



Canadian Space Agency
Agence spatiale
canadienne



MANAGEMENT ACTION PLANS FOLLOW-UP

**Annual Report
as at March 31, 2007**

Audit, Evaluation and Review Directorate

June 2007

Table of Contents

IMPLEMENTATION SUMMARY3

AUDIT OF THE EXERCISE OF FINANCIAL AUTHORITY.....4

OPENING BALANCES.....5

TRAVEL EXPENSE MANAGEMENT.....6

FINANCIAL MANAGEMENT INFORMATION.....7

ACQUISITION CARD PROGRAM.....8

MANAGEMENT FRAMEWORK, SPACE TECHNOLOGIES BRANCH.....9

AUDIT-CANADA/ESA CO-OPERATION AGREEMENT10

AUDIT – G&C PROGRAM TO SUPPORT AWARENESS, RESEARCH AND TRAINING IN SPACE SCIENCE AND TECHNOLOGY11

MANAGEMENT FRAMEWORK, DAVID FLORIDA LABORATORY DIRECTORATE.....13

EVALUATION-CANADA/ESA CO-OPERATION AGREEMENT14

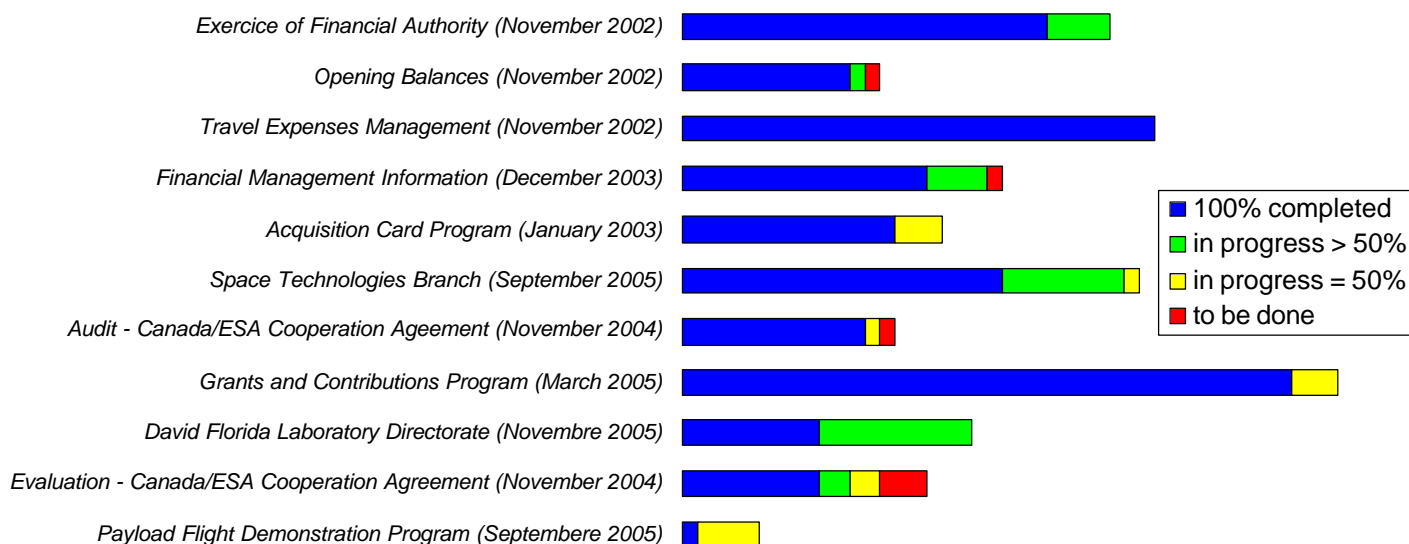
EVALUATION – PAYLOAD FLIGHT DEMONSTRATION PROGRAM (PFDP)15



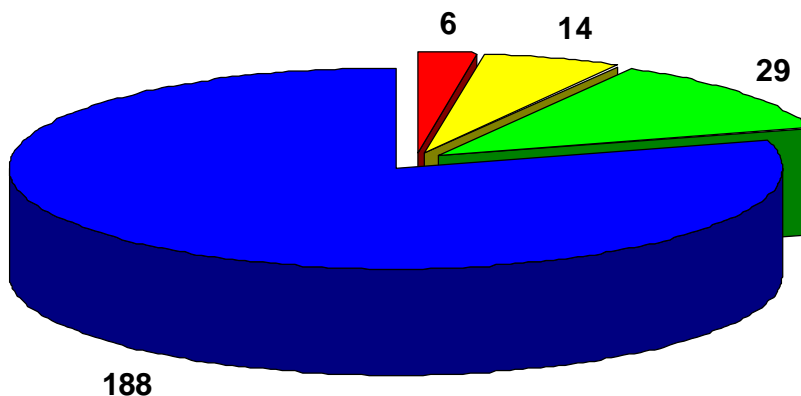
IMPLEMENTATION SUMMARY

This follow-up report on the implementation of management action plans concludes the internal audit process and program evaluation, and outlines the measures taken by various responsible entities in response to our findings and recommendations. Under the follow-up process in effect, management action plans are to be reviewed annually until they are fully implemented and the extent of implementation is to be assessed and reported to the Audit and Evaluation Committee.

