

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Management Responsibility Including Internal Control Over Financial Reporting

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Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2014, and all information contained in these statements rests with the management of the Security Intelligence Review Committee. These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Security Intelligence Review Committee's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada*, and included in the Security Intelligence Review Committee's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Security Intelligence Review Committee and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The Security Intelligence Review Committee will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board *Policy on Internal Control*.

In the interim, the Security Intelligence Review Committee has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2014, in accordance with the Treasury Board *Policy on Internal Control*, and the results and action plan are summarized in the annex.

The financial statements of the Security Intelligence Review Committee have not been audited.

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Hon. Deborah Grey, P.C., O.C.  
Interim Chair

Ottawa, Canada  
August 29, 2014

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Michael E. Doucet  
Executive Director, Chief Financial Officer

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars) 2014 2013

### Liabilities

|                                   |            |            |
|-----------------------------------|------------|------------|
| Accounts payable (note 4)         | 134        | 299        |
| Vacation pay                      | 88         | 4          |
| Employee future benefits (note 5) | 26         | 118        |
| <b>Total liabilities</b>          | <b>248</b> | <b>421</b> |

### Assets

#### Financial assets

|   |    |     |
|---|----|-----|
| Due from Consolidated Revenue Fund        | 67 | 251 |
| Accounts receivable and advances (note 6) | 69 | 42  |

**Total financial assets** **136** **293**

**Departmental net debt** **112** **128**

#### Non-financial assets

|                                   |           |           |
|-----------------------------------|-----------|-----------|
| Prepaid expenses                  | 13        | 33        |
| Tangible capital assets (note 7)  | 13        | 26        |
| <b>Total non-financial assets</b> | <b>26</b> | <b>59</b> |

**Departmental net financial position** **(86)** **(69)**

Contractual obligations (note 8)

The accompanying notes form an integral part of these financial statements.

Hon. Deborah Grey, P.C., O.C.  
Interim Chair

Michael E. Doucet  
Executive Director, Chief Financial Officer

Ottawa, Canada  
August 29, 2014

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

| (in thousands of dollars)   | Planned<br>Results<br>2014 | 2014         | 2013  |
|---|----------------------------|--------------|-------|
| <b>Expenses</b>   |                            |              |       |
| Complaints  | 748                        | 625          | 495   |
| Reviews   | 1,536                      | 1,210        | 904   |
| Internal Services   | 1,115                      | 1,358        | 1,695 |
| <b>Total Expenses</b>   | <b>3,399</b>               | <b>3,193</b> | 3,094 |
| <b>Net cost of operations before government funding and transfers</b>     | <b>3,399</b>               | <b>3,193</b> | 3,094 |
| <b>Government funding and transfers</b>                                   |                            |              |       |
| Net cash provided by Government   | 3,008                      | 2,959        | 2,929 |
| Change in due from the Consolidated Revenue Fund                          | (22)                       | (184)        | (48)  |
| Services provided without charge by other government departments (note 9) | 417                        | 401          | 471   |
| <b>Net cost of operations after government funding and transfers</b>      | <b>(4)</b>                 | <b>17</b>    | (258) |
| <b>Departmental net financial position - Beginning of year</b>            | <b>(162)</b>               | <b>(69)</b>  | (327) |
| <b>Departmental net financial position - End of year</b>                  | <b>(158)</b>               | <b>(86)</b>  | (69)  |

Segmented information (note 10)

The accompanying notes form an integral part of these financial statements.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

| (in thousands of dollars)  | Planned<br>Results<br>2014 | 2014 | 2013  |
|--|----------------------------|------|-------|
| <b>Net cost of operations after government funding and transfers</b> | (4)                        | 17   | (258) |
| <b>Change due to tangible capital assets</b>                         |                            |      |       |
| Acquisition of tangible capital assets                               | 25                         | -    | 12    |
| Amortization of tangible capital assets                              | (14)                       | (13) | (16)  |
| <b>Total change due to tangible capital assets</b>                   | 11                         | (13) | (4)   |
| <b>Change due to prepaid expenses</b>                                | -                          | (20) | 33    |
| <b>Net increase (decrease) in departmental net debt</b>              | 7                          | (16) | (229) |
| <b>Departmental net debt - Beginning of year</b>                     | 190                        | 128  | 357   |
| <b>Departmental net debt - End of year</b>                           | 197                        | 112  | 128   |

