

**2016–17 Annex to the  
Statement of Management Responsibility,  
Including Internal Control  
over Financial Reporting**



Office of the  
Auditor General  
of Canada

Bureau du  
vérificateur général  
du Canada

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Cat. No. FA1-14/1E-PDF

ISSN 2291-0107

# **2016–17 Annex to the Statement of Management Responsibility, Including Internal Control over Financial Reporting**

## **1 Introduction**

This document provides summary information on the measures taken by the Office of the Auditor General of Canada 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 Office’s authority, mandate, and program activities can be found in the 2016–17 Departmental Results Report and the 2017–18 Departmental Plan at [www.oag-bvg.gc.ca](http://www.oag-bvg.gc.ca).

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

### **2.1 Internal control management**

The Office has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental framework for internal control management 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 control management areas;
- values and ethics that guide and support employees in their professional activities;
- ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- regular monitoring and updates on internal control management, as well as the provision of related assessment results and action plans to the Auditor General, senior management, and, as applicable, the Audit Committee.

The Office’s Audit Committee meets quarterly and provides advice to the Auditor General on the adequacy and functioning of the Office’s risk management, control, and governance frameworks and processes.

### **2.2 Service arrangements relevant to financial statements**

To process certain transactions recorded in our financial statements, the Office relies on Public Services and Procurement Canada, which centrally administers the payment of salaries and invoices, and provides accommodation services.

## 3 Departmental assessment results during the 2016–17 fiscal year

### 3.1 Previous fiscal year's areas for improvement

As part of our 2016–17 assessment, we followed up on areas for improvement identified in past assessments. We found that remedial actions were taken in many of the areas identified. Remedial actions are also under way to address outstanding observations, which mainly relate to information technology (IT) general controls.

### 3.2 Assessment results

The work performed, key findings, and areas for improvement identified as part of the 2016–17 assessment of ICFR are as follows:

**New or significantly amended key controls.** In the 2016–17 fiscal year, there were no new or significantly amended key controls in existing processes requiring reassessment, except for the payroll processing controls as a result of the implementation of a new government-wide pay system.

**Ongoing monitoring program.** The Office conducted ongoing monitoring according to its rotational plan. As part of this work, the Office evaluated entity-level controls and IT general controls. We tested the operating effectiveness of controls for processing payroll and operating expenses, and the design and implementation of controls for other business processes.

#### Areas for improvement

- **Processing controls.** Improvements are being made to address the observations noted in our evaluation of payroll processing controls. The observations mainly pertained to the need to strengthen the efficiency of controls by improving procedures and related documentation.
- **IT general controls.** Areas for improvement were identified for applications that support financial reporting. Action plans have been developed to address the recommendations, and remedial actions are under way.

Despite the areas for improvement identified in the 2016–17 fiscal year, the Office did maintain an effective system of ICFR, as effective mitigating controls are in place to reduce the risk of material misstatement in financial reporting to an appropriately low level.

## 4 Action plan for the next three fiscal years

The following table shows the Office's rotational ongoing monitoring plan over the next three fiscal years. This plan will be revisited annually based on the validation of high-risk processes and controls.

### Rotational ongoing monitoring plan

Key control areas	2017–18	2018–19	2019–20
Entity-level controls	✓	✓	✓
IT general controls	✓	✓	✓
Payroll	✓	✓	
Operating expenses			✓
Revenues	✓		
Year-end reporting	✓		