This annual report contains the follow-up findings as at March 31, 2007, for nine audit projects and two evaluation projects, for which reports and management action plans were submitted to and approved by the Audit and Evaluation Committee.



The following pages set out in detail the progress of the action plans for each of the audit and evaluation projects.



Audit project: 01/02 01-01

AUDIT OF THE EXERCISE OF FINANCIAL AUTHORITY

Audit project objective

This audit sought to determine the extent to which the CSA was meeting its financial management responsibilities, especially with regard to the monitoring requirements set out in sections 32, 33 and 34 of the *Financial Administration Act* (FAA) and other Treasury Board requirements for delegating financial authority, committing expenditures, certifying contract performance and verifying accounts for payment purposes.

Nature of recommendations

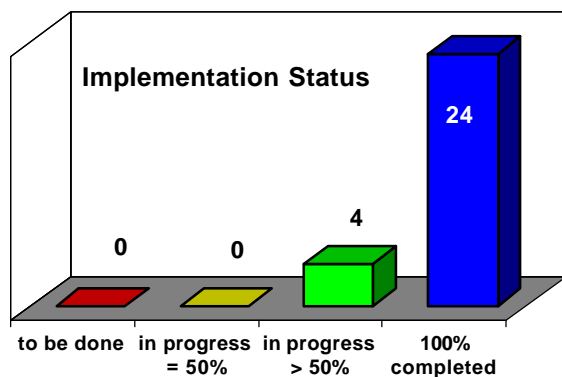
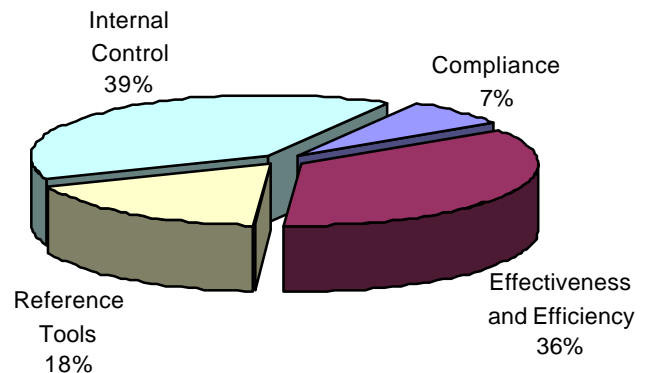
In November 2002 we reported that, overall, financial authority was properly exercised. Expenditures were committed and certified in compliance with sections 32 and 34 of the FAA and independent financial officers verified accounts for payment purposes in accordance with section 33.

However, a number of recommendations were made to consolidate the control framework and improve the effectiveness and efficiency of operations.

Implementation status

Most action plan components that were under way and completed to varying degrees on March 31, 2006, are still in progress.

Management has not yet satisfactorily followed through on the recommendation to provide coaching (explanations and descriptions) relative to the type and extent of delegated financial authorities. It intends to modify signature specimens to include useful information so as to facilitate understanding by managers when the specimens are updated each year.



The sample audit of the changes made to pay files to comply with section 33 of the FAA is still scheduled but has yet to be implemented.

Payment of interest on the due date when the Agency is behind with its payments to suppliers has not yet been automated. In view of the work in progress, management expects that functionality to be operational by July 2007.



Audit project: 01/02 01-04

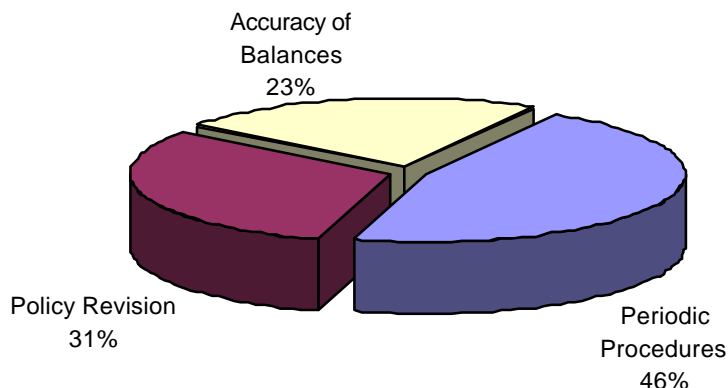
OPENING BALANCES

Audit project objective

In the framework of FIS implementation, the establishment of opening balances as of April 1, 2001 was the starting point for recording and accounting under the new accounting standards. The purpose of this project was to ensure that the opening balances had been correctly established and recorded in compliance with the new accounting standards.