The accompanying notes form an integral part of these financial statements.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Cash Flow (Unaudited)

For the year ended March 31

| (in thousands of dollars)   | 2014         | 2013         |
|---|--------------|--------------|
| <b>Operating activities</b>   |              |              |
| Net cost of operations before government funding and transfers            | 3,193        | 3,094        |
| <b>Non-cash items:</b>  |              |              |
| Amortization of tangible capital assets                                   | (13)         | (16)         |
| Services provided without charge by other government departments (note 9) | (401)        | (471)        |
| <b>Variations in Statement of Financial Position:</b>                     |              |              |
| Increase in accounts receivable and advances                              | 27           | 22           |
| Increase (decrease) in prepaid expenses                                   | (20)         | 33           |
| Decrease in accounts payable  | 165          | 23           |
| Decrease (increase) in vacation pay                                       | (84)         | 95           |
| Decrease in employee future benefits                                      | 92           | 137          |
| <b>Cash used in operating activities</b>                                  | <b>2,959</b> | <b>2,917</b> |
| <b>Capital investing activities</b>                                       |              |              |
| Acquisitions of tangible capital assets                                   | -            | 12           |
| <b>Cash used in capital investing activities</b>                          | <b>-</b>     | <b>12</b>    |
| <b>Net cash provided by Government of Canada</b>                          | <b>2,959</b> | <b>2,929</b> |

The accompanying notes form an integral part of these financial statements.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 1. Authority and objectives

The Security Intelligence Review Committee was created to provide external review of the Canadian Security Intelligence Service (CSIS) performance of its duties and functions; and to examine complaints by individuals or reports by Minister related to security of Canada.

The Security Intelligence Review Committee derives its powers from the *Canadian Security Intelligence Service (CSIS) Act* promulgated on July 16, 1984. The first Chair and Members were appointed by His Excellency the Governor General on November 30, 1984. Security Intelligence Review Committee is empowered to set its own Rules of Procedures, and to employ an executive director and adequate staff to support its activities. The Act requires Security Intelligence Review Committee, not later than September 30 in each fiscal year, to report to the Minister of Public Safety and Emergency Preparedness who must, in turn, table the report in each House of Parliament on any of the first fifteen days on which that House is sitting after the day the Minister receives it. *Bill C-38, the Jobs, Growth and Long-term Prosperity Act*, expanded SIRC's responsibilities. Pursuant to section 6(4) of the *CSIS Act*, the report provided by the Director of CSIS to the Minister of Public Safety will now be reviewed by SIRC who will provide the Minister of Public Safety with a certificate stating the extent to which it is satisfied with the content of the report.

To achieve its strategic outcome and to deliver results for Canadians, the Security Intelligence Review Committee articulates its plans and priorities based on the core programs included below.

#### 1.1 Reviews

The Purpose of the Review Program is to conduct reviews of CSIS activities to ensure that CSIS performs its duties and functions appropriately and effectively, and in accordance with legislation, policy and Ministerial Direction. Through a comprehensive and multifaceted program of research, Security Intelligence Review Committee staff examines various aspects of CSIS's operations and activities to prepare a retrospective analysis for the Committee's approval.

#### 1.2 Complaints

The purpose of the Complaints Program is to receive and investigate complaints about CSIS brought forward by individuals or groups. When doing so, the Security Intelligence Review Committee acts as an independent, quasi-judicial administrative tribunal pursuant to the *CSIS Act*. The Security Intelligence Review Committee conducts investigations in relation to: complaints "with respect to any act or thing done by the Service" as described in the *CSIS Act*; complaints about denials of security clearances to federal government employees and contractors; referrals from the Canadian Human Rights Commission in cases where the complaint relates to the security of Canada; and, reports made pursuant to S.19 of the *Citizenship Act*.

