



Canadian Space Agency
Agence spatiale canadienne



Annual Report of the External Members of the Audit Committee

2015-2016

Audit and Evaluation Directorate

Canada

TABLE OF CONTENTS

MESSAGE TO THE PRESIDENT OF THE CANADIAN SPACE AGENCY.....	1
1. OBSERVATIONS.....	2
2. COMMITTEE'S ACTIVITIES OF INTEREST IN RELATION TO ITS RESPONSIBILITIES	3
3. AUDIT COMMITTEE EVALUATION, MEMBERSHIP AND ACTIVITIES.....	11

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 2015-2016 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.

The issues associated with the space sector in an international context, and the strategic role played by the CSA for the Canadian government, provided an opportunity for AC members to appreciate the complexity of the context in which the CSA must operate. The nature of its interactions with other government departments, industry, international partners and a number of universities, results in it being exposed to a panoply of risks over which it has limited control, which presents a challenge.

Over the past year, the CSA made full use of its new governance framework, which led to effective management of its investments, in accordance with the five-year investment plan (2014-15 to 2018-19) approved by the Treasury Board last year.

The members of the AC are of the opinion that the CSA was able to effectively integrate into its daily operations all of the new elements of governance developed in recent years. The CSA is now able to make informed decisions and report on its results in an efficient manner that meets the expectations of the various stakeholders.

The members of the AC also believe that the recent announcement in Federal Budget 2016, adding \$379M over eight years into the International Space Station program helps to reduce the uncertainty that has been hanging over the CSA in recent years. However, some of the CSA's larger projects are coming to an end soon, which presents a certain risk with respect to long term planning. This risk is difficult to measure and, after Budget 2016, this risk has already decreased compared to last year.

This report was prepared in accordance with the requirements of section 6.6.1.2 of the *Directive on Internal Auditing in the Government of Canada*, which specifies that the report must:

- summarize the results of the committee's reviews of areas of responsibility;
- provide the independent members' assessment, and make recommendations as needed on the capacity, independence and performance of the internal audit function;
- express views that are entirely and exclusively those of the independent members.

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

Original signed by Alain Jolicoeur

June 21st 2016

Alain Jolicoeur, Chair of the Audit Committee

Date

Canadian Space Agency

Annual Report of the External Members of the Audit Committee For Fiscal Year 2015-2016:

1. OBSERVATIONS

During the 2015-2016 fiscal year, members of the Audit Committee (AC) had the 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 (DPR), and the Report on Plans and Priorities (RPP).

In the following section, we provide a summary of AC members' opinions and recommendations concerning the AC's main areas of responsibility, along with an overview of the actions taken by the CSA to reduce the risks identified in past audits.

During the four meetings and two teleconferences held in 2015-2016, the discussions between the AC members and CSA senior management were straightforward, transparent, and constructive.

A) AC MEMBERS' OPINIONS AND RECOMMENDATIONS – COMMITTEE'S MAIN AREAS OF RESPONSIBILITY

Below, we have summarized the major opinions and recommendations expressed by the members of the AC in this report with respect to their areas of responsibility.

- Last year, AC members stated that they had a very positive view of the new elements of governance put in place the past two years, but their efficiency remained to be seen. This year, members found that the elements of governance put in place in recent years have been enabling the Agency to make informed decisions regarding investments, and to report on results in an efficient manner that meets the expectations of various stakeholders.
- In general, members of the AC are very satisfied with the measures put in place throughout the year to provide a workplace that respects values and ethics. They also believe that activities over the next year will include all of the major aspects that contribute to creating a healthy and respectful workplace. That being said, the AC members found that implemented activities were focused more on the "values" aspect than the "ethics" aspect, and proposed that consideration be given to adding activities that include more of the "ethics" aspect when the next work plan is prepared.
- Further to the comments made by AC members last year that it would be beneficial to review the methodology used to prepare *Organizational Risk Profiles (ORP)*, to foster discussions about risk between the different levels of management within the CSA; AC members were satisfied to learn that these discussions are now being held. These discussions will assist in identifying the type and magnitude of risks in a complex risk universe, where the context is constantly evolving.
- The summary of internal control assessments prepared annually by the Finance Branch is an essential element to the AC members' confidence in the data presented in the quarterly and annual financial statements that are reviewed regularly.
- The AC members reiterated their view on the *Annex to the Annual Statement of Management Responsibility* appended to financial statements. According to them, it is not essential, as it does not provide any additional information. Although the appendix is a requirement of the

Management Accountability Framework (MAF), AC members asked once again whether it might be possible to shorten the appendix summary to a single page, as they find it too lengthy.