Nature of recommendations

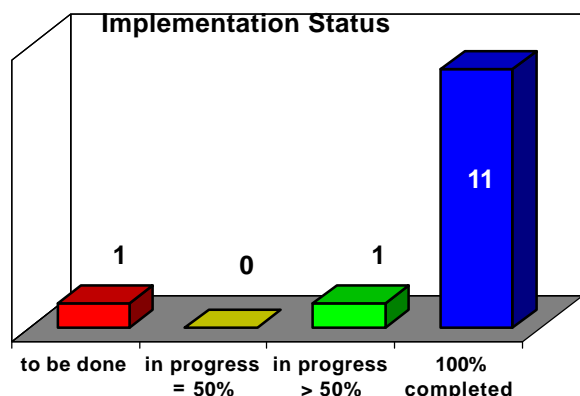
It was pointed out in the audit report submitted in November 2002 that the opening balances as at April 1, 2001, as reviewed and corrected with the participation of the Receiver General and the Treasury Board Secretariat, complied with requirements. However, we submitted recommendations to the Finance Directorate to the effect that the accuracy of audit balances could be guaranteed throughout the year by validating the balances of certain accounts, setting up periodic account analysis procedures and making effective policies available to the staff.



Implementation status

The Finance Directorate has put into effect almost all components of its action plan.

Review of the *Policy on the Accounting Treatment of Tangible Capital Assets*, to ensure it includes appropriate guidelines concerning the identification and compilation of capitalizable costs, is being completed. That work is going forward in parallel with work in progress on the development of the long-term capital plan, project costing and the use of appropriations.



The value of the inventory in the Agency's possession has, however, not yet been determined. Accounting principles require this to be done in order to evaluate it in relative terms and include its value in the financial statements if appropriate.

This work is all the more important in that the Agency is required to prepare financial statements and that these statements will soon have to be audited annually.



Audit project: 01/02 01-05

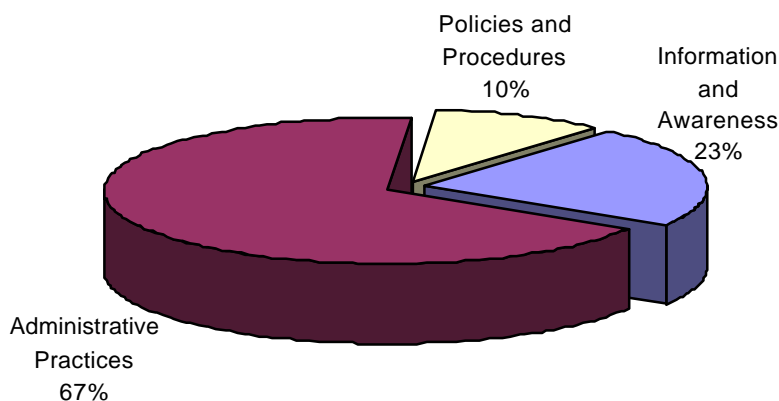
TRAVEL EXPENSE MANAGEMENT

Audit project objective

The objective of this audit project was to assess to what extent the management framework for travel expenses contributes, in an effective, efficient and economic manner and in accordance with Treasury Board policies and guidelines, to the implementation of CSA’s program and the achievement of its objectives.

Nature of recommendations

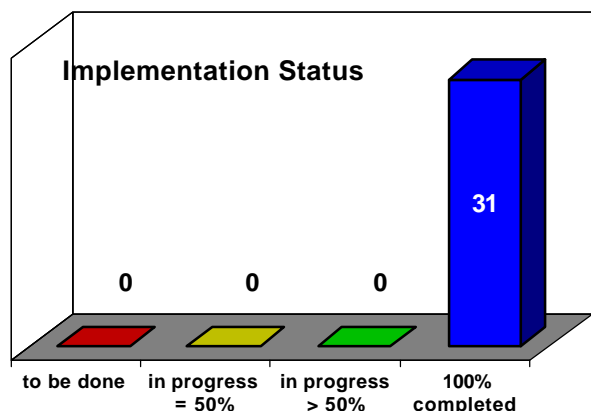
Travel is generally conducted in an economical and reasonable manner and so as to reduce its financial impact on CSA. We reported, however, that we had uncovered enough irregularities to be able to conclude that travel directives are imperfectly understood at CSA, both by travellers and by the managers who approve their travel and authorize their travel expense claims. A number of recommendations were made to raise staff awareness and induce them to comply with policy and procedures, and adopt effective and efficient procedures.



Implementation status

Responsibility for the action plan has been assumed by the Finance Directorate, even though in large measure the recommendations were intended for all Agency personnel.

Because of the *Travel Directive* issued in October 2002 and the new Government Travel Service, the travel policies and procedures in effect at the Agency at that time have become obsolete. Although management had undertaken to do an in-depth review (or redesign) of all Agency travel policies, they now consider the provisions of the *Travel Directive* a sufficient framework for travel administration.



The Finance Directorate also believes that the centralized processing of expense claims and the weekly information sessions help ensure that claims are processed in accordance with the *Travel Directive*. Management considers that there is no particular expectation in terms of travel management that would necessitate the publication of a corporate policy in that regard. As this was the only element of the action plan that was pending, we consider implementation of the management action plan complete.



