



Canadian Space Agency
Agence spatiale
canadienne



MANAGEMENT ACTION PLANS FOLLOW-UP

**Annual Report
as at March 31, 2008**

Audit and Evaluation Directorate

June 2008

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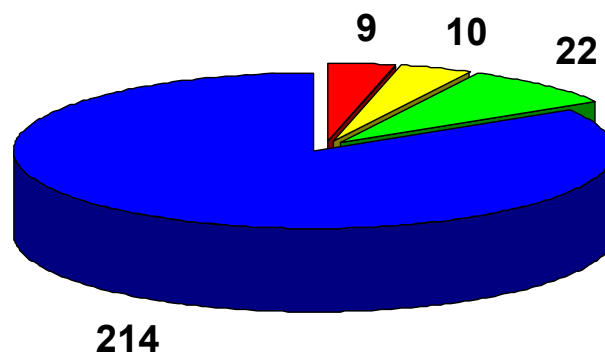
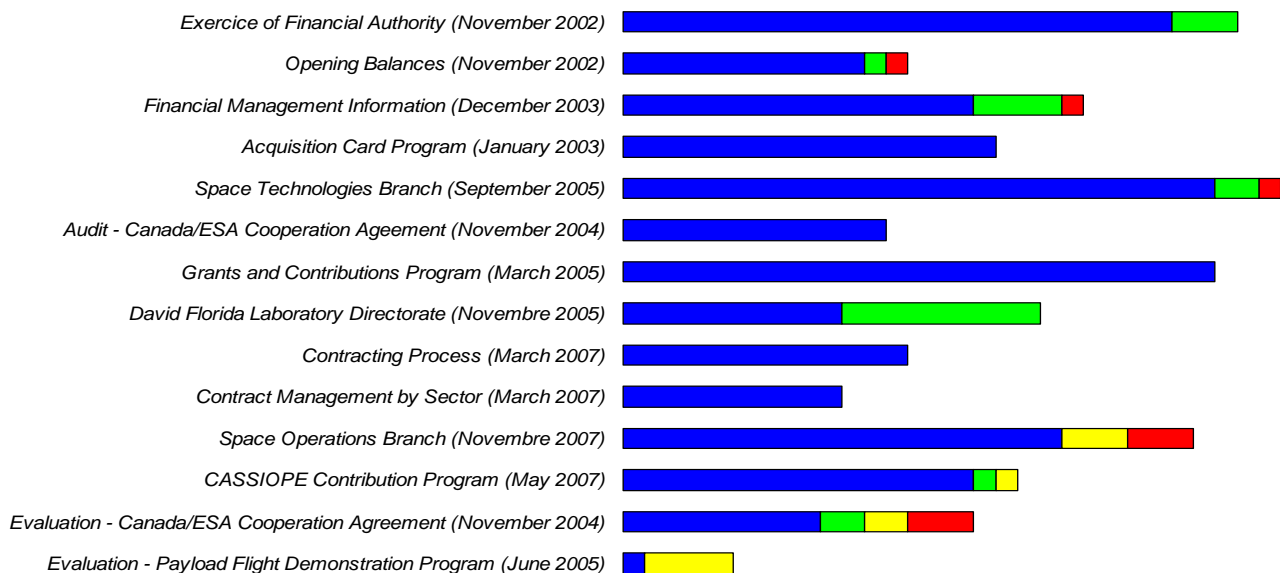
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IMPLEMENTATION SUMMARY

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, 2008, for 12 audit projects and 2 evaluation projects for which reports and management action plans were submitted to and approved previously by the Audit and Evaluation Committee. The following charts give an overview of the implementation status of the management action plan elements.



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

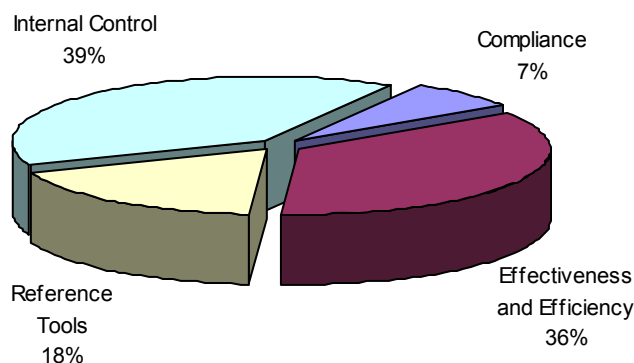
Audit project objective

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, in general, financial authorities were properly discharged. 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.

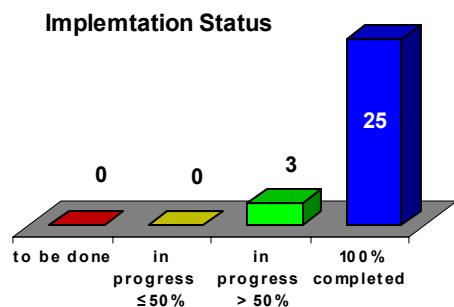
However, a number of recommendations were made to consolidate the control framework and improve the effectiveness and efficiency of operations.



