



Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Audit of Payables at Year-End

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ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
CFO	Chief Financial Officer
FAA	Financial Administration Act
FRA	Financial Reporting Account
GCIMS	Grants and Contributions Information Management System
G&C	Grants and Contributions
O&M	Operations and Maintenance
OAG	Office of the Auditor General
PAYE	Payable at Year-End
TB	Treasury Board

EXECUTIVE SUMMARY

Background

The *Audit of Payables at Year-End* (PAYE) was included in Aboriginal Affairs and Northern Development Canada's (AANDC or the Department) 2015-2016 to 2017-2018 Risk-Based Audit Plan. The audit was identified as a priority as payables at year-end are a significant part of the accrued liabilities of the Department and could constitute an administrative burden, particularly at fiscal year-end, in terms of the associated accounting and administrative requirements. Therefore, sound year-end procedures are critical to ensuring that financial information provided to management is accurate, reliable and timely.

Audit Objective and Scope

The objective of this audit was to provide assurance that the Department is in compliance with the Treasury Board (TB) *Directive on Year-End Recording of Payables* and AANDC's *Policy on Payables at Year-End* and that efficient, effective and adequate management controls are in place to properly account for and record payables at year-end.

The scope of the audit included an assessment of the efficiency, effectiveness and adequacy of financial and administrative controls as well as the systems and processes instituted by management to ascertain and account for PAYE. The scope period of the audit, for the purposes of sampling, was from April 1, 2014 to June 30, 2015 (including carry-forward from previous years). The accuracy and completeness of year-end balances was not included in the scope of this audit, which focused on internal controls.

The audit also assessed the extent to which the Department has addressed the two findings related to PAYE from the Office of the Auditor General's (OAG) previous year's audit of public accounts.

Statement of Conformance

This audit conforms with the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

Conclusion

The Department is in compliance with the TB *Directive on Year-End Recording of Payables* and AANDC's *Policy on Payables at Year-End*, and appears to have a reasonably effective and adequate system of management controls in place to properly account for and record PAYEs.

AANDC has fully remediated one of the two OAG findings from the previous year. The first finding, related to the generation of a report which details the account balances of certain payables accounts, has been completed by AANDC. The second finding, related to

implementation of the Section 33 review and approval, has been completed for Grants & Contributions (G&C) and Operations & Maintenance (O&M) PAYEs, but is still not being performed on salary-related PAYEs.

Opportunities to further strengthen the effectiveness and efficiency of PAYEs have been noted within the report.

Recommendations

The audit identified areas where management control practices and processes could be improved, resulting in the following four recommendations:

1. The Chief Financial Officer should consider whether efficiencies can be gained by revisiting the stated thresholds for establishing Payables at Year-End and ensuring consistent application.
2. The Chief Financial Officer should ensure that Section 33 approvals are performed on the set-up of all Payables at Year-End, including Salaries.
3. The Chief Financial Officer should ensure the comprehensiveness and alignment of the Policy and procedural documentation, and their corresponding implementation, with regard to Payables at Year-end, including ongoing tracking and monitoring activities, and Section 33 validation and certification.
4. The Chief Financial Officer should review the procedures and controls related to the Salary Payables at Year-End processes to ensure that Salary PAYEs from pre-2014-15 are appropriately cleared in a timely manner; and, process documentation clearly specifies the automated and manual process, the required supporting documentation, and the Section 33 validation and certification for Salary PAYEs.

Management Response

Management is in agreement with the findings, has accepted the recommendations included in the report, and has developed a management action plan to address them. The management action plan has been integrated in this report.

1. INTRODUCTION AND CONTEXT

Parliament and Canadians expect the federal government to be well managed with the prudent stewardship of public funds, the safeguarding of public assets, and the effective, efficient and economical use of public resources. They also expect reliable reporting that provides transparency and accountability for how the government spends public funds to achieve results.

AANDC is a large department within the Government of Canada that employs approximately 4,700 full-time equivalents and has planned budgeted expenditures of more than \$8 billion for the 2015-16 fiscal year. The breakdown of planned spending within AANDC includes \$7.9 billion allocated to four strategic outcomes (The Government, The Land and The Economy, The People, and The North) and \$233 million allocated to internal services that support all of the strategic outcomes¹.