Audit project: 01/02 01-06

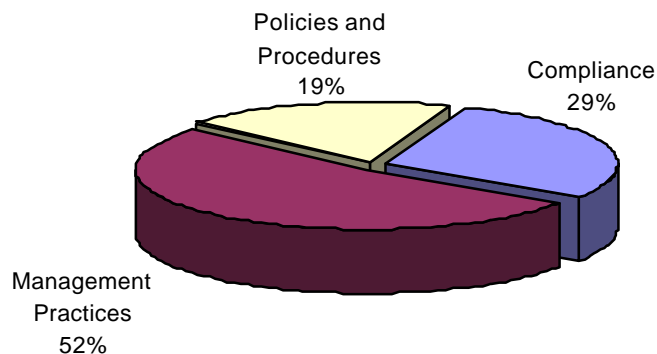
FINANCIAL MANAGEMENT INFORMATION

Audit project objective

The objective of this audit project was to assess to what extent employees entrusted with financial management responsibilities have timely access to sufficient high-quality information to enable them to fulfil their responsibilities, and whether this information is obtained by efficient means.

Nature of recommendations

The December 2003 audit contained recommendations intended to increase CSA's financial management capacity. We reported that the Finance Directorate ought to take various types of action to provide managers at all levels of management with greater support in discharging their financial management responsibilities.

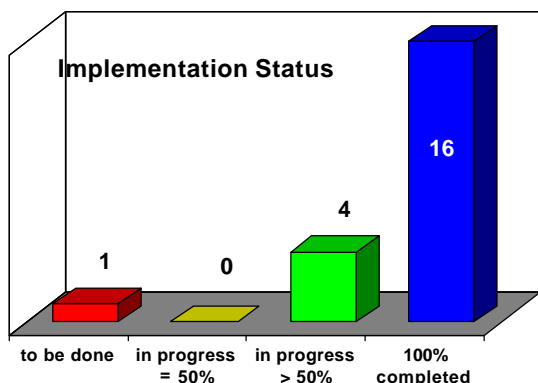


Implementation status

The Finance Directorate has given effect to the components of the action plan intended to enable more rigorous management of the chart of accounts and to develop a coding structure in line with coding requirements and suited to the operations performed at the Agency. The chart of accounts has been thoroughly reviewed and now enables the identification and classification of operations in terms of their relation to strategic outcomes; it will also help strengthen project financial management. It only remains to record all of this in a review of the *Financial Coding Policy* and the *Policy on the Accounting Treatment of Tangible Capital Assets*.

Great efforts were made in 2004–2005 to review appropriations to bring them into line with the nature of the operations they relate to. That review was completed during fiscal 2005–2006. Management intends to carry through the initiatives already begun to improve staff understanding of appropriations by making them the subject of a policy.

The Finance Directorate has taken advantage of the development of the new version (SAP 4.7) of the corporate financial system to promote the system and take corrective measures to fulfil financial management requirements and those of managers.



During 2006–2007, the Finance Directorate undertook to draft a corporate expenditure forecasting and tracking policy. At the same time, some effort went into developing functionalities in the corporate financial system to meet the needs of managers and senior management. Because it lacks certain financial data, such as forecasts, some users compensate by using complementary systems, while others simply try to get by without appropriate financial management tools.



Audit project: 02/03 01-03

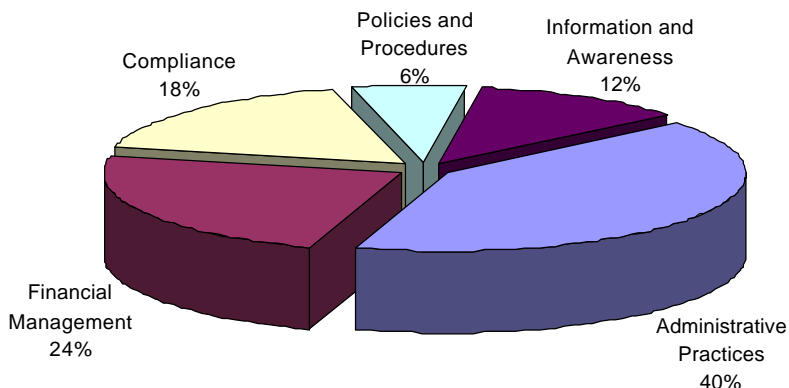
ACQUISITION CARD PROGRAM

Audit project objective

The audit project objective was to ensure that the Agency carried out its acquisition card management responsibilities properly and effectively. The audit also assessed the appropriateness of the management framework as well as compliance with related TBS requirements.

Nature of recommendations

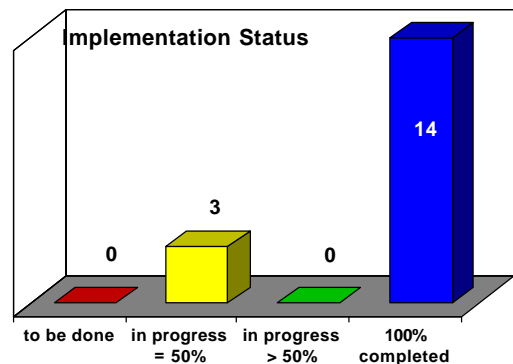
In January 2003, we reported that acquisition cards were an appropriate tool and suited to modern management practices. They can also considerably lighten the workload in the Contracts Division, with nearly 5,500 transactions being made by acquisition cardholders per year, worth an average of \$415. We also mentioned that practices had changed since acquisition cards were introduced in 1999 and that some practices should be reviewed to tighten up the management framework. We also felt that special attention should be devoted to the administrative aspect of transactions and that a reminder should be sent to key staff members (managers and cardholders) to make them aware of their responsibilities.



