

Canadian Space Agency

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

Fiscal year 2019-2020

1. Introduction

This document provides summary information on the measures taken by the Canadian Space Agency (CSA) to maintain an effective system of internal control over financial reporting (ICFR) including 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 [Departmental Plan](#) for the 2019 to 2020 fiscal year and the [Departmental Results Report](#) for the 2019 to 2020 fiscal year.

2. Departmental system of internal control over financial reporting

2.1 Internal control management

The CSA has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A department internal control management framework, approved by the deputy head, is in place and comprises:

- 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;
- values and ethics;
- ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control;
- The monitoring and updating of internal control management carried out through the communication of the annual internal control plan to deputy head and senior departmental managers and through the communication of the evaluations results and action plans to the senior departmental managers that are responsible for the processes targeted by the tests as well as to the deputy head. Furthermore, the evaluation results and action plans are transmitted twice a year to the Departmental Audit Committee.

The Departmental Audit Committee provides 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

The CSA relies on other organizations for processing of certain transactions that are recorded in its financial statements, as follow.

▪ 2.2.1 Common service arrangements:

- Public Services and Procurement Canada (PSPC) which administers the payment of salaries and the procurement of goods and services, and provides accommodation services;
- Shared Services Canada which provides IT infrastructure services;
- The Department of Justice, which provides legal services;
- The Treasury Board Secretariat, which 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 document may refer to the annexes to the Statement of Management Responsibility including Internal Control over Financial Reporting of the above-noted departments for a greater understanding of the systems of internal control over financial reporting related to these specific services.

▪ 2.2.2 Specific arrangements:

- The Department of Agriculture and Agri-Food provides the CSA support services for the SAP financial system;
- The Department of Transport Canada provides support services for the human resources management system at the CSA.

3. Departmental assessment results for the 2019 to 2020 fiscal year

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

Progress during the 2019 to 2020 fiscal year		
Key Control Areas	Ongoing monitoring	Progress Status
CONTROLS OVER FINANCIAL REPORTING		
ENTITY LEVEL CONTROLS		
Organizational Risk Management	X	Ongoing monitoring testing was conducted. No weaknesses were found.
Mandatory Training	X	Ongoing monitoring testing was conducted. No weaknesses were found.
GENERAL IT CONTROLS		
General IT Controls	X	Ongoing monitoring testing was conducted. No weaknesses were found.
PROCESS LEVEL CONTROLS		
Payroll	X	Ongoing monitoring testing was conducted and weaknesses have been identified. Corrective measures have been implemented.
CONTROLS OVER FINANCIAL MANAGEMENT		
Investment planning		Design and Operational effectiveness tests were conducted. No weaknesses were found.

In addition to conducting ongoing monitoring activities, we analyzed and submitted quarterly, to the Office of the Comptroller General, outstanding overpayments and underpayments resulting from the implementation of Phoenix. Furthermore, we’ve mentioned problem cases to the CSA Compensation Group for their analysis and correction.

We also analyzed and prepared a management action plan to ensure that CSA implements the Office of the Auditor General recommendation on pay management, following their 2018 audit of the consolidated financial statements of the Government of Canada.

The key findings and significant adjustments required from the current fiscal year’s assessment activities are summarized in subsections 3.1 and 3.2.

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.

Design and operating effectiveness testing were conducted on the key controls for a new financial management process, namely the investment planning process. The key financial controls evaluated by the design and operational effectiveness tests were found to be operating effectively. The current planning and managing investments process ensures that the CSA has the assets and services it needs to fulfill its mandate.

3.2 Ongoing monitoring program

As part of its rotational ongoing monitoring plan, the department completed its reassessment of entity-level controls and the financial controls within the business processes such as mandatory training, organizational risk management, payroll and general IT controls.

The key financial controls evaluated for the above-mentioned processes were found to be operating effectively to prevent any significant misstatement to the Financial Statements.

Although no high-risk control weakness was observed, the CSA has identified erroneous transactions that led to the proposal of improvements in order to strengthen the control environment. Management action plans to address the recommendations were developed by the process owners. Corrective measures have already been implemented to rectify the situation as follows:

Payroll

- Ensure a comprehensive verification of the documentation and calculations supporting pay action requests, by a second compensation advisor, to avoid errors and thus ensure the accuracy of payments.
- Update the Delegation of Human Resources Authority with regard to professional membership fees.

Corrective measures have been implemented.

4. Departmental Action Plan for the next fiscal year and subsequent fiscal years

CSA's rotational ongoing monitoring plan over the next fiscal years is shown in the following table. The ongoing monitoring plan is based on:

- An annual validation of high-risk processes and controls;
- Related adjustments to the ongoing monitoring plan as required.

Rotational ongoing monitoring plan ⁽¹⁾				
Key Control Areas	2020-2021	2021-2022	2022-2023	2023 et plus
CONTROLS OVER FINANCIAL REPORTING				
ENTITY LEVEL CONTROLS				
Organizational Risk Management			X	
Mandatory Training				X
Performance Appraisal	X			
Delegation Instrument and Assignment of Delegated Authority	X			
GENERAL IT CONTROLS				
General IT Controls	X	X	X	X
PROCESS LEVEL CONTROLS				
Payroll ⁽²⁾	X	X	X	X
Operating Expenditures - Travel and Hospitality	X			X
Operating Expenditures - Procurement to payment		X		
Write-Off and Disposal			X	
Work in Progress, Project investment - Capital Assets	X			
Transfer Payments				X
Month / Year-End procedures and Financial Reports		X		
CONTROLS OVER FINANCIAL MANAGEMENT				
Chief Financial Officer attestation			X	
Budgeting & Forecast performance		X		
Costing		X		
Investment planning			X	

(1) The frequency of the on-going monitoring of key control areas is based on risks and may occur over a multi-year cycle.

(2) Several procedures related to Payroll will be evaluated on a multi-year cycle.

In addition to the rotational ongoing monitoring plan included in the internal control system, the CSA will track improvements based on the findings listed in section 3 Departmental assessment results for fiscal year 2019-2020.

The CSA will also continue to analyze problems related to the Phoenix system for the Agency's employees' payroll.

Finally, working remotely due to the pandemic has an impact on existing processes. At this point in time, we believe that the level of risk of the processes in place is not affected by this situation since there have been no significant changes in the level of employees who perform the usual tasks nor of variations in volume or type of transactions to be carried out. Testing in 2020-2021 will pay particular attention to process changes and the application of appropriate new or existing key controls. Also, due to the pandemic and its possible impact on the validity, accuracy and completeness of financial statements, additional verification will also be carried out for the procurement to payment, management of grants and contributions processes as well as month / year end procedures and financial reports.