- The AC members consider that the restrictions regarding the use of a template to prepare the DPR do not enable departments to adapt the document to their reality. In the AC members' view, it would be appropriate for the TB to make a few modifications to the methodology for preparing DPRs, to better reflect the reality of various departments.
- With the staffing of the last vacant Audit function position in September 2015, the AC members noted that the reorganization that began a few years ago is now complete, and staff have the skills and knowledge necessary to do the job.

B) POST-AUDIT RISK HANDLING BY THE CSA

During the year, the AC members closely monitored management's implementation of the action plans associated with the nine 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:

- management of grants and contributions;
- accountability and performance measurement;
- project management processes and practices;
- CSA governance;
- management framework for safety and mission assurance.

The AC members also examined four audit reports submitted during the year, and were satisfied with the risk reduction action plans that were submitted, particularly those associated with safety and mission assurance (S&MA). This report generated a lot of discussion around S&MA practices and their importance to the CSA.

Now that the audit on governance is complete, discussions are underway regarding the development of a space strategy. Furthermore, the mandate of the Integrated Investment Review Board (IIRB) was approved, and the mandate of the Policy and Strategic Planning Committee (PSPC) should be approved in June 2016. Also, several templates for the IIRB were developed, approved and distributed within the CSA to promote their use.

With respect to the audit on S&MA, senior management has completed consultations on the directive, and guidelines are now being developed. Senior management plans to begin development of standard processes and tools for the planning, execution and documentation of S&MA activities once the updating of the directive is completed.

2. COMMITTEE'S ACTIVITIES OF INTEREST IN RELATION TO ITS RESPONSIBILITIES

External members objectively provide the President of the CSA with 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 examined various documents submitted to the AC, including the Risk-Based Audit Plan (RBAP) and the audit reports.

In support to the President of the CSA, the AC provides methodical, integrated, and risk-based oversight 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 2015-2016 annual report focuses on the roles and responsibilities 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 has 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, the audit function 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.

Although AC members would have liked to see more audit reports, they are aware that with an audit function consisting of four auditors, only three or four audit reports can be produced per year.

a. Internal Audit Charter

The Internal Audit Charter provides an accountability framework that covers its mission, authority and responsibilities. The AC approved the latest update of the Charter on June 4, 2015.

b. Availability of resources allocated to internal audit

In fiscal year 2015-2016, the Audit section was finally able to staff an auditor position that had been vacant for more than two years. AC members felt that it was appropriate to staff the position using the Internal Auditor Recruitment and Development Program, managed by the Office of the Comptroller General.

With the staffing of this final vacant position in September 2015, the AC members noted that the reorganization that began a few years ago is now complete, and the resources in place possess the skills and knowledge necessary to do the job.

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

The CAE submitted the RBAP for the years 2015-2016 to 2017-2018 during the AC meeting held on June 4, 2015. Risks associated with several elements of the audit universe were discussed. With respect to risk identification, it is important to note that the risks identified by the Audit function for each element of the audit universe were corroborated with management. Following the discussions, the members of the AC recommended approval of the RBAP to the President of the CSA.

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

At the end of the fiscal year, the execution rate for projects identified in the RBAP was 82%, which included projects in progress at year-end.

d. Monitoring and assessment of internal audit performance

The CSA's internal audit policies and procedures manual describes in detail the monitoring processes that are set out in the Quality Assurance and Continuous Improvement Program (QAP) of the Internal Audit function. 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 writing 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 Institute of Internal Auditors (IIA), and the CSA;
- Level 3 is associated with 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 standards of the IIA and the Government of Canada with respect to internal audits.

In the past year, three audit projects were submitted for a review of their compliance with QAP practices. This quality assurance program is based on Treasury Board (TB) requirements and IIA standards for the execution of audit missions. These reviews were conducted by an external service provider. An annual report was submitted to the CAE, and will be presented to the AC in September 2016. The reviews found that overall, audit projects are carried out and managed meticulously and professionally, and documentation on file is relevant and satisfactory.

However, some opportunities for minor improvement were identified with respect to planning (clarify the links between risks and audit procedures), execution (ensure that references to source documents are included in all final documents) and communication (preparation of an official memo supporting closure of the audit).