Implementation status

On January 29, 2007, it was decided to use the acquisition card module developed by the SAP cluster group (CORE SAP). As indicated below, implementation of this module will enable action to be taken on the three pending recommendations of the action plan.

- The policy and procedures on acquisition cards will be thoroughly reviewed to reflect the new approach.
- A communications plan on the new procedures will be developed and training sessions for acquisition card holders will be set up.



- A working committee on acquisition cards has been set up. Among other things, it will look at the follow-up method and the procedures to be implemented to ensure that all purchases of goods in excess of \$1,000 or attractive goods are recorded in the SAP inventory module. One of the main benefits of the new module on acquisition cards is that it will give the departmental acquisition cards co-ordinator access to a list of all transactions. A review of these transactions could be done regularly.

Given the recent progress in the acquisition card program, we agree to a postponement until June 30, 2007; we shall confirm implementation of the three pending recommendations during the next audit follow-up.



Audit project: 03/04 01-01

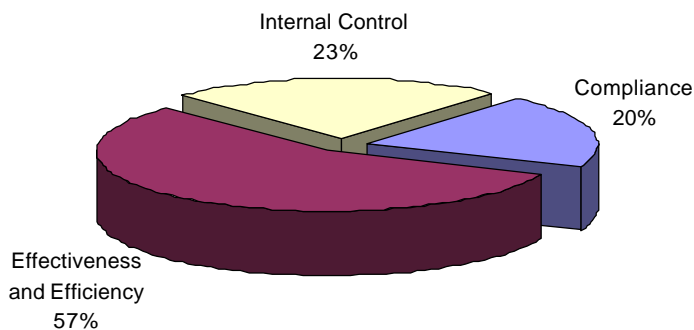
MANAGEMENT FRAMEWORK, SPACE TECHNOLOGIES BRANCH

Audit project objective

The objective of this audit project was to evaluate the extent to which elements of the Space Technologies Branch’s management framework concerning governance, operations and information systems allow the Branch to fulfil its mandate, carry out its operations effectively, efficiently and economically while complying with requirements prescribed by Acts, regulations and policies, and protect and account for the use of resources.

Nature of recommendations

In a context in which the focus is on results, we believe it is important that significant steps be taken to strengthen the management framework of the Space Technologies Branch. These improvements concern fundamental elements of the Branch’s management framework. Some measures will have to be implemented by the Branch itself, while others will fall to the appropriate corporate services sectors.



Implementation status

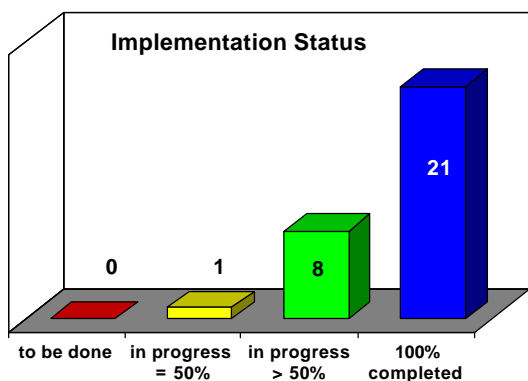
Management has given effect to the findings and recommendations that sought to ensure that certifications under section 34 of the FAA were duly delivered. Also, the requirements in the area of appropriations have been reviewed to bring them into line with the nature of the operations and expenditures contemplated. The chart of accounts has been adjusted in the light of the activities and projects requiring financial monitoring. Interdepartmental operations are now subject to the appropriate accounting treatment, and the parties’ roles and responsibilities will henceforth be governed by a formal agreement.

Management is still working to implement the portions of the action plan introduced in 2006–2007 that focus on making staff aware of the link between their programs and the strategic outcomes sought by the Agency and ensuring that all their programs contain a performance measurement

framework and that their performance is periodically reported. Management frameworks are expected to be established soon for most programs.

Management is continuing to study delivery modes for these frameworks. Adjustments have already been made to the administrative mechanisms. Management is awaiting the results of the review of the *Policy on Transfer Payments* now under way to finalize its analysis and make the final adjustments.

As regards to the development of a corporate time management system, the needs of core functions will be evaluated and recommendations made to the CIMIS committee in 2007–2008.



Audit project: 04/05 01-01

AUDIT – CANADA/ESA COOPERATION AGREEMENT

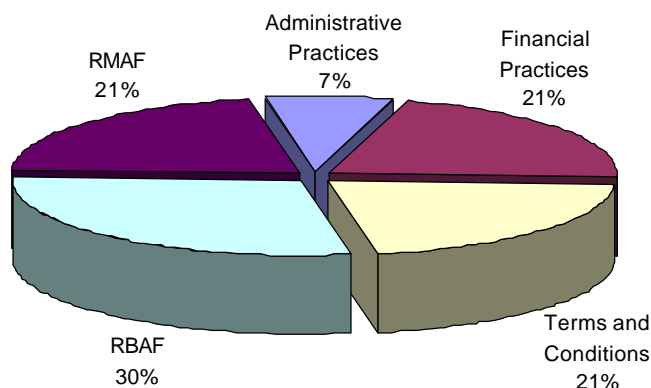
Audit project objective

The audit project objective was to ensure that the systems and procedures for all aspects of program management were effective, efficient and economical. We examined components of the Canada/ESA Cooperation Agreement in effect during fiscal year 2003–2004.