Implementation status

Most action plan components that were under way and completed to varying degrees on March 31, 2007, are still in progress.

Management has not yet completed implementation of the sample audit of changes to pay files. That audit, intended to comply with section 33 of the FAA, is still scheduled but has yet to be performed.



In addition, payment of interest on the due date when the Agency is behind with its payments to suppliers has not yet been automated. Management expects that that functionality of the Integrated Financial/Materiel System (IFMS) will be operational by the end of June 2008, as soon as the roles and responsibilities of account verification stakeholders are clearly established.



Audit project: 01/02 01-04

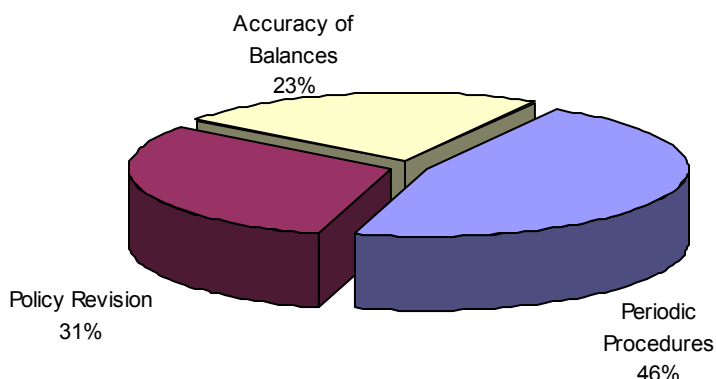
OPENING BALANCES

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 accountability 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.

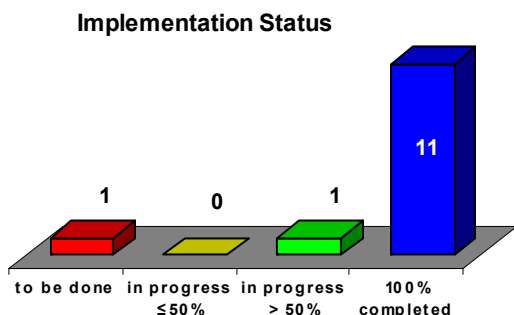
Nature of recommendations

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 staff.



Implementation status

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 the work in progress on the development of the long-term investment plan, project costing and the use of appropriations. Management expects to have completed this element of its action plan in the course of the coming year.



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 file financial statements and that these statements will soon have to be checked annually.



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 efficiently obtained.

Nature of recommendations

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

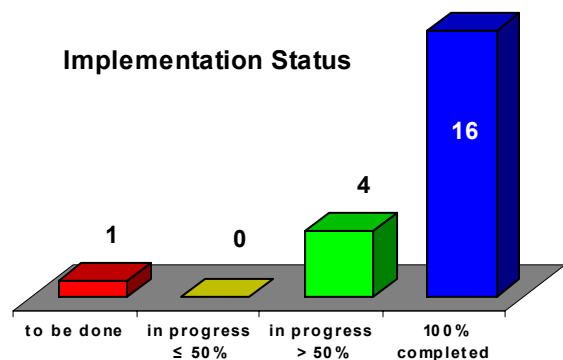
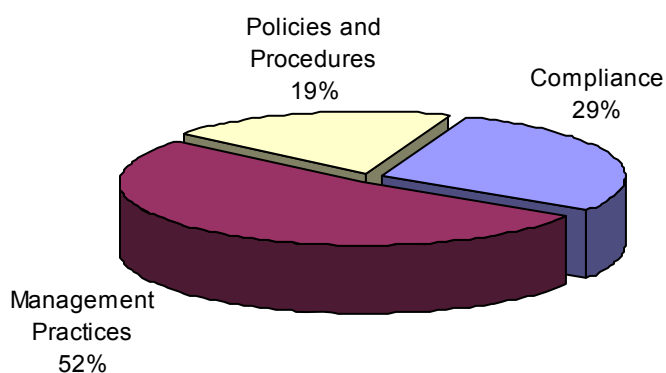
Implementation status

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 revised and now allows for 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 drafting a policy on the subject.

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.



In 2007–2008, the Finance Directorate continued with the drafting of a corporate expenditure forecasting and monitoring 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

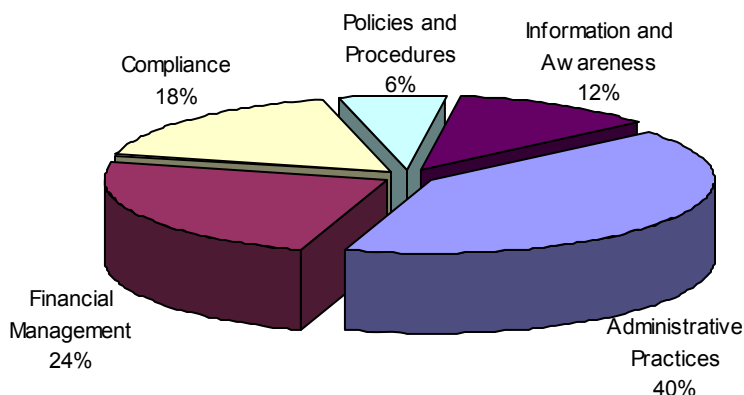
ACQUISITION CARD PROGRAM

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.

