This annual report was drafted by the CAE. The information contained herein is based on discussions that took place during the year and during a working session held in April 2014 with the external AC members. The information contained in the final report represents entirely and exclusively the views of the external AC members.

iv. Opinions and/or recommendations

The AC believes that the current format of the Annual Report of the Audit Committee proposed by the OCG could be improved to avoid repetition between Sections 1 and 2. Moreover, it would be appropriate to change the format so that a section may be included to allow the AC to provide its opinion on current risk management, control and governance procedures. Currently, the governance aspect is included in the Management Control and Reports Framework section, which lessens the importance that the AC would like to give to governance. **To better reflect its needs, the AC suggests to the CAE that the Office of the Comptroller General be informed of the desired improvements to the format of this report.**