With regard to independent inspection of professional practices, the inspection conducted in 2012 found that the Internal Audit section complied with all international internal audit standards and the IIA Code of Ethics. A new inspection of professional practices is scheduled for 2016-2017.

It should be noted that the *Internal Audit* area of management has not been assessed in the MAF over the past two years for all departments, and it will not be assessed next year either. However, audit report publication date compliance with TBS requirements was assessed in the *Management of Integrated Risk, Planning and Performance* section of the MAF. Furthermore, the Office of the Comptroller General (OCG) provides oversight of departments and agencies through an internal audit capacity survey that is completed annually by the Internal Audit function and submitted to the OCG.

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

During the 2015-2016 fiscal year, in addition to the preparation of documents related to Internal Audit function professional practices and AC support activities, the CAE submitted the following reports to the AC:

- Audit Report on Governance for review and approval by the AC;
- Audit Report on Safety and Mission Assurance for review and approval by the AC;
- Audit Report on the Management Framework of the Earth Observation Mission Program (RCM) for review and approval by the AC;
- Audit Report on the Chief Financial Officer (CFO) Attestation for Cabinet Submissions, for review and approval by the AC;
- Preliminary results of the audit on procurement and contract management by sectors, presented to the AC for information purposes.

The audits presented by the CAE were planned in the RBAP. They pertained to governance, risk management processes, and controls in place at the CSA. Below is an overview of the audit results presented to the AC for approval.

Audit Report on Governance

The audit revealed that the CSA has implemented appropriate governance structures and monitoring processes that allow senior executives to manage and ensure control of CSA activities, gather relevant information, make informed decisions and be accountable for its results in such a way as to meet the expectations of the Minister, the interdepartmental community and other stakeholders. The audit report also included several noteworthy achievements by the CSA, including the adoption of Canada's Space Policy Framework, the five-year investment plan, and the new investment governance and monitoring framework.

However, the audit also identified areas in need of improvement, such as setting long-term objectives, identifying how to provide support and secretarial services to the new governance structures in place, and providing management tools in support of strategic discussions.

Audit Report on Safety and Mission Assurance

The audit report showed that a management framework is in place, and that the policy is applied in a structured and consistent manner for major projects.

However, it was noted that some key elements of the quality assurance process are subject to limited guidelines. While objectives and general principles have been developed and are used to guide S&MA work, they are somewhat vague and do not provide the level of detail required for the structured application of the policy. Recommendations were made to: clarify the roles and responsibilities of stakeholders, particularly with respect to the concept of independence of the S&MA function; develop clear guidelines on the establishment of quality assurance requirements based on the nature, complexity and phase of the project; and develop an internal methodology for work planning and reports to be produced.

Audit Report on the Management Framework of the Earth Observation Mission Program – RCM

The audit determined that good practices have been put in place with regard to the identification and management of risks. A risk management framework has been well defined and implemented. The audit also found that appropriate control mechanisms are in place to ensure that deliverables comply with predetermined specifications set out in agreements with suppliers.

Audit Report on the Chief Financial Officer Attestation for Cabinet Submissions

The audit showed that a due diligence process is comprehensively applied, meets guideline requirements and is adequately documented. It was also noted that a management framework is in place, which includes a clear definition of roles and responsibilities to support the attestation process.

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

f. Advice provided to 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 2015 meeting, the March 31, 2015 *Annual Report on the Follow-up of Management Action Plans* was presented to AC members for information. The report covered 12 internal audit projects for which management action plans were being implemented. Of the 12 audit reports, five showed that the implementation of the action plan had been fully completed, while in three reports, the implementation was nearly completed.

This year, our compilation of actions completed for each management action plan showed a drop in the implementation rate compared to the previous year. During 2015-2016, management implemented 27% of actions with a deadline set in the current fiscal year, compared to 64% for 2014-2015. At the same time, 73% of actions had their deadline extended to 2016-2017. In the majority of cases, implementation of the actions had begun, but could not be completed.

Last year, the AC members stated that it would like to see the managers responsible for the delayed implementation of some action plans invited to AC meetings to discuss the circumstances of these delays. This year, only one such request was made, to discuss the delay in implementing actions under the responsibility of Shared Services Canada. During discussions at the AC meeting held in March 2016, AC members noted that progress had been made in recent months in implementing these actions that had been put on hold.