#### 1.3 Internal Services

This activity captures all of the corporate costs associated with the day to day operations of the organization (e.g. informatics, asset management, accommodation, security, corporate reporting, information management, etc.). Also, the administration of meetings attended by Committee Members, are captured within this Program.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### *(a) Parliamentary authorities*

The Security Intelligence Review Committee is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Security Intelligence Review Committee do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt are the amounts reported in the future-oriented financial statements included in the *2013-14 Report on Plans and Priorities*.

#### *(b) Net Cash Provided by Government*

The Security Intelligence Review Committee operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Security Intelligence Review Committee is deposited to the CRF, and all cash disbursements made by the Security Intelligence Review Committee are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

#### *(c) Due from the CRF*

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Security Intelligence Review Committee is entitled to draw from the CRF without further appropriations to discharge its liabilities.

#### *(d) Expenses*

Expenses are recorded on the accrual basis:

- Vacation pay is accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

#### *(e) Employee future benefits*

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. The Security Intelligence Review Committee's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Security Intelligence Review Committee's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee future benefits for the Government as a whole.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 2. Summary of significant accounting policies (continued)

*(f) Accounts receivable*

Accounts receivable are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

*(g) Tangible capital assets*

Tangible capital assets having an initial cost of \$3,000 or more are recorded at their acquisition cost. The Security Intelligence Review Committee does not capitalize intangibles assets, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

| <u>Asset class</u>   | <u>Amortization Period</u> |
|----------------------|----------------------------|
| Informatics hardware | 3 years                    |
| Informatics software | 3 years                    |
| Other equipment      | 3 years                    |

*(h) Measurement uncertainty*

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.



# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 3. Parliamentary authorities

The Security Intelligence Review Committee receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Security Intelligence Review Committee has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

*(a) Reconciliation of net cost of operations to current year authorities used*

| (in thousands of dollars)  | 2014         | 2013         |
|--|--------------|--------------|
| Net cost of operations before government funding and transfers                               | 3,193        | 3,094        |
| <i>Adjustments for items affecting net cost of operations but not affecting authorities:</i> |              |              |
| Amortization of tangible capital assets  | (13)         | (16)         |
| Services provided without charge by other government departments                             | (401)        | (471)        |
| Prepaid expenses previously charged to appropriation   | (56)         | (4)          |
| Decrease (increase) in vacation pay  | (84)         | 95           |
| Decrease in employee future benefits   | 92           | 137          |
| Refund of prior years' expenditures  | 16           | 17           |
|  | (446)        | (242)        |
| <i>Adjustments for items not affecting net cost of operations but affecting authorities:</i> |              |              |
| Acquisition of tangible capital assets   | -            | 12           |
| Prepaid expenses   | 36           | 37           |
|  | 36           | 49           |
| <b>Current year authorities used</b>   | <b>2,783</b> | <b>2,901</b> |

*(b) Authorities provided and used*

| (in thousands of dollars)            | 2014         | 2013         |
|--------------------------------------|--------------|--------------|
| <b>Authorities provided:</b>         |              |              |
| Vote 25 - Program expenditures       | 2,714        | 2,815        |
| Statutory amounts                    | 286          | 265          |
| <b>Less:</b>                         |              |              |
| Lapsed: Operating                    | (217)        | (179)        |
| <b>Current year authorities used</b> | <b>2,783</b> | <b>2,901</b> |

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 4. Accounts payable

The following table presents details of the Security Intelligence Review Committee's accounts payable:

| (in thousands of dollars)                                    | 2014       | 2013       |
|--|------------|------------|
| Accounts payable - External parties                          | 126        | 296        |
| Accounts payable - Other government departments and agencies | 8          | 3          |
| <b>Total accounts payable</b>                                | <b>134</b> | <b>299</b> |

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 5. Employee future benefits

#### (a) Pension benefits

The Security Intelligence Review Committee's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Security Intelligence Review Committee contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to *Canada's Economic Action Plan 2012*, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013.

