

Courts Administration Service

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

2014-15

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1 INTRODUCTION

This document provides summary information on the measures taken by the Courts Administration Service to maintain an effective system of internal control over financial reporting, including information on internal control management, assessment results and related action plans.

Detailed information on the Courts Administration Service's authority, mandate and programs can be found in the [*2014-15 Departmental Performance Report*](#) and [*2014-15 Report on Plans and Priorities*](#).

2 DEPARTMENTAL SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING

2.1 Internal control management

The Courts Administration Service has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the Deputy Head, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management, including roles and responsibilities of senior managers in their areas of responsibility for control management;
- Values and ethics;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Semi-annual monitoring of and regular update on internal control management, as well as the provision of related assessment results and action plans to the Deputy Head, departmental senior management and the Departmental Audit Committee.

The Departmental Audit Committee provides advice to the Deputy Head on the adequacy and functioning of the department's risk management, control and governance frameworks and processes.

2.2 Service arrangements relevant to financial statements

The Courts Administration Service relies on other organizations for the processing of certain transactions that are recorded in its financial statements as follows.

Common Arrangements

- Public Works and Government Services Canada centrally administers the payments of salaries and the procurement of goods and services in accordance with the Courts Administration Service's Delegation of Authority, and provides accommodation services;
- The Treasury Board of Canada Secretariat provides the Courts Administration Service with information used to calculate various accruals and allowances, such as the accrued severance liability; and
- The Department of Justice Canada provides legal services to the Courts Administration Service.

3 DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2014-15 -

During 2014-15, the Courts Administration Service completed the design and operating effectiveness testing of all but one of its key control areas. Ongoing monitoring was implemented in accordance with the approved action plan.

3.1 Design effectiveness testing of key controls

In 2014-15, the Courts Administration Service completed design effectiveness testing of key controls related to the payroll business process. An audit was completed in 2014-15, which included both the design and operating effectiveness testing of this business process. The results of the audit are included in section 3.2 below.

3.2 Operating effectiveness testing of key controls

In 2014-15, the Courts Administration Service completed operating effectiveness testing of its entity level controls (ELCs), information technology (IT) general controls (ITGCs), and key controls associated with the payroll business process.

Overall, the ELCs and ITGCs were determined to be operating as intended during the specified assessment periods. However, opportunities for improvement were noted.

As a result of operating effectiveness testing of ELCs, the Courts Administration Service identified the following remediation actions:

- Update the Courts Administration Service's intranet site on a more timely basis;
- Improve annual ELC communications to employees;
- Enhance documentation of procedures and internal controls; and
- Ensure the completion of mandatory or required employee training.

As a result of operating effectiveness testing of ITGCs, the Courts Administration Service identified the following remediation actions:

- Improve security by strengthening access controls;
- Enhance documentation retention for termination notifications, completed back-ups, and approvals from the Change Management Board meetings; and
- Conduct annual review to ensure that authorization is granted for source code changes to in-house developed software.

The results of these assessments were reported to senior management, along with required remediation action plans. Remediation activities are advanced in these control areas.

The *Audit of Internal Controls over Salaries and Employee Benefits* was conducted during 2014-15. The objective of the audit was to provide assurance that adequate payroll controls are in place and

functioning effectively within the Courts Administration Service to ascertain the integrity of pay transactions including leave and overtime transactions.

The audit found that overall the Courts Administration Service has an appropriate organizational structure and processes in place to ensure that salaries and employee benefits are processed adequately. However, the audit identified the following remediation actions:

- Formalize key performance indicators for improved management information and oversight;
- Implement additional training to reinforce controls and reduce the risk of errors;
- Monitor the implementation of the planned online system for the recording of overtime to ensure consistent implementation across the organization; and
- Improve the timeliness and documentation of human resources files.

These findings were presented to senior management and the Departmental Audit Committee in March 2015.

3.3 Ongoing monitoring of key controls

In 2014-15, the Courts Administration Service completed ongoing monitoring activities of the key controls associated with the financial statements and procure-to-pay business processes. The planned ongoing monitoring activities included following up with process owners on actions taken in response to previous assessments.

The majority of required remediation actions identified in previous assessments were completed in 2014-15. However, as a result of ongoing monitoring, the Courts Administration Service identified the following remediation actions:

- Review and update documented procedures to ensure they are kept current;
- Improve documentation in some areas, including records of decision;
- Continue to improve the asset recording process;
- Review controls for tagging and tracking;
- Conduct a physical inventory count; and
- Assess for new or changed controls.

4 DEPARTMENTAL ACTION PLAN

4.1 Progress during fiscal year 2014-15

During 2014-15, the Courts Administration Service continued to make significant progress in assessing and improving its key controls. The following table summarizes the department's progress based on the plans identified in the previous fiscal year's annex.

Element in previous year's action plan	Status
Entity level controls: Operating effectiveness testing	Operating effectiveness completed, and remediation of operating deficiencies advanced.
IT general controls: Operating effectiveness testing	Operating effectiveness completed, and remediation of operating deficiencies advanced.
Payroll business process: Design and operating effectiveness testing	Design effectiveness and operating effectiveness testing completed. Remediation of deficiencies advanced.
Financial statements business process: Ongoing monitoring	First year of ongoing monitoring activities completed, and remediation has started.
Procure-to-pay business process: Ongoing monitoring	Second year of ongoing monitoring activities completed, and remediation has started.

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

Building on progress to date, the Courts Administration Service is positioned to complete the full assessment of its system of internal control over financial reporting in 2015-16. At that time, the department will be applying its rotational ongoing monitoring plan to reassess control performance on a risk basis across all control areas. The status and action plan for the completion of the identified control areas for the next fiscal year and for subsequent years are shown in the following table.

Key control areas	Design effectiveness testing and remediation	Operational effectiveness testing and remediation	Ongoing monitoring rotation
Entity level controls	Complete	Complete	2015-16
IT general controls	Complete	Complete	2015-16
Procure-to-pay	Complete	Complete	Started in 2013-14
Payroll/salaries	Complete	Complete	2015-16
Deposit accounts	2015-16	2015-16	2015-16
Financial statements	Complete	Complete	Started in 2014-15