

# 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, 2017, 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 Results 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 is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with 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, 2017, 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 have not been audited.

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Hon. Pierre Blais, P.C.  
Chair

Ottawa, Canada  
September 1, 2017

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Michael E. Doucet  
Chief Financial Officer

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)	2017	2016
<b>Liabilities</b>		
Accounts payable (note 4)	990	341
Vacation pay	129	7
Employee future benefits (note 5)	144	56
<b>Total liabilities</b>	<b>1,263</b>	<b>404</b>
<b>Assets</b>		
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	950	294
Accounts receivable and advances (note 6)	125	44
<b>Total financial assets</b>	<b>1,075</b>	<b>338</b>
<b>Departmental net debt</b>	<b>188</b>	<b>66</b>
<b>Non-financial assets</b>		
Prepaid expenses	92	33
Inventory (note 7)	276	-
Tangible capital assets (note 8)	1	3
<b>Total non-financial assets</b>	<b>369</b>	<b>36</b>
<b>Departmental net financial position</b>	<b>181</b>	<b>(30)</b>

Contractual obligations (note 9)

The accompanying notes form an integral part of these financial statements.

Hon. Pierre Blais, P.C.  
Chair

Michael E. Doucet  
Chief Financial Officer

Ottawa, Canada  
September 1, 2017

# 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 2017	2017	2016
<b>Expenses</b>			
Reviews	2,360	<b>1,770</b>	1,129
Investigations	1,810	<b>1,053</b>	610
Internal Services	2,404	<b>1,972</b>	1,445
<b>Total Expenses</b>	6,574	<b>4,795</b>	3,184
<b>Net cost of operations before government funding and transfers</b>	6,574	<b>4,795</b>	3,184
<b>Government funding and transfers</b>			
Net cash provided by Government		<b>3,862</b>	2,754
Change in due from the Consolidated Revenue Fund		<b>656</b>	85
Services provided without charge by other government departments (note 10)		<b>488</b>	403
<b>Net cost of operations after government funding and transfers</b>		<b>(211)</b>	(58)
<b>Departmental net financial position - Beginning of year</b>		<b>(30)</b>	(88)
<b>Departmental net financial position - End of year</b>		<b>181</b>	(30)

Segmented information (note 11)

The accompanying notes form an integral part of these financial statements.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

(in thousands of dollars)	2017	2016
<b>Net cost of operations after government funding and transfers</b>	<b>(211)</b>	<b>(58)</b>
<b>Change due to tangible capital assets</b>		
Amortization of tangible capital assets	(2)	(7)
<b>Total change due to tangible capital assets</b>	<b>(2)</b>	<b>(7)</b>
<b>Change due to inventories</b>	<b>276</b>	<b>-</b>
<b>Change due to prepaid expenses</b>	<b>59</b>	<b>11</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>122</b>	<b>(54)</b>
<b>Departmental net debt - Beginning of year</b>	<b>66</b>	<b>120</b>
<b>Departmental net debt - End of year</b>	<b>188</b>	<b>66</b>

The accompanying notes form an integral part of these financial statements.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Statement of Cash Flow (Unaudited)

For the year ended March 31

(in thousands of dollars)	2017	2016
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	4,795	3,184
<b>Non-cash items:</b>		
Amortization of tangible capital assets	(2)	(7)
Services provided without charge by other government departments (note 10)	(488)	(403)
<b>Variations in Statement of Financial Position:</b>		
Increase in accounts receivable and advances	81	6
Increase in prepaid expenses	59	11
Increase in inventory	276	-
Increase in accounts payable	(649)	(95)
(Increase) decrease in vacation pay	(122)	76
Increase in employee future benefits	(88)	(18)
<b>Cash used in operating activities</b>	<b>3,862</b>	<b>2,754</b>
<b>Net cash provided by Government of Canada</b>	<b>3,862</b>	<b>2,754</b>

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

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### 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

SIRC conducts reviews of CSIS activities to evaluate their effectiveness, appropriateness and compliance. The Committee develops an annual research plan identifying reviews to be conducted each year, examines CSIS operations, provides a retrospective examination and assessment of specific CSIS investigations and functions, examines information concerning CSIS activities, assesses CSIS compliance, and issues findings and recommendations.

The objective is to provide Parliament, the Minister of Public Safety and Canadians with a comprehensive picture of CSIS operational activities, and assurance that CSIS is acting in accordance with the rule of law.

#### 1.2 Investigations

The Committee conducts investigations into complaints made against CSIS, denials of security clearances, Minister's reports in regards to the Citizenship Act and matters referred pursuant to the *Canadian Human Rights Act*. If jurisdiction is established, investigations include a quasi-judicial hearing presided over by one or more Committee members. The time required to complete an investigation will vary in length depending on the complexity of the file, the quantity of documents to be examined, the number of hearing days required, the availability of the participants and the various procedural matters raised by the parties. On completion of an investigation, SIRC issues a final report containing its findings and recommendations, if applicable.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

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### 1. Authority and objectives (continued)

#### 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. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program. 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 and Acquisition Services.

