

Management Response and Action Plan
Audit of Internal Controls over Financial Reporting and Financial Statement Readiness
June 2013

Recommendations	Management Response and Planned Management Action	Deliverables	Expected Completion Date	Responsibility
<p>Recommendation 1</p> <p><i>It is recommended that the Chief Financial Officer, in collaboration with the Assistant Deputy Minister, Corporate Services Branch, ensure that assurance can be obtained over the effectiveness of controls for systems (PeopleSoft and Regional Pay System) hosted and supported by Agriculture and Agri-Food Canada and Public Works and Government Services Canada respectively to ensure that these controls can be relied upon in the event of either a financial statement audit or a specific audit providing assurance on the effectiveness of the internal control over financial reporting for fiscal year 2013-14. (Assurance will also need to be obtained for the Grants & Contributions Information Management System once it is operational).</i></p>	<p>Management agrees with the recommendation.</p> <p>In the government context of hosting and shared services, it is important to deputies and chief financial officers to ensure that mechanisms are in place to receive means of assurance of controls managed on their behalf by other entities. Departments will not be seeking formal letters of assurance from one another until further direction is provided by the Office of the Comptroller General (OCG).</p> <p>Health Canada will continue to participate in the discussion and will implement the government strategy and approach as it evolves.</p>	<p>Memorandums of Understanding and/or service level agreements (SLAs) for the Aboriginal Affairs and Northern Development Canada/Health Canada SAP and the Grants and Contributions Information Management System hosting will include clear references to the service provider assurance on system controls by each host</p>	<p>June 30, 2014</p>	<p>Chief Financial Officer Branch (CFOB)</p>
	<p>Management will ensure that its various Memorandums of Understanding and/or Service Agreements clearly outline the authority of the user entity to obtain assurance over the effectiveness of controls conducted by a service organization. Discussions are still ongoing as to the best approach to obtain this assurance and options include: obtain assurance through third party auditor, directly perform internal audit in the service organizations, rely on internal audit work</p>	<p>CFOB will provide assistance to the Corporate Services Branch (CSB) in regards to obtaining assurance on the effectiveness of the systems controls for PeopleSoft</p>	<p>June 30, 2014</p>	<p>CSB</p>

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	<p>carried out at the service organizations and information reflected in their statements of management responsibility including Annex B or a combination thereof.</p>			
<p>Recommendation 2</p> <p><i>It is recommended that the Chief Financial Officer re-confirm the initial risk assessment for the significant business processes to ensure that the extent and nature of testing is appropriate in order to confirm the operating effectiveness and adequacy of remediation.</i></p>	<p>Management agrees with the recommendation.</p> <p>As outlined in the Risk-Based Monitoring Strategy, it is recognized that change in the inherent risk or control risk can influence the overall risk rating which will modify how frequently control testing is to be performed.</p> <p>This principle is being implemented as part of the ongoing risk-based monitoring phase starting in 2013-14.</p>	<p>Updated risk- based monitoring testing plan</p>	<p>September 30, 2013</p>	<p>CFOB-Internal Control Division</p>

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<p>Recommendation 3</p> <p><i>It is recommended that the Chief Financial Officer, in collaboration with the process owners, develop and implement remediation strategies to correct the risk control weaknesses identified as of March 31, 2013.</i></p>	<p>Management agrees with the recommendation.</p> <p>CFOB will continue its work to provide assurances to the Deputy Minister (DM) and the Departmental Audit Committee (DAC) members on the effectiveness of the Department's internal controls over financial reporting, recognizing that this is a continuous improvement evolution and it is never projected to have 100% effectiveness of all controls at all times. Management is prepared to accept some level of risk in this regard.</p> <p>The target is to provide a level of operating effectiveness assurance that senior management and DAC members are comfortable with and to ensure that the Department is "capable of producing financial statements that can withstand a control-based audit"¹. As such, CFOB will suspend the need for a controls-based audit of its 2013-14 financial statements unless further directed by the DM and/or the OCG.</p>	<p>Process owner remediation strategies</p>	<p>September 27, 2013</p>	<p>Business process owners and CFOB – Financial Operations Directorate (FOD)</p>
		<p>Remediation test plans and test results</p>	<p>September 27, 2013</p>	<p>CFOB - FOD</p>
		<p>Integrated ongoing monitoring testing status update</p>	<p>December 31, 2013</p>	<p>CFOB - FOD</p>

¹ Minutes from Standing Committee on Public Accounts, Comptroller General of Canada Treasury Board Secretariat October 21, 2010

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<p>Recommendation 4</p> <p><i>It is recommended that the Chief Financial Officer ensure that adequate supporting documentation be maintained, including appropriate justification for significant estimates, for the amounts reported in the financial statements.</i></p>	<p>Management agrees with the recommendation.</p> <p>With respect to supporting documentation for capital assets, Public Accounts and Policy Division - Financial Policy has developed a strategy to obtain appropriate supporting documentation to support the original cost and acquisition date of all capital assets.</p>	<p>Sufficient documentation to support the cost and acquisition date for all capital assets reported as at March 31, 2013</p>	<p>September 30, 2013</p>	<p>CFOB – FOD/Public Accounts and Policy Division (PAPD)</p>
	<p>All significant amounts reported in the financial statements are appropriately justified with sufficient supporting documentation in the annual audit substantiation binder. The documentation includes analyses and detailed information relative to the sufficiency and appropriateness of the allowance for doubtful accounts which will be enhanced this year in line with the audit recommendation.</p>	<p>Annual audit substantiation binder which provides adequate supporting documentation for the amounts reported in the financial statements</p>	<p>September 30, 2013</p>	<p>CFOB – FOD/PAPD</p>