Each group has a distinct contribution rate. The 2013-14 expense amounts to \$256,061 (\$238,327 in 2012-13). For Group 1 members, the expense represents approximately 1.6 times (1.7 times in 2012-13) the employee contributions and, for Group 2 members, approximately 1.5 times (1.6 times in 2012-13) the employee contributions.

The Security Intelligence Review Committee's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

#### (b) Severance benefits

The Security Intelligence Review Committee provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

As part of changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

| (in thousands of dollars)                             | 2014       | 2013  |
|---|------------|-------|
| <b>Accrued benefit obligation - Beginning of year</b> | <b>118</b> | 255   |
| Expense for the year                                  | (44)       | 56    |
| Benefits paid during the year                         | (48)       | (193) |
| <b>Accrued benefit obligation - End of year</b>       | <b>26</b>  | 118   |

### 6. Accounts receivable and advances

The following table presents details of the Security Intelligence Review Committee accounts receivable:

| (in thousands of dollars)                               | 2014      | 2013 |
|---|-----------|------|
| Receivables - Other government departments and agencies | 69        | 42   |
| <b>Total accounts receivable and advances</b>           | <b>69</b> | 42   |

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 7. Tangible capital assets

| (in thousands of dollars) | Cost            |              |                 | Accumulated Amortization |              |                 | Net Book Value |      |
|---------------------------|-----------------|--------------|-----------------|--------------------------|--------------|-----------------|----------------|------|
|                           | Opening Balance | Acquisitions | Closing Balance | Opening Balance          | Amortization | Closing Balance | 2014           | 2013 |
| Informatics hardware      | 62              | -            | 62              | 44                       | 8            | 52              | 10             | 18   |
| Informatics software      | 10              | -            | 10              | 5                        | 3            | 8               | 2              | 5    |
| Other equipment           | 54              | -            | 54              | 51                       | 2            | 53              | 1              | 3    |
|                           | 126             | -            | 126             | 100                      | 13           | 113             | 13             | 26   |



# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 9. Related party transactions

The Security Intelligence Review Committee is related as a result of common ownership to all government departments, agencies, and Crown Corporations. The Security Intelligence Review Committee enters into transactions with these entities in the normal course of business and on normal trade terms.

In addition, the Security Intelligence Review Committee has an agreement with Privy Council Office related to the provision of finance and administration services which is included in section b). During the year, the Security Intelligence Review Committee received common services which were obtained without charge from other government departments as disclosed below.

#### a) Common services provided without charge by other government departments

During the year, the Security Intelligence Review Committee received services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the Security Intelligence Review Committee's Statement of Operations and Departmental Net Financial Position as follows:

| (in thousands of dollars)  | 2014       | 2013       |
|--|------------|------------|
| Accommodation  | 245        | 312        |
| Employer's contribution to the health and dental insurance plans | 156        | 159        |
| <b>Total</b>   | <b>401</b> | <b>471</b> |

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the Security Intelligence Review Committee's Statement of Operations and Departmental Net Financial Position.

#### b) Other transactions with related parties

| (in thousands of dollars)                            | 2014 | 2013 |
|--|------|------|
| Expenses - Other government departments and agencies | 465  | 266  |

Expenses disclosed in (b) exclude common services provided without charge, which are already disclosed in (a).