Nature of recommendations

In November 2004, we reported that implementation of the audit report recommendations would allow the program manager to carry out his or her duties more effectively, especially with respect to compliance with program policies and conditions, decision-making and accountability. We recommended, among other things, that:

- complete administrative records for each optional program be retained,
- a process for consultations with industry be put in place,
- ESA's accumulated appropriations be monitored,
- a mechanism for minimizing the risks of fluctuations in exchange rates be implemented, and
- the Risk-Based Audit Framework (RBAF) and the Results-Based Management and Accountability Framework (RMAF) be implemented.

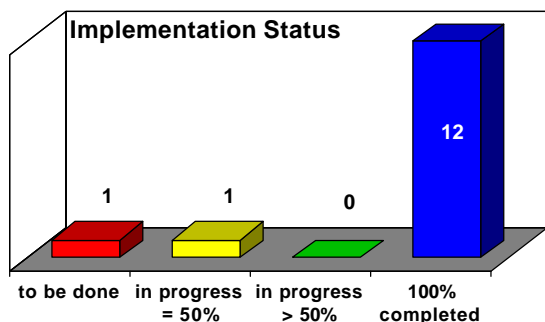


Implementation status

Management has implemented all the measures related to administrative and financial practices, such as updating the evaluation criteria in the Program Approval Document (PAD), setting up a financial monitoring system for contributions granted to optional programs, and more stringent monitoring of ESA's accumulated appropriations. Moreover, comprehensive administrative files for each of the optional programs are now being kept, either in hard copy or in electronic form.

Management has also set up a risk management committee that looks at the financial and non-financial risks associated with management of the ESA program as called for in the RBAF.

While the RMAF as approved has not been implemented, management has begun to develop a policies and procedures manual for the program, containing in particular a questionnaire to be completed by companies that have received ESA contracts.



Audit project: 04/05 01-02

AUDIT – G&C PROGRAM TO SUPPORT AWARENESS, RESEARCH AND TRAINING IN SPACE SCIENCE AND TECHNOLOGY

Audit project objective

The purpose of this audit project was to assess the degree to which current systems, procedures and resources relative to all aspects of the Program’s management were effective, efficient and economical.

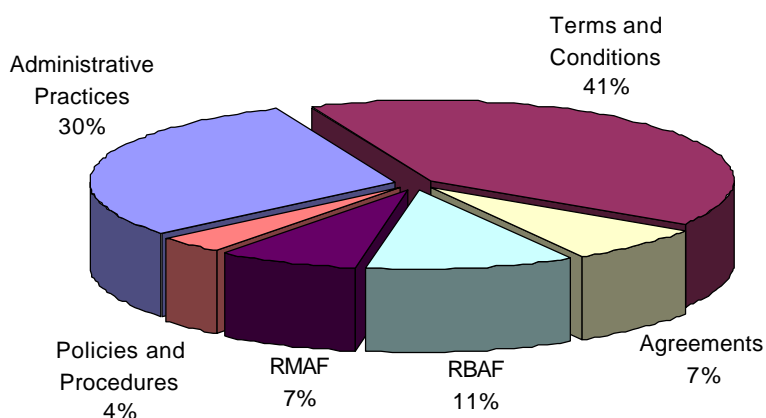
The Risk-Based Audit Framework (RBAF) of this G&C program stated that an audit of the program, including both the grant and contribution components, as well as a review of the risk management plan, would be conducted in the second year of the program.

Nature of recommendations

We reported in June 2005 that certain sectors were keeping administrative files to ensure a satisfactory audit trail, while others needed to pay particular attention to the administrative files kept for each recipient. We also noted that improvements could be made in certain sectors with respect to the verification of claims and recipient eligibility.

Furthermore, despite the fact that most of the risks listed in the RBAF had not been systematically reviewed, appropriate mitigation measures had been implemented in certain sectors for many of the risks identified. As regards the RMAF, we noted that, in general, no data-gathering system had been established to measure program performance.

With respect to the accounting services, we recommended that the required procedures be implemented to ensure that account verification was done in accordance with the policy in that regard.

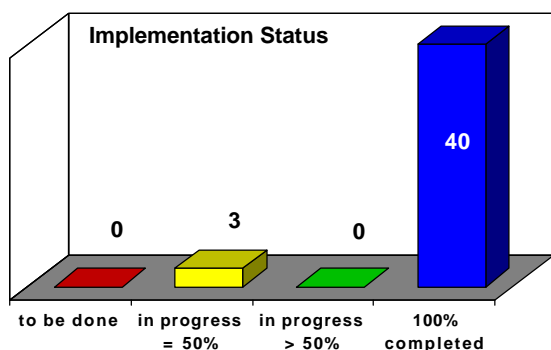


Implementation status

Management of the various sectors involved in implementing the action plan have taken a number

of measures to respond to most of the recommendations in the audit report. Some administrative practices have been modified to provide a satisfactory audit trail, to ensure compliance with program terms and conditions and to properly verify recipients’ eligibility.