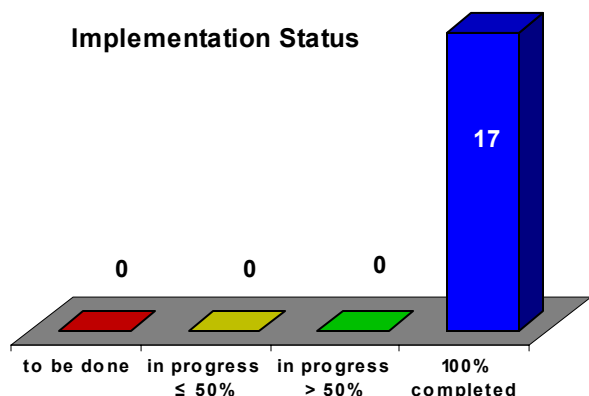
Nature of recommendations

In January 2003, we reported that acquisition cards were an appropriate tool that is suited to modern management practices and can considerably lighten the workload in the Contracts Division, given the nearly 5,500 transactions made by acquisition cardholders per year, worth an average of \$415. We also reported that practices had changed since acquisition cards were introduced in 1999 and 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 of their responsibilities should be sent to key staff members (managers and cardholders) to make them aware of their responsibilities.



Implementation status

In 2007, it was decided to use the acquisition card module developed by the SAP cluster group (CORE SAP). The acquisition card functionality in SAP has been up and running since October 4, 2007. A new business process has been instituted and is being applied by users. Implementation of this module has enabled the pending action plan recommendations to be put into effect, and a special reminder of their obligations, restrictions and commitments was sent to all acquisition card holders in January 2008, along with references to the government policies underlying the card use commitments.



Following implementation of the acquisition card module in SAP, the CSA policy on acquisition cards was thoroughly reviewed. The policy is at the first draft stage, but only a few corrections have still to be made. Accordingly, we consider that the recommendation on corrections to be made to the existing acquisition card policy has been fulfilled, since these were made concurrently with this policy review.

As regards the acquisition of nonconsumable goods valued at more than \$1,000 or attractive goods, a procedure is now in place to ensure that these assets are entered into the inventory.



Audit project: 03/04 01-01

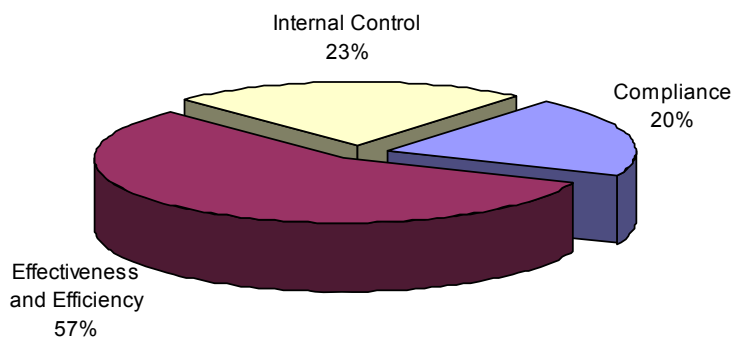
MANAGEMENT FRAMEWORK, SPACE TECHNOLOGIES BRANCH

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

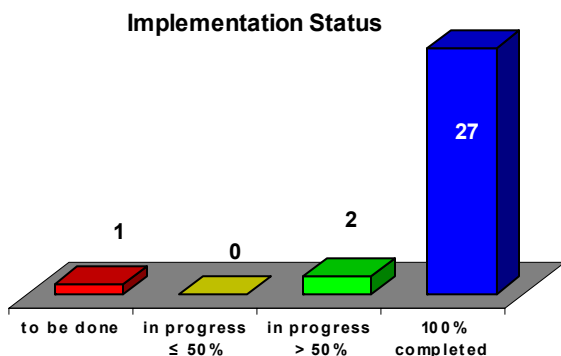
In a context in which the focus is on results, we believe it is important that significant steps be taken to strengthen the management framework of the Space Technologies Branch. These improvements concern fundamental elements of the Branch’s management framework. Some measures will have to be implemented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



Implementation status

Management has acted on most of the observations and recommendations within its purview. The Finance Directorate is continuing its efforts to develop functionalities in the corporate financial system to meet the financial management needs of managers and senior management. Because the system 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.

Management has nearly completed the implementation of the action plan elements that sought to link its programs to the Agency’s strategic outcomes, to ensure that they all contain a performance measurement framework and to see that their performance is periodically reported. In 2007–2008, management frameworks were developed for most operational activities undertaken by the Branch.



Management is continuing to analyse and review delivery modes for these frameworks. Several program components that have until now been delivered through contracts will henceforth come under grants and contributions programs.

