

# SECURITY INTELLIGENCE REVIEW COMMITTEE

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

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2015, and all information contained in these statements rests with the management of the Security Intelligence Review Committee (SIRC). 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 SIRC's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada*, and included in SIRC'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 SIRC 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.

SIRC 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, SIRC has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 2015, 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 SIRC will be audited, but no opinion on their presentation will be available by September 3, 2015.

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Hon. Pierre Blais, P.C.  
Chair

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Michael E. Doucet  
Executive Director, Chief Financial Officer

Ottawa, Canada  
September 3, 2015

# SECURITY INTELLIGENCE REVIEW COMMITTEE

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

For the year ended March 31

(in thousands of dollars)	Planned Results 2015	2015	2014
<b>Expenses</b>			
Complaints	680	722	625
Reviews	1,358	1,262	1,210
Internal Services	1,281	1,320	1,358
<b>Total Expenses</b>	<b>3,319</b>	<b>3,304</b>	<b>3,193</b>
<b>Net cost of operations before government funding and transfers</b>	<b>3,319</b>	<b>3,304</b>	<b>3,193</b>
<b>Government funding and transfers</b>			
Net cash provided by Government		2,830	2,959
Change in due from the Consolidated Revenue Fund		142	(184)
Services provided without charge by other government departments (note 9)		400	401
Transfer of the transition payments for implementing salary payments in arrears (note 10)		(70)	-
<b>Net cost of operations after government funding and transfers</b>		<b>2</b>	<b>17</b>
<b>Departmental net financial position - Beginning of year</b>		<b>(86)</b>	<b>(69)</b>
<b>Departmental net financial position - End of year</b>		<b>(88)</b>	<b>(86)</b>

Segmented information (note 11)

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

SIRC 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.

SIRC derives its powers from *CSIS Act* promulgated on July 16, 1984. The first Chair and Members were appointed by His Excellency the Governor General on November 30, 1984. SIRC 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 SIRC, 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, SIRC 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 effectiveness, appropriateness and compliance. Develops an annual research plan identifying reviews to be conducted each year, provides a retrospective examination and assessment of specific CSIS investigations and operations, examines information concerning CSIS activities, assesses CSIS compliance, and issues findings and recommendations. In addition, SIRC reviews the CSIS Director's annual classified report to the Minister of Public Safety and provides the Minister with a certificate stating the extent to which it is satisfied with the content of the report.

The objective of this program is to provide Parliament, the Minister of Public Safety and Canadians with a comprehensive picture of CSIS's operational activities, and assurance that CSIS is acting lawfully.

#### *1.2 Complaints*

The purpose of the Complaints Program is to conduct investigations into complaints concerning CSIS made by either individuals or groups as per the *CSIS Act*. Under section 41 of the *CSIS Act*, SIRC investigates "any act or thing done by the Service"; under section 42, SIRC investigates complaints about denials of security clearances to federal government employees and contractors. SIRC may also conduct investigations in relation to referrals from the Canadian Human Rights Commission and Minister's reports in regards to the *Citizenship Act*.

If jurisdiction is established, complaints are investigated through a quasi-judicial hearing presided over by one or more Committee Members. On completion of a section 41 investigation, SIRC provides a report to the Director of CSIS and to the Minister of Public Safety, as well as a declassified version of the report to the complainant. On completion of a section 42 investigation, SIRC reports its findings and any recommendations to the Minister of Public Safety, the Director of CSIS and the Deputy Head concerned, and provides a declassified version of the report to the complainant.

#### *Internal Services*

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

# 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 SIRC's accounts payable:

(in thousands of dollars)	2015	2014
Accounts payable - External parties	242	126
Accounts payable - Other government departments and agencies	4	8
<b>Total accounts payable</b>	<b>246</b>	<b>134</b>

## 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	2015	2014
Informatics hardware	62	5	67	52	6	58	9	10
Informatics software	10	-	10	8	1	9	1	2
Other equipment	54	-	54	53	1	54	-	1
	126	5	131	113	8	121	10	13

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 9. Related party transactions (continued)

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 SIRC's Statement of Operations and Departmental Net Financial Position. The costs of information technology infrastructure services provided by Shared Services Canada, following the transfer of responsibilities in November 2011 are also not included in SIRC's Statement of Operations and Departmental Net Financial Position.

#### b) Other transactions with related parties

(in thousands of dollars)	2015	2014
Expenses - Other government departments and agencies	502	465

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

### 10. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of SIRC. However, it did result in the use of additional spending authorities by SIRC. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

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

SIRC's rotational on-going monitoring plan, as it affects SIRC based on over the next fiscal 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 2015-16</b>	<b>Fiscal Year 2016-17</b>	<b>Fiscal Year 2017-18</b>
Goods and Services		x	x
Travel Expenses		x	
Payroll			x
Financial Delegation	x		
Accounts Receivable		x	
Specified Purpose Accounts		x	
Accounts Payable at Year-End			x
Contingent Liabilities			x
Capital Assets	x		
Budgets Review Exercises	x		
Resource Allocation	x		
Vendors	x		
Other Operating Expenditures		x	
Departmental Net Asset (Liabilities)		x	

Changes occurred in the key control areas to ensure proper alignment with the Internal Control over Financial Reporting Framework.

# Security Intelligence Review Committee

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2014-15

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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/dprmmr/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 (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.

A departmental internal management control framework is in place which includes:

- Values and ethics framework;
- 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;
- Evidence of effective planning and reporting activities which includes multiple financial reviews and regular financial reporting to all managers including senior management;
- 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.

In the third quarter of fiscal year 2015-16, an audit will be completed by the Office of the Comptroller General of Canada, to ensure that core controls over financial management within SIRC result in compliance with key requirements contained in the corresponding legislation, Treasury Board (TB) policies, and directives. SIRC will complete and report on a comprehensive management action plan and seek the Committees approval of the 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:

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and the procurement of certain goods and services and provides accommodation services;
- On behalf of the employer, the Treasury Board Secretariat (TBS) provides SIRC with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- Shared Services Canada (SSC) provides IT infrastructure services to SIRC in the areas of data centre and network services. SSC also provides the service for the acquisition and provision of hardware and software for workplace technology devices to SIRC. The scope and responsibilities are addressed in the interdepartmental arrangement between SSC and SIRC.