As regards the RBAF, the various sectors are now regularly reviewing all the risks identified and implementing appropriate mitigation measures.



As regards program performance measurement, the various sectors have implemented data gathering systems to measure expected outcomes as called for in the RMAF. In most cases, the information has been obtained by means of surveys sent to recipients. The information obtained was then compiled and analysed to determine whether the expected outcomes had been achieved. On the other hand, two items related to the recommendations pertaining to the RMAF are still pending, namely:

- One branch has yet to complete the review of longer-term expectations included in the RMAF to determine whether they are still relevant. This will be looked at during the formative evaluation of the program now under way.
- One directorate has prepared survey questionnaires, which have been sent to recipients. However, these questionnaires do not allow the program manager to collect all the information required to measure all expected outcomes prescribed in the RMAF. Furthermore, following the information gathering, no compilation or analysis was done to determine whether the expected outcomes prescribed in the approved RMAF had been achieved.

Also, there is still work to be done on account verification. Due to a lack of resources, the Finance Directorate has not revised the *Account Verification Policy*. That revision will be done by October 31, 2007. It will include a reassessment of the risks associated with G&C payments aimed at adjusting the audit sample percentage. In the meantime, accounting clerks are paying special attention to all G&C payments. When in doubt, they refer to the program's approved terms and conditions (T&C) pertaining to recipient eligibility and request additional information from the sector financial officer as required. Moreover, the audit being done does not include a systematic review of files kept in the sectors.



Audit project: 04/05 01-03

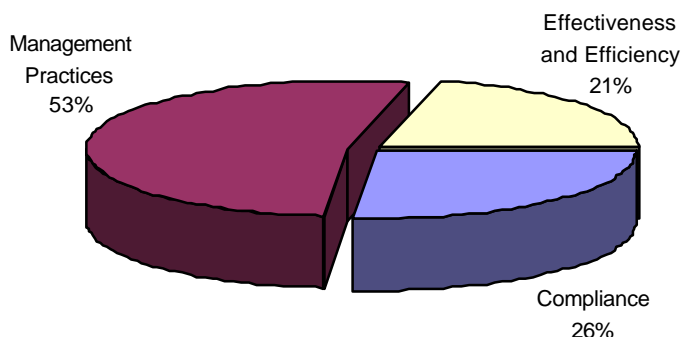
MANAGEMENT FRAMEWORK, DAVID FLORIDA LABORATORY DIRECTORATE

Audit project objective

The audit project objective was to evaluate the extent to which governance, operations and information systems elements in the David Florida Laboratory (DFL) Directorate’s management framework allow the DFL to fulfil its mandate, carry out operations effectively, efficiently and economically, while complying with requirements prescribed by Acts, regulations and policies, and protect and account for the use of resources.

Nature of recommendations

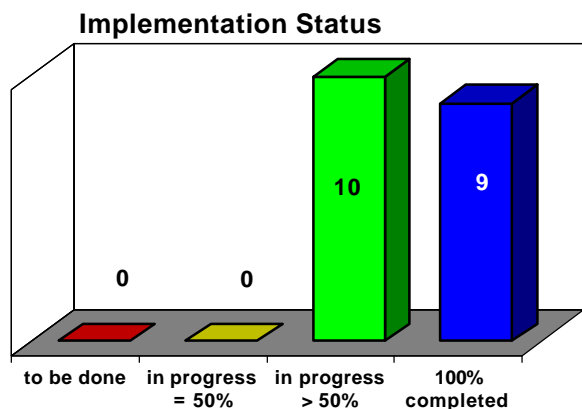
Our observations and recommendations to management focused on improving financial information quality, demonstrating transparency and equity when levying external user fees, and managing accounts receivable more rigorously.



Implementation status

The David Florida Laboratory Directorate and the Finance Directorate immediately set about implementing the action plan they had proposed. Thus, most of the pending accounts receivable were collected, financial needs in terms of parliamentary appropriations were reviewed and brought into line with operations, and interdepartmental operations are now subject to the prescribed accounting treatment.

Costing of the services provided by the DFL is practically complete, while the results of the study to establish the market value of services comparable to those offered by the DFL have been provided to the Directorate. Management expects to have a new fee schedule toward the end of the first quarter of 2007–08. Comparing practices with policies and procedures should result in a revision of the latter, if appropriate, and staff involved in billing and collection of accounts receivable procedures should be reminded of their roles and responsibilities. We should also mention the initiation of a review of expenses recorded since April 1, 2001, whose purpose is to trace miscoded disbursements and to make the appropriate corrections to asset accounts.



The drafting of the long-term capital plan is under way. A first draft was submitted to TBS in November 2006 and another is expected to be submitted by March 31, 2007.