As regards development of a corporate time management system, management has decided not to pursue the recommendation, on the grounds that accounting for personnel costs on the basis of estimates is acceptable considering the relative importance of labour costs vis-à-vis other costs.



Audit project: 04/05 01-01

AUDIT – CANADA/ESA CO-OPERATION AGREEMENT

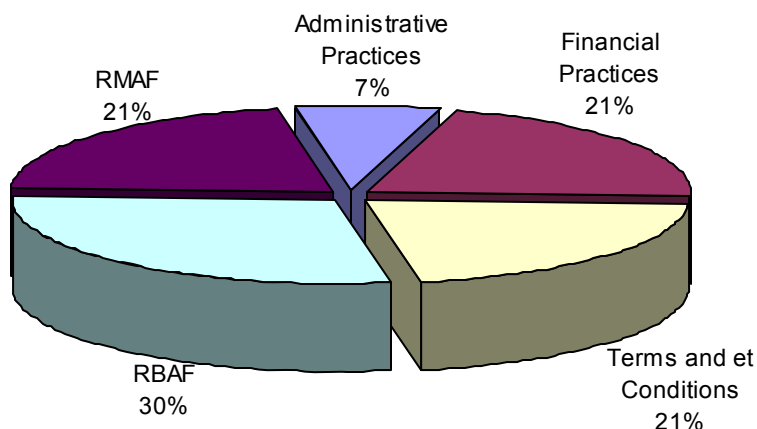
Audit project objective

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

Nature of recommendations

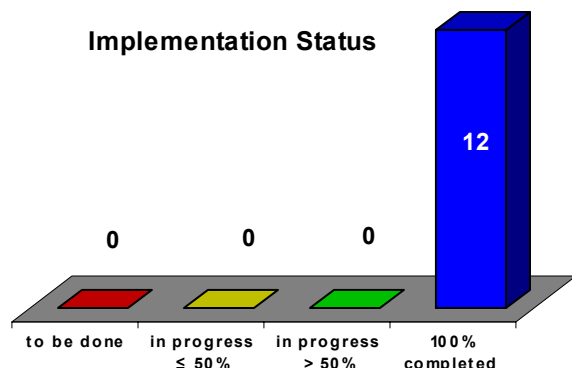
In November 2004, we reported that implementation of the audit report recommendations would allow the program manager to carry out his or her duties more effectively, especially with respect to compliance with program policies and conditions, decision-making and accountability. We recommended, among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

- complete administrative records for each optional program be retained,
- a process for consultations with industry be put in place,
- ESA's accrued credits 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

As mentioned in last year's follow-up report, management has implemented all 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, closer monitoring of accrued credits at ESA, complete administrative records for each optional program and a risk management committee.



Since the two recommendations still pending as of March 31, 2007 were related to the implementation of the RMAF and of a system to gather performance measurement data, and since these are also pending recommendations in the ESA program evaluation report, we have decided to eliminate these recommendations from the audit report and deal with them only in the ESA program evaluation report, so as to avoid following up one program twice.



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 relating to all aspects of the Program’s management were effective, efficient and economical.

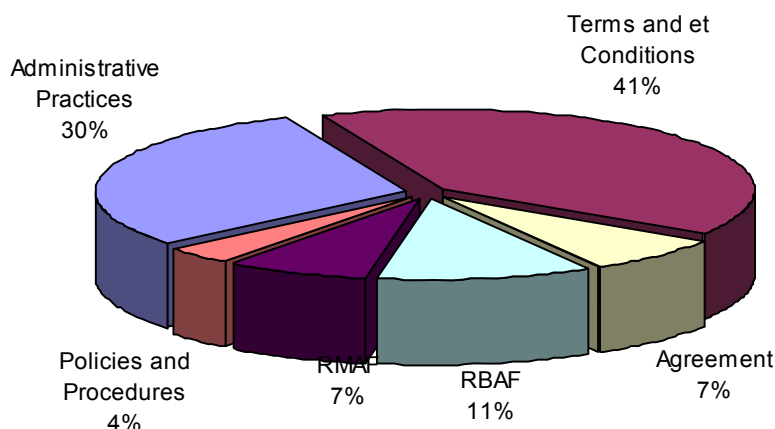
The Risk-Based Audit Framework (RBAF) of this G&C program stated that an audit of the program, including both the grant and contribution components, as well as a review of the risk management plan, would be conducted in the second year of the program.

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, in certain sectors, improvements could be made with respect to the verification of claims and recipient eligibility.

We also noted that, 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 Accounting, we recommended that the required procedures be implemented to ensure that account verification was done in accordance with the policy in that regard.