### 2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### (a) Parliamentary authorities

SIRC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to SIRC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2016–17 *Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2016–17 *Report on Plans and Priorities*.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

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### 2. Summary of significant accounting policies (continued)

#### (b) Net Cash Provided by Government

SIRC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by SIRC is deposited to the CRF, and all cash disbursements made by SIRC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

#### (c) Due from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that SIRC is entitled to draw from the CRF without further authorities to discharge its liabilities.

#### (d) Expenses

Expenses are recorded on the accrual basis:

- ✓ Vacation pay is accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

#### (e) Employee future benefits

- ✓ Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer pension plan administered by the Government. SIRC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. SIRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ✓ Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee future benefits for the Government as a whole.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

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### 2. Summary of significant accounting policies (continued)

#### (f) Accounts receivable

Accounts receivable are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

#### (g) Inventory

Inventory consists of parts, materials and supplies held for future program delivery and not intended for resale. Inventory is valued at cost using the specific identification method. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.

#### (h) Tangible capital assets

Tangible capital assets having an initial cost of \$3,000 or more are recorded at their acquisition cost. SIRC does not capitalize intangible assets, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset class</b>	<b>Amortization Period</b>
Informatics hardware	3 years
Informatics software	3 years
Other equipment	3 years

#### (i) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 3. Parliamentary authorities

SIRC receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, SIRC has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

#### (a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)	2017	2016
Net cost of operations before government funding and transfers	4,795	3,184
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets	(2)	(7)
Services provided without charge by other government departments	(488)	(403)
Prepaid expenses previously charged to appropriation	(50)	(21)
(Increase) decrease in vacation pay	(122)	76
Increase in employee future benefits	(88)	(18)
Other	1	27
Total items affecting net cost of operations but not affecting authorities	(749)	(346)
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Increase in inventory	276	-
Increase in prepaid expenses	109	32
Accounts receivable and advances	44	-
Total items not affecting net cost of operations but affecting authorities	429	32
<b>Current year authorities used</b>	<b>4,475</b>	<b>2,870</b>

#### (b) Authorities provided and used

(in thousands of dollars)	2017	2016
<b>Authorities provided:</b>		
Vote 25 - Program expenditures	6,641	2,809
Statutory amounts	351	280
<b>Less:</b>		
Lapsed: Operating	(2,517)	(219)
<b>Current year authorities used</b>	<b>4,475</b>	<b>2,870</b>

# 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)	2017	2016
Accounts payable - Other government departments and agencies	283	46
Accounts payable - External parties	707	295
<b>Total accounts payable</b>	<b>990</b>	<b>341</b>

### 5. Employee future benefits

#### (a) Pension benefits

SIRC's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and SIRC contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups - Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2016–2017 expense amounts to \$312,226 (\$248,159 in 2015–2016). For Group 1 members, the expense represents approximately 1.12 times (1.25 times in 2015–2016) the employee contributions and, for Group 2 members, approximately 1.08 times (1.24 times in 2015–2016) the employee contributions.

SIRC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Financial Statements of the Government of Canada, as the Plan's sponsor.

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 5. Employee future benefits (continued)

#### (b) Severance benefits

Severance benefits provided to SIRC's employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2017, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

(in thousands of dollars)	2017	2016
<b>Accrued benefit obligation - Beginning of year</b>	<b>56</b>	38
Expense for the year	<b>88</b>	18
<b>Accrued benefit obligation - End of year</b>	<b>144</b>	56

### 6. Accounts receivable and advances

The following table presents details of SIRC's accounts receivable and advances balances:

(in thousands of dollars)	2017	2016
Receivables - Other government departments and agencies	<b>68</b>	44
Receivables - External parties	<b>54</b>	-
Employee advances	<b>3</b>	-
<b>Total accounts receivable and advances</b>	<b>125</b>	44

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 7. Inventory

The following table presents details of SIRC's inventory, measured at cost using the specific identification method:

(in thousands of dollars)	2017	2016
Informatics equipment	276	-
<b>Total inventory</b>	<b>276</b>	<b>-</b>

### 8. Tangible capital assets

(in thousands of dollars)	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Acquisitions	Closing Balance	Opening Balance	Amortization	Closing Balance	2017	2016
Informatics hardware	67	-	67	64	2	66	1	3
Informatics software	10	-	10	10	-	10	-	-
Other equipment	54	-	54	54	-	54	-	-
	131	-	131	128	2	130	1	3

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 9. Contractual obligations

The nature of SIRC's activities can result in some large multi-year contracts and obligations whereby SIRC will be obligated to make future payments when the goods or services are received. These obligations include:

(in thousands of dollars)	2018	2019	2020	2021	2022 and thereafter	Total
Professional and	721	55	-	-	-	776
Acquisition of Machinery and	152	-	-	-	-	152
Transportation and						
Communications	76	2	1	-	-	79
Rentals	42	11	8	8	-	69
Information	44	5	-	-	-	49
Utilities, Materials and	18	-	-	-	-	18
<b>Total</b>	<b>1,053</b>	<b>73</b>	<b>9</b>	<b>8</b>	<b>-</b>	<b>1,143</b>

### 10. Related party transactions

SIRC is related as a result of common ownership to all government departments, agencies, and Crown Corporations. SIRC enters into transactions with these entities in the normal course of business and on normal trade terms.