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 10. Segmented information

Presentation by segment is based on the Security Intelligence Review Committee's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred for the main programs major object of expense. The segment results for the period are as follows:

| (in thousands of dollars)               | Complaints | Reviews      | Internal Services | 2014         | 2013         |
|---|------------|--------------|-------------------|--------------|--------------|
| <b>Expenses</b>                         |            |              |                   |              |              |
| Salaries and employee benefits          | 503        | 1,086        | 710               | <b>2,299</b> | 1,962        |
| Professional and special services       | 93         | 37           | 156               | <b>286</b>   | 477          |
| Accommodation                           | -          | -            | 245               | <b>245</b>   | 312          |
| Transportation and telecommunications   | 29         | 62           | 102               | <b>193</b>   | 205          |
| Acquisition of machinery and equipment  | -          | -            | 30                | <b>30</b>    | 32           |
| Purchased repair and maintenance        | -          | -            | 1                 | <b>1</b>     | 2            |
| Information                             | -          | 25           | 6                 | <b>31</b>    | 34           |
| Amortization of tangible capital assets | -          | -            | 13                | <b>13</b>    | 16           |
| Rentals                                 | -          | -            | 18                | <b>18</b>    | 26           |
| Utilities, materials and supplies       | -          | -            | 21                | <b>21</b>    | 24           |
| Other                                   | -          | -            | 56                | <b>56</b>    | 4            |
| <b>Total Expenses</b>                   | <b>625</b> | <b>1,210</b> | <b>1,358</b>      | <b>3,193</b> | <b>3,094</b> |

### 11. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

# Security Intelligence Review Committee

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2013-14

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### 1. Introduction

This document provides summary information on measures taken by the Security Intelligence Review Committee (SIRC or the Committee) 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 SIRC's authority, mandate and program activities can be found in its Departmental Performance Report (<http://www.sirc-csars.gc.ca/opbapb/dprmr/index-eng.html>) and Report on Plans and Priorities (<http://www.sirc-csars.gc.ca/opbapb/rpprpp/index-eng.html>) .

### 2. Departmental system of internal control over financial reporting

#### 2.1 Internal Control Management

SIRC recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and are well equipped to exercise these responsibilities effectively. SIRC's financial transactions are processed by the Privy Council Office's (PCO) within their financial system and are for the most part subject to the same control environment.

SIRC relies on PCO control measures to a large extent; but, also recognizes the importance of ensuring that it implements its own complementary measures. To this end, SIRC ensures that all managers with financial delegation have completed the appropriate training course prior to exercising their delegation. In addition, SIRC has modernized its delegation of authorities' matrix and is now fully compliant with PCO's recommended format.

- Values and ethics framework integrated risk management and on-going quality assurance and monitoring activities;
- A corporate risk profile that is updated annually;
- A risk-based internal audit plan which also covers planned audits related to business processes assessed under the Policy on Internal Control;
- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility;
- Integrated financial planning, forecasting and reporting processes including investment planning;
- Integrated risk management and on-going quality assurance and monitoring activities;
- On-going communication and training on statutory requirements, policies, and procedures for sound financial management and control; and,
- Monitoring and regular updates as needed on internal control management plus assessment results and action plan.

#### 2.2 Service Arrangements relevant to financial statements

SIRC relies on other organizations for the processing of certain transactions that are recorded in its financial statements, and relies on these service providers to ensure an adequate system of ICFR is maintained over services provided to SIRC.

##### Common Arrangements:

Government-wide pay and Receiver General central systems administered by Public Works and Government Services Canada (PWGSC). The central systems consist of six individual systems: Standard Payment System (SPS), Government Banking System (GBS), Regional Pay System (RPS), Payroll System-General Ledger (PS-GL), Receiver General-General Ledger (RG-GL), and the Central Financial Management Reporting System (CFMRS);

Accommodations provided without charge from PWGSC;

Various other services without charge from Treasury Board Secretariat (TBS), Human Resources and Skills Development Canada (HRSDC).

Information from TBS used to calculate various accruals and allowances, such as the accrued severance liability.



## Specific Arrangements:

SIRC's financial transactions are processed by the Privy Council Office's (PCO) within their financial system and are for the most part subject to the same control environment. These services are the subject of a MOU between the two organizations.