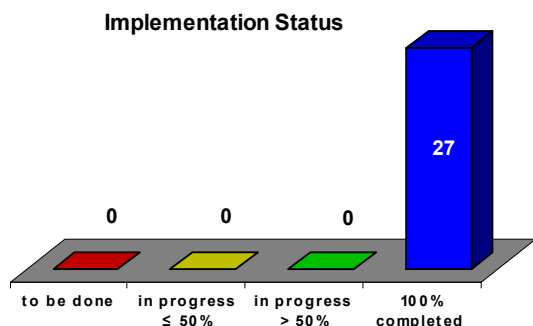
Implementation status

Management in the various sectors involved in implementing the action plan has now satisfactorily responded to all of the recommendations in the audit report. Some administrative practices have

been changed to provide a satisfactory audit trail, ensure compliance with program terms and conditions, and properly verify beneficiaries’ eligibility.

As regards the RBAF, the various sectors are now regularly reviewing all the risks identified and are taking care to implement 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, then compiled and analysed to determine whether the expected outcomes have been achieved.

In 2007–2008, moreover, a formative evaluation was done.

In addition, with respect to account verification, Appendix C of the *CSA Account Verification Policy* has been amended to more clearly define roles and responsibilities, in particular in the area of payment verification of grants and contributions. The change in question is now at the draft stage and will be finalized shortly. Considering the action taken and the progress made, we consider this action to have been 100% completed.

As mentioned in last year's follow-up report, 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 sectoral finance clerk as required.

Audit project: 04/05 01-03

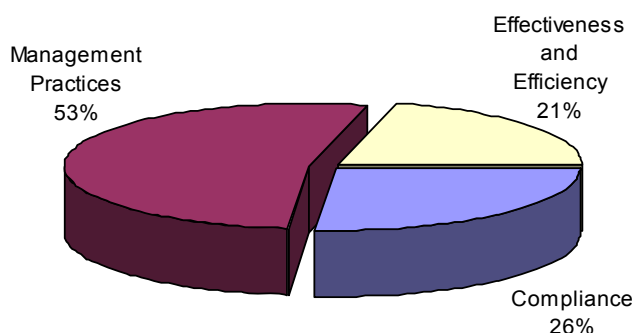
MANAGEMENT FRAMEWORK, DAVID FLORIDA LABORATORY DIRECTORATE

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

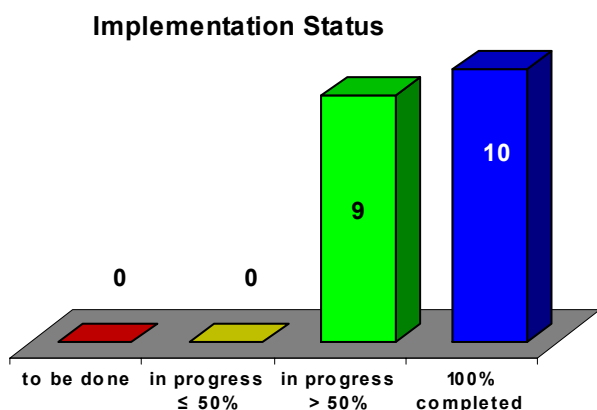
Our observations and recommendations to management focused on improving financial information quality, demonstrating transparency and equity when levying external user fees and managing accounts receivable more rigorously.



Implementation status

Drafting of the long-term investment plan is proceeding. Though a second draft has been submitted to TBS, management does not expect the drafting to be completed before August 2008 in view of the program review currently under way, which may have an impact.

A fee schedule based on the market value of services comparable to those provided by the DFL should soon be submitted to the Executive Committee for final approval, with implementation expected as of April 1, 2008. Subsequently, management will submit its recommendations to the Executive Committee on the invoicing of services to other Agency sectors.



Regarding the processes of invoicing and collection of receivables, the review of actual practice as opposed to policy and procedures is continuing and is expected to result in a revision of the latter, if appropriate, and the issuance of reminders to the people doing the job of their roles and responsibilities.

The review of expenses recorded since April 1, 2001, whose purpose is to trace miscoded disbursements and to make the appropriate corrections to asset accounts, will be continuing as soon as the Policy on the Accounting Treatment of Tangible Capital Assets becomes official.



Audit project: 05/06 01-01

CONTRACTING PROCESS

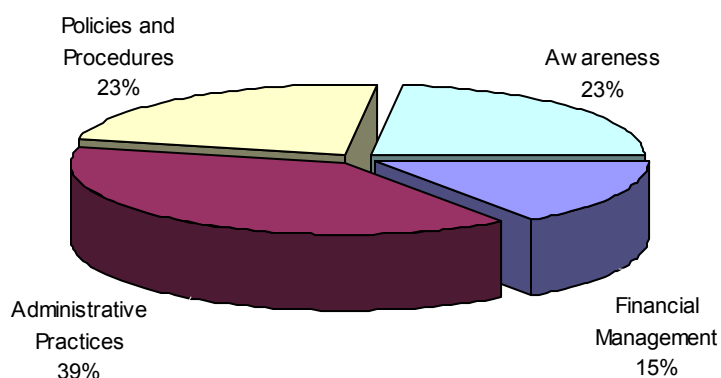
Audit project objective

The goal of this audit project was to verify that the management framework in place is adequate to ensure effective, efficient and economical delivery of contracting and procurement services while complying with legal, regulatory and ethical obligations.