The AC will continue to monitor this matter closely.

iii. GOVERNANCE PROCESS

The CSA was able to effectively integrate into its daily operations all of the new elements of governance developed in recent years. The CSA is now able to make informed decisions and report on its results in an efficient manner that meets the expectations of the various stakeholders.

Over the past year, the CSA fully used the new elements of its governance, particularly the Integrated Investment Review Board (IIRB), where all investment proposals are submitted for approval, and the investment governance and monitoring framework, which is a five-phase model with precise decision points in each phase. This framework had to be used for all CSA projects. It provides managers with all of the tools they need to properly document project management. We believe that this combination of elements will assist the CSA in improving governance in project management.

Last year, AC members stated that they had a very positive view of the new elements of governance put in place during the past two years, but their efficiency remained to be seen. This year, members found that the elements of governance put in place in recent years enable the Agency to make informed decisions regarding investments, and to report on results in an efficient manner that meets the expectations of various stakeholders.

iv. VALUES AND ETHICS

The values and ethics program is based on a series of activities that have been identified and set out in an integrated values and ethics plan. Over the past year, the CSA has promoted awareness of political activities and identified positions targeted by post-employment, advised concerned employees, and held information sessions for them.

With regard to maintaining a healthy and respectful workplace, the CSA held mandatory training sessions for all employees in 2015-2016 on employment equity and harassment. The CSA feels that a

healthy and respectful workplace is created by raising employee awareness, so that they have knowledge of the issues faced by the organization in these areas.

Next year, the CSA plans to finalize development of its occupational health & safety and disability management program, promote its informal conflict management system, and adopt a brain-friendly health and wellness strategy, a relatively new concept that is directly linked to establishing a healthy and respectful workplace.

In general, members of the AC are very satisfied with the measures put in place throughout the year to provide a workplace that respects values and ethics. They also believe that activities over the next year will include all of the major aspects that contribute to creating a healthy and respectful workplace. That being said, AC members found that implemented activities focused more toward the “values” aspect than the “ethics” aspect, and proposed that consideration be given to adding activities that include more of the “ethics” aspect when the next work plan is prepared.

v. RISK MANAGEMENT

At the AC meeting held on March 22, 2016, the members discussed how the ORP have evolved in recent years. Discussions focused on the current renewal of the methodology used to establish an ORP. Since the adoption of CSA's *Integrated Risk Management Policy* in 2012, the CSA has produced three ORPs. Overall, they have shown a slight reduction in risks over the past three years. According to the information gathered in the ORP, this improvement is due in part to changes in the context, and also advances in mitigation measures put in place in recent years.

The objective of the current review of the methodology used to establish an ORP is to better match risks with organizational priorities. Consultations are currently underway with various sectors of the CSA. This year, the ORP will not be reviewed until the fall, when activities are being planned for the next year, once priorities have been updated.

Members of the AC are of the opinion that there has been a remarkable improvement over the years in the management of risk. The ORP now enables the CSA to incorporate risk management into the existing decision-making process. The members also consider that it is quite appropriate for the risk management framework to be closely tied to the CSA planning process.

Further to comments made last year by members of the AC that it would be beneficial to review the methodology to foster discussions about risk between the different levels of management within the CSA, the AC members were pleased to learn that these discussions are now being held. These discussions will assist in identifying the type and magnitude of risks in a complex risk universe, where the context is constantly changing.

vi. MANAGEMENT CONTROL FRAMEWORK AND REPORTS

During the 2015-2016 fiscal year, the AC members had an opportunity to review and comment on the results of the 2014-2015 MAF assessment, along with the preliminary results for 2015-2016. The “internal audit” area of management is not being assessed from 2014-2015 to 2016-2017.

After reviewing the results for 2014-2015, the AC members noted that the CSA is performing well overall in comparison with other departments. A few good practices were identified, as well as opportunities for improvement. As for the preliminary results for 2015-2016, they were quite positive overall. The final report will be examined in further detail at the AC meeting in September.

Other than the MAF results, AC members looked at various components of CSA's management control framework throughout the year, e.g., when audit reports were submitted, as part of current procedures for preparing quarterly financial statements and other departmental reports, or during presentations held to inform AC members of the CSA's activities.