### 3. Departmental assessment results during fiscal year 2013-14

As part of the PCO's control framework, SIRC processes were reviewed. PCO's key findings and significant adjustments required from the current year's assessment activities are summarized below.

**New or significantly amended key controls** - There were no amended key controls in existing processes which required a reassessment.

**On-going monitoring program** - As part of its rotational on-going monitoring plan, PCO completed its reassessment of controls, including those affecting SIRC, related to the following key processes: Specimen Card and Deposits. Two significant remediation for the Specimen Card process and a minor one for both processes are required as follows:

- For the Specimen Card process, delegation is not to be provided permanently unless incumbent has successfully completed mandatory courses as required by the TB Policy on Learning, Training and Development. Also, when cost centers are requesting a new specimen card, the request should be written, such as in an e-mail, and the manager that is delegating is to be included on e-mail.
- For both of these processes, auditable evidence of verification is to be shown by initializing each document and dating it.
- Senior financial officers have been debriefed about these remediations.

## 4. Departmental action plan

### 4.1 Progress during fiscal year 2013-14

SIRC continues to rely on PCO's on-going monitoring according to the previous fiscal year's rotational plan as follows:

| Previous year's rotational on-going monitoring plan for current year | Status  |
|--|---|
| • Hospitality  | Deferred to fiscal year 2014-15 since efforts were redirected to the implementation of an automated Shared Travel System and due to significant changes in the Directive on Travel, Hospitality, Conference and Event Expenditures. |
| • Travel   | Deferred to fiscal year 2015-16 due to the implementation of an automated Shared Travel System in 2014-2015 and significant changes in the Directive on Travel, Hospitality, Conferences and Events Expenditure.                    |
| • Entity Level Controls  | Deferred to fiscal year 2014-15 due to a lack of resources and other competing priorities.  |

The monitoring of the hospitality and travel processes were replaced by the following two processes:

| Rotational on-going monitoring plan for current year | Status  |
|--|---|
| • Specimen Card                                      | Completed with 2 significant remediations and a minor one which were all implemented. |
| • Deposits   | Completed with minor remediation which was implemented.                               |

In 2013-14, SIRC conducted the following work in addition to the progress made in on-going monitoring:

- Begin efforts to further automated its information management system
- Begin efforts to automated the case management process

## 4.2 Action plan for the next fiscal year and subsequent years

PCO's rotational on-going monitoring plan, as it affects SIRC, over the next three years, based on an annual validation of the high risk processes and controls and related adjustments to the on-going monitoring plan as required, is shown in the following table:

| <b>Rotational On-going Monitoring Plan for Internal Control over Financial Reporting</b>                  |   |                                |                                |
|---|---|--------------------------------|--------------------------------|
| <b>Key Control Areas</b>  | <b>Operating Effectiveness Testing Rotation</b> |                                |                                |
|   | <b>Fiscal Year<br/>2014-15</b>                  | <b>Fiscal Year<br/>2015-16</b> | <b>Fiscal Year<br/>2016-17</b> |
| Entity Level Controls   | x   |                                |                                |
| Hospitality   | x   |                                |                                |
| Travel Authority and Advances   |   | x                              |                                |
| Travel Claims   |   | x                              |                                |
| Salaries and Wages  | x   |                                |                                |
| Goods and Services  |   |                                | x                              |
| Financial Delegation - Specimen Signature Card  |   |                                | x                              |
| Reconciliation - Public Works and Government Services Canada Pay System and PCO's Salary Forecasting Tool | x   |                                |                                |
| Accrued Receivables   |   |                                | x                              |
| Deposits  |   |                                | x                              |
| Accounts Payable at Year-End  | x   |                                |                                |
| Accounts Receivable at Year-End   | x   |                                |                                |
| Contingent Liabilities  | x   |                                |                                |
| Capital Assets  |   | x                              |                                |
| Budgets (new)   |   | x                              |                                |
| Vendor (new)  |   | x                              |                                |