Nature of recommendations

In March 2007, we reported that the contracting process was managed prudently and with due diligence.

However, we emphasized to management the importance of implementing certain controls, reviewing some administrative practices and making staff aware of a few key points to ensure compliance with their legal and regulatory obligations and to retain complete administrative files to allow informed decision-making.



Implementation status

Management has now satisfactorily responded to all of the recommendations in the report.

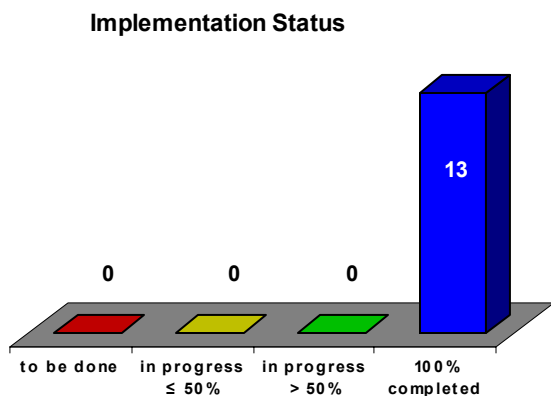
Management has taken a number of actions including, in particular, staff awareness sessions on the level of delegation required to sign contract documents, the importance of properly justifying sole sourcing of a contract as well as any amendments to contracts, and the importance of keeping a record, in the administrative contract file, that an audit has been done, to ensure that the prices and conditions of call-ups correspond exactly to the standing offers.

Moreover, a checklist is now completed and inserted in each file in order to ensure that the files contain all records required for decision-making.

Managers also were reminded of the importance of properly planning their contract requirements. An annual procurement plan is now drawn up for each sector at the beginning of the year.

As regards finance, the wording of the three signature blocks on the *Requisition for Goods and Services* has been clarified to differentiate the

signature of the manager approving the commitment of an expenditure from that of the contracting officer requesting provision of goods and services.



Audit project: 05/06 01-02

CONTRACT MANAGEMENT BY SECTORS

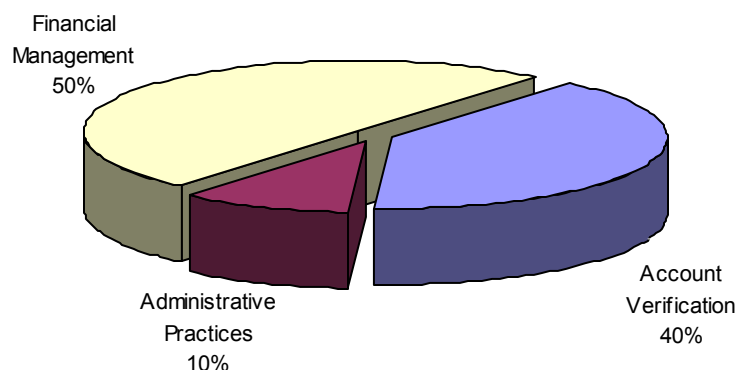
Audit project objective

The overall goal of this audit project was to verify that the management framework in place in the sectors, in terms of contract management, is adequate, that is, that it ensures that the goods have been delivered, the services rendered and the work done, and that the price paid is in accordance with the contract terms and conditions.

Nature of recommendations

In March 2007, we reported the results of our review, which showed that for 19 out of 27 contracts reviewed, the deliverables had in fact been received as called for in the contracts. In 8 cases, irregularities were noted in the deliverables, and in 4 cases, the basis of payment was not respected.

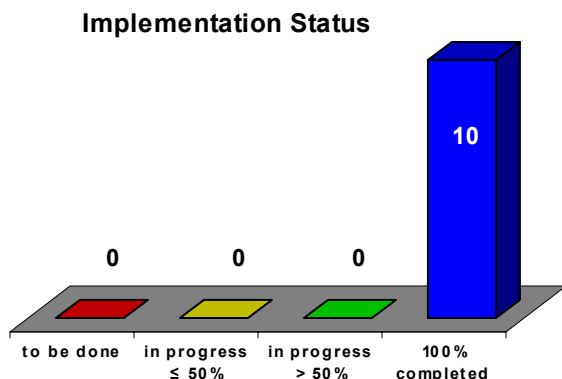
On the other hand, we impressed upon management and/or financial services staff the importance of shouldering the roles and responsibilities assigned to them under CSA's *Account Verification Policy*, following up the costs committed under contracts in order to ensure compliance with the set limits and ensuring that the manager who signs a payment requisition pursuant to FAA section 34 has the requisite delegated authority.



Implementation status

Management in the various sectors involved in implementing the action plan has now satisfactorily responded to all of the recommendations in the audit report. A number of managers have received training, in particular on contracting and the delegation of financial authority.