Finally, since the implementation of Treasury Board's Policy on Internal Control, Finance has been preparing an annual summary of internal control assessments. This summary describes tests done on various internal controls throughout the year, and presents any recommendations made if deficiencies are observed, followed by an action plan to correct the deficiencies, if necessary. This summary of internal control assessments was submitted to the AC members for information and discussion in June 2015. The AC members noted that the document was well structured, and its content stressed the degree to which the organization applies internal controls. **Also, this document is an element that is essential to the AC members' confidence in the data presented in the quarterly and annual financial statements that are reviewed regularly.**

vii. EXTERNAL ASSURANCE PROVIDERS

No horizontal internal audits were scheduled to be carried out jointly with the Office of the Comptroller General this year. As for other external assurance providers, the Office of the Auditor General (OAG) interviewed a few key individuals of the CSA, as in previous years, to determine whether more in-depth audit work would be carried out within the CSA this year. Following its preliminary review, the OAG decided not to proceed with audit work within the CSA this year.

viii. FINANCIAL STATEMENTS AND PUBLIC ACCOUNTS REPORTS

During the year, the AC members reviewed and provided comments on the CSA's financial statements, the Annual Statement of Management Responsibility Including Internal Control over Financial Reporting and the appendix to the statement, as well as quarterly financial reports and future-oriented financial statements that accompany the RPP and public accounts.

With respect to the review of financial statements, the annual statement of management responsibility and the Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting, comments of AC members have been considered in the final version. The AC members found that financial statements comply with current accounting standards. Additionally, to the best of their knowledge, the members found no inaccuracies or significant omissions in the financial statements.

On the other hand, AC members reiterated their view on the annual Annex to the Statement of Management Responsibility appended to financial statements. According to the AC, it is not essential, as it does not provide any additional information. In fact, the first page of financial statements, the Statement of Management Responsibility Including Internal Control over Financial Reporting, provides the same information as the appendix. Although the appendix is a requirement of the MAF, AC members asked once again whether it might be possible to shorten the appendix summary to a single page, as they find it too lengthy.

With a few minor proposed changes, the AC members recommended to the President of the CSA and the Chief Financial Officer that the financial statements and the Annex to the Statement of Management Responsibility be approved.

With regard to the quarterly reports, the AC members noted that they were fully compliant and did not contain any inaccuracies or significant omissions. The quality of these reports has been improving over

time. This year, once again, the AC members only had a few comments on the reports, in order to improve their content or correct minor errors.

With regard to future-oriented reports joined to the 2016-2017 RPP, the AC members found that they were fully compliant. AC members only had one question, which was answered to their satisfaction.

Finally, as requested by the AC members last year, this year they were given an opportunity to review the public accounts and discuss them with the individuals who had prepared them earlier in the year. The highlights of the 2014-2015 public accounts were presented at the AC meeting in September 2015, compared to December in the previous year. Discussions followed the presentation but no comments were made.

In conclusion, the members of the AC found that the financial statements and reports reviewed were of very high quality. They found no inaccuracies or significant omissions.

ix. ACCOUNTABILITY (DEPARTMENTAL PERFORMANCE REPORT AND REPORT ON PLANS AND PRIORITIES)

During the fiscal year, the AC members reviewed and provided comments on the RPP and the DPR.

a. Report on Plans and Priorities

The CSA's preliminary version of the 2016-2017 RPP was submitted to the AC in early January 2016 and, as is so often the case, its comments were requested within a very short timeframe in order to comply with the tight deadlines established for document preparation. Although the individuals responsible for preparing the RPP are aware of the audit committee members' discomfort with the very short interval between the time they receive the RPP and the date their comments are gathered, this year, like others in the past, AC members only had a few days to review the document and provide comments. This year, comments were provided by email and the document was presented in a more official manner at the AC meeting on March 22, 2016. The members of the AC felt that time constraints had prevented them from making the contribution they would have liked to the document.

That being said, the AC members found no inaccuracies or significant omissions in the 2016-2017 RPP. Members made a few comments on the content of the report, particularly with respect to the correlation between initiatives and the identified priorities. They also mentioned that the reader is left wondering what will happen once CSA's two largest programs, ISS and RCM, are completed.

After receiving the AC members' comments, the individuals responsible for preparing the RPP agreed to incorporate the suggested changes.

b. Departmental Performance Report

The CSA's 2014-2015 DPR was reviewed by members of the AC and their comments were submitted to the individuals responsible for the elaboration of the report during a teleconference held on August 7, 2015.