In addition, SIRC has an agreement with Privy Council Office related to the provision of finance and administration services which is included in section b). During the year, SIRC received common services which were obtained without charge from other government departments as disclosed below.

#### a) Common services provided without charge by other government departments

During the year, SIRC received services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in SIRC's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2017	2016
Accommodation	241	239
Employer's contribution to the health and dental insurance	247	164
<b>Total</b>	<b>488</b>	<b>403</b>

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 10. 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 Services and Procurement 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)

	2017	2016
Expenses - Other government departments and agencies	1,047	302

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

# SECURITY INTELLIGENCE REVIEW COMMITTEE

## Notes to the Financial Statements (Unaudited)

For the year ended March 31

### 11. Segmented information

Presentation by segment is based on SIRC's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred for the main program alignments by major object of expense. The segment results for the period are as follows:

(in thousands of dollars)	<i>Reviews</i>	<i>Investigations</i>	<i>Internal Services</i>	2017	2016
<b>Expenses</b>					
Salaries and Employee Benefits	1,462	969	1,025	<b>3,456</b>	2,249
Professional and Special Services	189	42	327	<b>558</b>	340
Accommodation	-	-	241	<b>241</b>	239
Transportation and Communications	88	23	167	<b>278</b>	225
Acquisition of Machinery and Equipment	-	-	377	<b>377</b>	16
Repair and Maintenance	-	-	2	<b>2</b>	-
Information	14	-	5	<b>19</b>	26
Amortization of Tangible Capital Assets	-	-	2	<b>2</b>	6
Rentals	-	1	50	<b>51</b>	39
Utilities, Materials and Supplies	-	18	16	<b>34</b>	24
Other	17	-	(240)	<b>(223)</b>	20
<b>Total Expenses</b>	<b>1,770</b>	<b>1,053</b>	<b>1,972</b>	<b>4,795</b>	<b>3,184</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,770</b>	<b>1,053</b>	<b>1,972</b>	<b>4,795</b>	<b>3,184</b>

# Security Intelligence Review Committee

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2016–17

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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 Results Report (<http://www.sirc-csars.gc.ca/opbapb/drrmr/index-eng.html>) and Departmental Plan (<http://www.sirc-csars.gc.ca/opbapb/dppm/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. SIRC has implemented a new governance and accountability structure to support the oversight of its system of internal control, 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 was 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 has completed and reported on a comprehensive management action plan and received the Committee's 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.

# Security Intelligence Review Committee

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2016–17

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### 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 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.

### Specific Arrangements:

SIRC's financial transactions are processed by PCO within their financial system and are for the most part subject to the same control environment. These services are the subject of a MOU between the two organizations.

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

SIRC has continued the implementation of its management plan in response to the OCG audit. The key findings and significant adjustments required from the current year's assessment activities are summarized below.

**New or significantly amended key controls** - There were three new business processes documented (procurement, travel and hospitality) and no major changes in the existing key controls and in existing processes which required a reassessment. The payroll business process is still under review and the new payroll process will be documented and assessed over the next fiscal years.

**On-going monitoring program** - As part of its rotational on-going monitoring plan, SIRC completed its assessment of controls related to the following key processes: Travel Expenses and Accounts Receivables. The following remediations are required:

#### Travel Expenses:

- Strengthens the controls in place regarding the travels in relation with the quarterly travel and hospitality plan;
- Simplify and clarify the approval process; and
- Strengthen the role of the Travel and Hospitality Review Committee.

#### Accounts Receivables:

- No remediation required.

# Security Intelligence Review Committee

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2016–17

### 4. Departmental action plan

#### 4.1 Progress during fiscal year 2016–17

As part of the management action resulting from the Core Control Audit, SIRC continued the implementation of the planned actions.

<b>Core Control Audit recommendations not previously addressed</b>	<b>Status</b>
• Financial Delegation	Completed.
• Budget process	Completed.
• Procurement Process	Completed. Remediation actions are planned.
• Travel approval and expenses	Completed. Remediation actions are planned.
• Hospitality approval and expenses	Completed.

In 2016–17, SIRC conducted the following work in addition to the progress made in on-going monitoring:

- Continues efforts to further automated its information management system; and
- Continues efforts to automated the case management process.

# Security Intelligence Review Committee

## Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting for Fiscal Year 2016–17

### 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	

Note: The plan was slightly updated in light of Phoenix issues. The new Payroll and PAYE processes will be developed with the support of PCO.