Evaluation project: 04/05 02-02

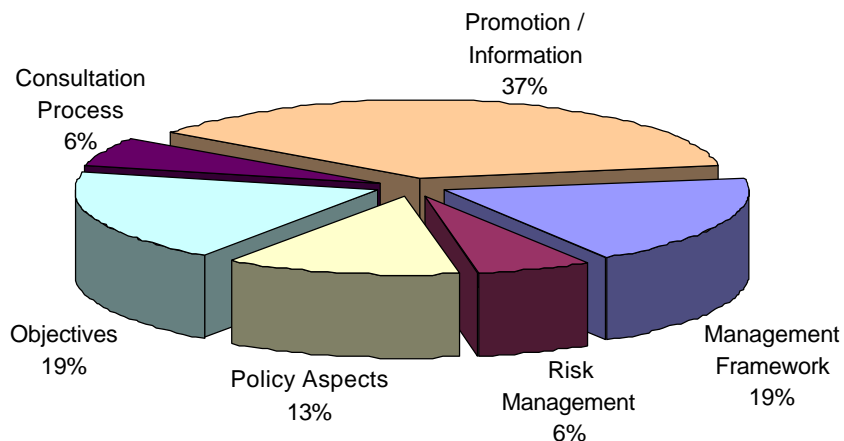
EVALUATION – CANADA/ESA COOPERATION AGREEMENT

Evaluation project objective

The project objective was to provide management with an evaluation of the attainment of set objectives as well as a report on the results of the Canada/ESA Cooperation Agreement. We looked at the management framework to ensure it was adequate and met central agency requirements and that the financial and operational controls were being applied with sufficient rigour.

Nature of recommendations

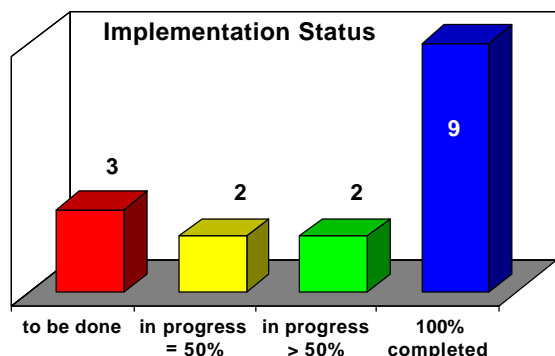
In November 2004, we reported that the Canada/ESA Co-operation Agreement had met a number of its initial objectives. We also said that in our opinion, the existing management framework required improvement. We made recommendations regarding the program’s political aspects, the achievement of objectives, the program and risk management framework, the promotion of information, and the consultation process.



Implementation status

We maintain the same observations as last year.

Action plan implementation is not meeting the deadlines set by the manager and approved by the Executive Committee. The recommendations pertaining to the political issues between ESA and the EU have yet to be addressed. The same is true of the consideration managers were to give to how to help SMEs. The proposed deadline was March 31, 2005.



Management has not satisfactorily given effect to the recommendation on RMAF implementation to measure the degree of attainment of program objectives.

Measuring program performance will again be a problem in 2008–2009 when we conduct the summative evaluation because the result measurement systems have not yet been implemented two years after the development of the RMAF.

When this program was approved, funds were earmarked for program evaluation. Some of these funds should be used to put into place a performance measurement mechanism, being an intrinsic component of the evaluation.



Evaluation project: 04/05 02-03

EVALUATION – PAYLOAD FLIGHT DEMONSTRATION PROGRAM (PFDP)

Evaluation project objective

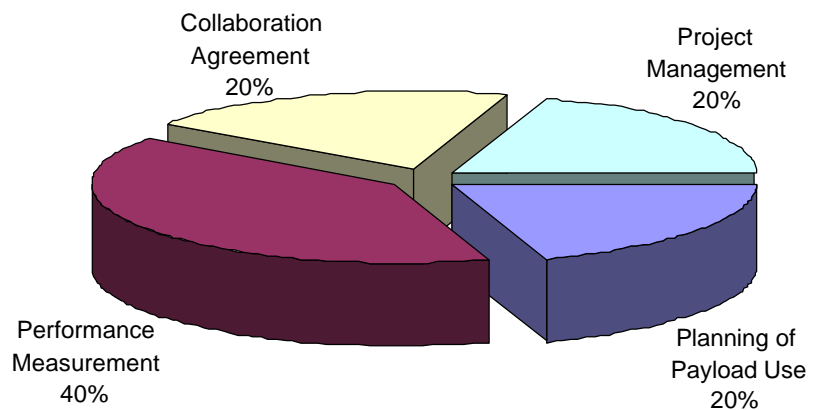
The project objective was to provide management with an evaluation of the attainment of set objectives as well as a report on the results of the Payload Flight Demonstration Program. We looked at the management framework to ensure it was adequate and met central agency requirements and that the financial and operational controls were being applied with sufficient rigour.

Nature of recommendations

In June 2005, we reported that the PFDP had achieved few of the objectives originally set.

We spoke of the importance of providing ground infrastructure for future programs.

We made recommendations on the use of satellites, performance measurement, and co-operation agreements between departments, as well as improved project management.



Implementation status

To date, only one recommendation has been implemented.

We find that very little progress has been made toward achieving this program’s objectives, and we doubt Canadians will derive the expected benefits from it.