Overall, AC members found that in reading the document, it was difficult to tell which elements were the most strategic for the CSA, since many elements were missing. They consider that the restrictions regarding the use of a template to prepare the DPR do not enable departments to adapt the document to their reality. For example, in the risk section, a column presenting actions implemented in response to identified risks should be added to the table so that the reader is better informed. With respect to expenditures per spending area, the AC members found that the limited number of elements where the CSA could indicate its expenditures did not make it possible to portray an accurate picture. The AC

members believe that the CSA should also indicate expenditures in the “International Affairs” section to reflect the reality of its activities. **In the AC members’ view, it would be appropriate for the TB to make a few modifications to the methodology for preparing DPRs, to better reflect the reality of departments operating in several spending areas at the same time.**

As mentioned last year, the AC members understand that the DPR is part of an important accounting exercise and that TB directives must be followed. That being said, the members feel it is unfortunate that this type of report must be standardized, thereby rendering it less creative and less interesting to read.

AC members asked several questions and provided a number of comments intended to improve the presentation and content of the DPR. Once again this year, several performance indicators drew the attention of AC members, either because of the note that the “Target was not yet established” (like last year), or because the results achieved were substantially higher than what was targeted.

After the teleconference, the individuals responsible for preparing the DPR agreed to verify some of the information and make changes to the document as needed.

3. AUDIT COMMITTEE ASSESSMENT, MEMBERSHIP AND ACTIVITIES

A) AUDIT COMMITTEE EVALUATION

The external members of the AC conducted a self-assessment of the Committee’s operations during the AC meeting held on March 22, 2016.

Last year, the external members of the AC once again expressed their desire to hold four meetings per year because they felt the interval between meetings was too long when there were only three meetings per year. Four meetings were held this year and AC members were very satisfied with the change.

B) AUDIT COMMITTEE MEMBERSHIP

i. Members

The Audit Committee consists of four members, including the President of the CSA and three external members, one of whom acts as AC Chair. The AC recently completed its sixth year of operation.

In 2015-2016, the AC consisted of the following members:

- Sylvain Laporte, President of the CSA;
- Alain Jolicoeur, external member, Chair of the Audit Committee (appointed until May 2018);
- Marie Bernard-Meunier, external member of the Audit Committee (appointed until May 2017);
- Gérard Caron, external member of the Audit Committee (appointed until May 2017).

The AC complies with the *Directive on Internal Audit in the Government of Canada*, particularly section 6.4 concerning AC membership.

The members were chosen following a meticulous selection process that sought individuals with a suitable combination of experience, knowledge and skills, whose synergy would enable them to carry out their duties efficiently and serve as a significant strategic resource for the President of the CSA.

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 of Canada, and the CSA's collaborative projects with external partners.

The AC's advice and suggestions regarding both the content of information, and the manner in which it is written or presented, provide added value to the internal audit function.

Since the members have been serving for six years and have taken most of the training sessions offered by the OCG, this year, like last year, they focused on expanding their knowledge of the CSA. In particular, AC members attended a presentation on the operations of the Policy Branch.

ii. Conflict 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 external members of the AC are subject, as stipulated in each member's appointment order.

iii. Meeting participants

During the year, the CAE and CFO participated in the four meetings and one teleconference held in 2015-2016.

Several representatives from all sectors of the CSA, as well as all audit team members, also attended one or more of the meetings held throughout the year.

No external assurance providers attended the meetings held this year.

C) AUDIT COMMITTEE ACTIVITIES

i. Audit Committee's roles and responsibilities, operations and charter

During the meeting of June 4, 2015, the AC approved its annual plan establishing the number of AC meetings and the types of activities the Committee would address during its meetings. The four scheduled meetings were held on June 4, 2015, September 10, 2015, December 11, 2015 and March 22, 2016. In addition to these four meetings, two teleconferences were held. There were many participants at the meetings and teleconferences.

The roles and responsibilities of the AC, as well as its activities, are set out in the *Audit Committee Charter*. Minor changes were made to the Charter during the past year. The updated Charter was approved by the AC on June 4, 2015.

During 2015-2016, the cost of AC activities amounted to \$51,595, broken down as follows:

- Per diems: \$48,120
- Travel expenses: \$2,679
- Hospitality expenses: \$796
- 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 prepare the annual report

This annual report was prepared by the CAE. However, the information contained herein is based on discussions with AC members that took place during the year, as well as a discussion that was held during the AC meeting on March 22, 2016. The information contained in the final report represents entirely and exclusively the views of the external AC members.

iv. Opinions and/or recommendations

No opinions or recommendations were provided this year.