In addition, with respect to the roles and responsibilities of management and financial services staff, Appendix C of the *CSA Account Verification Policy* has been amended to more clearly define roles and responsibilities, in particular in the area of verification of payments arising from contracts. The change in question is now at the draft stage and will be finalized shortly. Considering the action taken and the progress made, we consider that account verification activities have been 100% completed. Moreover, in order to improve managers' financial awareness, Sector Financial Operations staff are regularly invited to the meetings of several sectors' management committees.



Audit project: 05/06 01-03

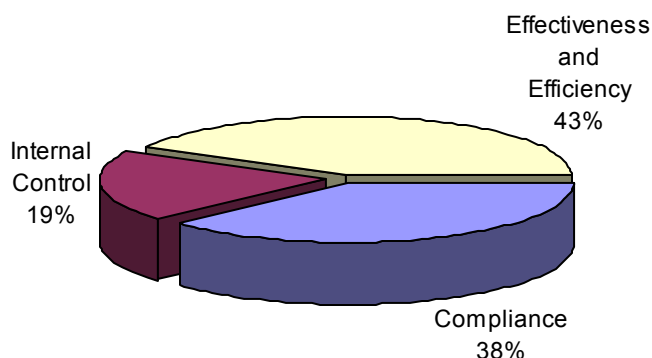
MANAGEMENT FRAMEWORK, SPACE OPERATIONS BRANCH

Audit project objective

The objective of this audit project was to evaluate the extent to which elements of the Space Operations Branch’s management framework (excluding DFL) 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.

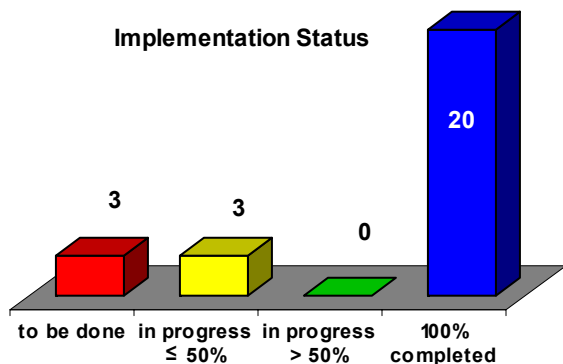
Nature of recommendations

We reported in September 2007 that management needed to exercise more control over its expenditures and revenue collection, while some practices needed to be rethought to improve their efficiency and effectiveness. Even though the audit project was specifically concerned with the Space Operations Branch’s management framework, we reported that the Agency also needed a management framework more in line with TBS requirements, in particular as regards planning and program performance measurement.



Implementation status

Shortly after the tabling of the audit report, TBS sent departments instructions for the full implementation of the MRRS policy. In particular, the instructions set out certain requirements as to the number of program levels there should be in the Program Activity Architecture (PAA). Though the instructions were clear, we still find the PAA programs and expected outcomes largely inadequate for purposes of the MRRS policy, with obvious effects on the quality of the RPP and DPR. As part of the evaluation of the 2008 MAF, TBS also recommends that the PAA be in line with the MRRS policy. Management intends to adjust the PAA on the basis of developments arising from the priority review now under way.



Following a review of the Agency’s governance structure, the Executive Committee’s roles and responsibilities have been revised so that it may periodically review program performance. This exercise is to be integrated into the annual planning process.

All elements of the action plan intended to afford better control of royalty revenues have been implemented with care, as have the expenditure control measures. Considering volumes and priorities, the first work descriptions to be updated will be for positions for which staffing actions are planned.



Audit project: 06/07 01-02

CASSIOPE CONTRIBUTION PROGRAM

Audit project objective

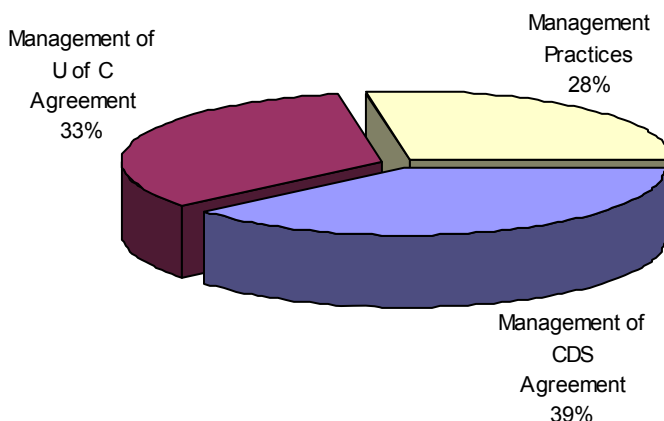
The broad objective of this audit project was to evaluate to what extent existing systems, procedures and resources in all aspects of the Program’s management are effective, efficient and economical.

Nature of recommendations

In May 2007, we reported that we considered that management had adopted systems and procedures that made for appropriate monitoring of the CASSIOPE Contribution Program, particularly as regards its technical aspect. Management had also implemented a Risk-Based Audit Framework (RBAF) as well as a Results-based Management and Accountability Framework (RMAF).

