

Canadian Space Agency

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

Fiscal year 2014-2015

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 Canadian Space Agency Act, its mandate, and program activities can be found in the [Departmental Performance Report](#) and in the [Report on Plans and Priorities](#).

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 which promotes continuous improvement. The CSA Framework for the internal control management, which indicates the objective, the expected results, the principle and approach as well as the roles and responsibilities in regards to internal controls, was approved by the President on June 19, 2013.

The CSA internal control management framework includes the following:

- Organizational accountability structures as they relate to internal control management to support sound financial management and the production reliable financial reports including the roles and responsibilities of senior managers in their areas of responsibility for internal control management;
- A CSA Value and Ethics Code;
- On-going communication and training on statutory requirements, policies and procedures in order to ensure sound financial management and reliable controls to manage risks;
- Monitoring and regular updates, at least twice a year, on internal control management, as well as the provision of related assessment results and action plans to the President, the Chief Financial Officer, the members of the Executive Committee and the members of the Audit Committee.

The CSA established an Audit Committee (AC) in 2010. The AC is composed of the CSA President and three external members, one of whom chairs the Committee. In addition, the Vice-President, the Chief Financial Officer and the Chief Audit and Evaluation Executive attend all meetings. The AC provides advice to the President on the adequacy and functioning of the Agency's risk management, control and governance frameworks and processes. It reviews amongst others, the internal control system, by the update on results on the monitoring and the action plans related to the system of ICFR as well as the financial reports. In 2014-2015, the AC had three meetings and participated in five teleconferences.

2.2 Service Arrangements Relevant to Financial Statements

The CSA relies on other organizations for the processing of certain transactions that are recorded in its financial statements:

Common Arrangements:

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and the procurement of goods and services, as per the Department's Delegation of Authority and provides accommodation services;
- Treasury Board Secretariat provides the CSA the necessary information to calculate various accruals and allowances, such as the accrued severance liability;
- The Department of Justice provides legal services to the CSA;
- Shared Services Canada (SSC) provides IT infrastructure services to the CSA in the areas of emails, data centers and telecommunications. The scope and responsibilities are addressed in the interdepartmental agreement between SSC and the CSA.

Specific Arrangements:

- The department of Agriculture and Agri-Food provides the CSA with a SAP financial system platform to capture and report all financial transactions.

3. Assessment results for fiscal year 2014-2015

During 2014-2015, the CSA completed the operating effectiveness testing in all key control areas. The on-going monitoring was implemented according to the plan.

3.1 Design effectiveness testing of key controls

Design effectiveness testing was completed in 2013-2014.

3.2 Operating effectiveness testing of key controls

In 2014-2015, the CSA completed, in accordance with the plan, the operating effectiveness testing for mandatory training, performance appraisal, budgeting and work in progress.

As a result of the operating effectiveness testing, the CSA identified the following required improvement:

Mandatory training

- Ensure that requirements are met in regards to mandatory training.
 - The improvement has been implemented in this area of control.

3.3 On-going monitoring of key controls

In 2014-2015, the CSA performed, in accordance with the plan, the on-going monitoring of key controls for payroll, write-off and disposal, procurement to payment as well as specific related IT controls within the business processes.

As a result of the on-going monitoring, the CSA identified the following required improvements:

Payroll

- Proceed with the necessary reminders in order to meet collective agreement, policy, directive and other TB instrument requirements.
- Proceed with the necessary reminders so that the Casual Employees Attendance Report be approved by the fund center manager with the appropriate delegation.
- Proceed with the necessary reminders to ensure that the departure process is initiated in a timely manner for departing employees and that the departure report be completed in order to leave a complete audit trail.
 - The majority of the improvements have been implemented for this control area and a few improvement developments are underway.

Write-off and disposal

- Ensure that all appropriate documentation is added to the file in order to leave a complete audit trail.
- Ensure that the manager with the appropriate delegated authority authorizes the write-off or the disposal.
 - The improvements have been implemented in this area of control.

Procurement to payment

- Ensure that all appropriate documentation is added to the file in order to leave a complete audit trail.
- Ensure that the procurement officer has the appropriate delegated authority to proceed with the contracting.
- Proceed with the necessary reminders in regards to account verification and payment on due date requirement.
 - The improvements have been implemented in this area of control.

4. Canadian Space Agency's Action Plan

4.1 Progress during fiscal year 2014-2015

During 2014-2015, the CSA has completed the ICFR system assessment and began the on-going monitoring according to the previous fiscal years plan. The progress achieved according to this plan is summarized as follows:

Elements in previous year's action plan identified for 2014-2015			
Key Control Areas	Effective operating testing	On-going monitoring	Progress Status
ENTITY LEVEL CONTROLS			
Performance Appraisal and Mandatory Training	X		Operating effectiveness testing is complete and one observation was presented. The improvement has been implemented.
Budgeting and Forecast performance	X		Operating effectiveness testing is complete. No weaknesses were found.
GENERAL IT CONTROLS			
General IT Controls		X	On-going monitoring testing was conducted. No weaknesses were found.
PROCESS LEVEL CONTROLS			
Payroll		X	On-going monitoring testing was conducted and weaknesses have been identified. The major part of the improvements have been implemented, however, some improvements are still being developed.
Write-Off and Disposal		X	Operating effectiveness testing is complete and weaknesses were found. Improvements have been implemented.
Work in Progress - Capital Assets	X		Operating effectiveness testing is complete. No weaknesses were found.
Operating Expenditures - Procurement to Payment		X	On-going monitoring testing was conducted and weaknesses have been identified. The improvements have been implemented.

4.2 Status and action plan for the next fiscal year and subsequent years

The CSA will be applying its rotational on-going monitoring plan to reassess control performance on a risk basis across all control areas. The status and action plan to pursue the on-going monitoring for fiscal 2015-2016 and for the next fiscal years are as follows:

Key Control Areas	Assessment Elements	
	Operating effectiveness testing and implementation of improvements	On-Going Monitoring Rotation ⁽¹⁾
ENTITY LEVEL CONTROLS		
Organizational Risk Management	Completed	Future years
Performance Appraisal and Mandatory Training	Completed	2015-2016
Delegation Instrument and Assignment of Delegated Authority	Completed	Future years
Budgeting and Forecast performance	Completed	Future years
GENERAL IT CONTROLS		
General IT Controls	Completed	2015-2016
PROCESS LEVEL CONTROLS		
Payroll ⁽²⁾	Completed	2015-2016
Operating Expenditures - Travel and Hospitality	Completed	2015-2016
Operating Expenditures - Procurement to payment	Completed	Future years
Write-Off and Disposal	Completed	Future years
Work in Progress - Capital Assets	Completed	Future years
Transfer Payments	Completed	2015-2016
Month / Year-End procedures and Financial Reports	Completed	Future years

Note 1 : The frequency of the on-going monitoring of key control areas is risk-based and may occur over a multi-year cycle.

Note 2 : Control area for which an annual assessment will be conducted.