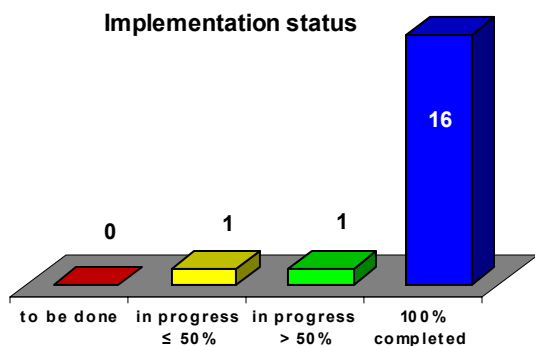
Further, as regards the administrative aspect, the management framework in place should have enabled sums expended to be properly controlled, since management had implemented a checklist to be completed for each claim presented for payment.

In spite of the system in place, we pointed out to management some shortcomings that had been observed and which should be corrected as soon as possible to ensure sound program management.



Implementation status

During the year, management responded very satisfactorily to 16 of the audit report’s 18 recommendations. An overpayment of \$995,703 to Cascade Data Services (CDS) as a gross-up on subcontracts was recovered, as was an amount of about \$668,400 that had been invoiced to CSA although it was actually CDS holdbacks.



Management is also now making sure it receives claims, as well as any other relevant documents, by the set deadline, in accordance with the terms and conditions of contribution agreements.

The two pending items, whose implementation management expected to finalize during the year, relate to project costing, including labour costs (part of a PWGSC Consulting Services mandate is concerned with this aspect) and determination of

the share of the expenditures under the memorandum of understanding between CSA and CRC that relate to the CASSIOPE program as opposed to other CSA programs.



Evaluation project: 04/05 02-02

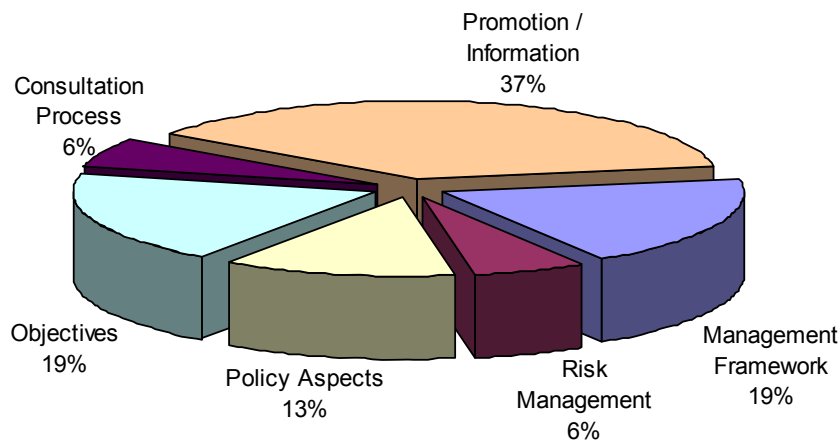
EVALUATION – CANADA/ESA CO-OPERATION AGREEMENT

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 Co-operation Agreement.

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.

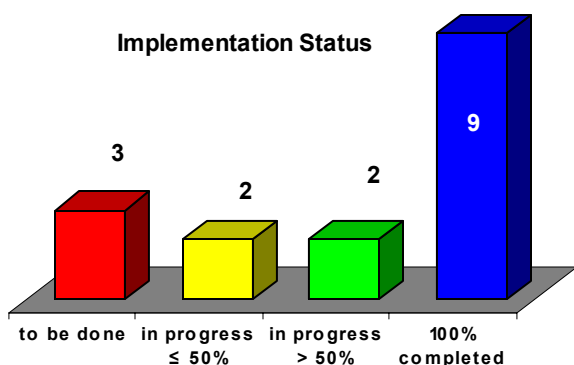


Implementation status

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

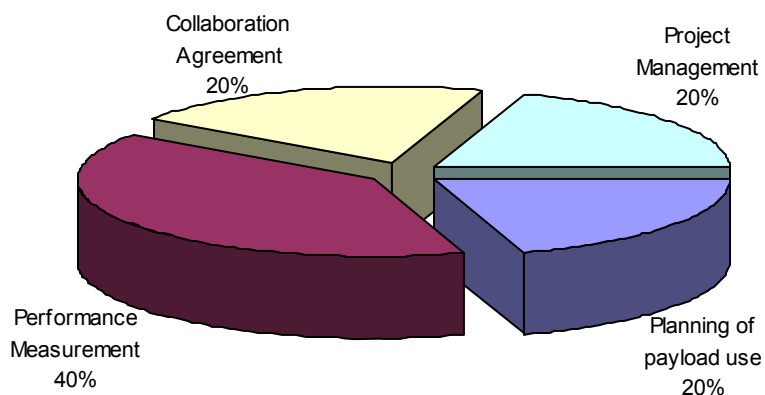
The project objective was to provide management with an evaluation of the attainment of set objectives, as well as a report on the results of the Payload Flight Demonstration Program.

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.