Payables at Year-End

Accuracy of financial reporting within the Government of Canada is based on assurance that financial transactions are properly recorded in the accounts of Canada. Appropriations represent spending authority that is approved by Parliament. In order to accurately measure the use of this authority and to demonstrate accountability for departmental spending, the appropriate recording and reporting of all financial transactions, including Payables as at Year-End (PAYE), is essential. The recording of payables supports the principles of accrual accounting. A year-end payable is an estimate of the amount of accrued liabilities at year-end that must be recorded as an expense in the Department's annual financial statements and charged to the appropriations at year-end.

The objective of the TB *Directive on Year-end Recording of Payables* is to ensure that payables existing at year-end for work performed, goods received, services rendered, and other items, including certain transfer payments, are charged against an appropriation in an accurate and timely manner and are recorded in the accounts of Canada. The expected results of compliance with the Directive are that all payables are accurately recorded in a timely manner, and the recording of payables is supported by complete and accurate documentation.

In addition to the TB Directive, AANDC has its own *Policy on Payables at Year-End* (effective since April 1, 2010), which is meant to be used in conjunction with the TB Directive, along with additional information on specific procedures and accountabilities within AANDC. The Department's *Policy on Payables at Year-End* sets out the Department's policies for establishing accrued liability (Payables at Year-End) balances and charging them to appropriations at year-end, the in-year tracking, monitoring, review, approval and challenge of these balances, clearing these as required and the quality assurance measures that the Department has instituted. At AANDC, the Corporate Accounting and Reporting Directorate of

¹ 2015–16 Estimates, Parts I and II, The Government Expenditure Plan and Main Estimates

the Chief Financial Officer (CFO) Sector is responsible for establishing year-end timetables and procedures for all Regions and Sectors, providing an oversight role on the accuracy and completeness of PAYE as well as assisting the Department to be in compliance with the *TB Directive on Year-end Recording of Payables*.

Payables at Year-End Processes

At year-end and up to the accounting close of the fiscal year, the Department receives invoices and/or reports related to work that has been performed, goods that have been received, or services that have been rendered by March 31st, with amounts owing in accordance with a contract, or an event that has occurred that gives rise to a transfer payment. These items are recorded in the financial system as Accounts Payable transactions at year-end and are charged to the Department's appropriations at the amount specified in the invoice document provided to the Department. These amounts are paid, from funds in the same fiscal year, after the accounting close of the fiscal year.

In addition to the invoices and reports received, the Department has unpaid financial obligations at March 31st for which no external document has been received before the accounting close of the fiscal year. Per the *TB Directive on Year-end Reporting of Payables*, an estimate of the amount of these accrued liabilities must be recorded as expenses in the Department's annual financial statements and charged to the appropriations at year-end. These accrued liabilities are called "Payables at Year-End." Payables resulting in a charge against an appropriation are certified in accordance with section 33 of the Financial Administration Act (FAA), following certification pursuant to section 34 of the FAA by individuals who are responsible for the performance of account verification and who have delegated financial signing authority. In the case of PAYEs, a section 33 is required at both the initial establishment and the subsequent payment. This audit covered the initial section 33 during the establishment of the PAYE balance but excluded the final section 33 required at payment.

Section 33 certification is conducted at the Department's accounting hubs – the Western hub located in Winnipeg and the Eastern hub located in the National Capital Region. The Eastern hub, which is part of the CFO sector and reports up to the CFO, provides services to Ontario, Quebec and Atlantic regions as well as to Headquarters. The Western hub is located in the Manitoba regional office, reporting to the Director of Corporate Services in the region, and provides services to the Manitoba, Saskatchewan, Alberta, British Columbia, Yukon, Northwest Territories and Nunavut regions. Although the Western hub is not part of the CFO sector, they are mandated to follow the same processes and procedures as those of the Eastern hub. Section 33 for Salary has remained with the regions and HQ, despite the creation of the accounting hubs in September 2012. As such, Salary PAYE set-up also remained with the regions and HQ until April 1, 2014, when AANDC switched from an Oracle-based platform to SAP as the financial management system. Upon the implementation of SAP, HQ Financial Services continued to set up salary PAYEs, while Corporate Accounting and Reporting Services established manual PAYEs on behalf of the other regions, as a temporary measure until proper training and associated access to the Salary Forecasting Tool module of SAP would be provided to the regions.

The Department uses Financial Reporting Account (FRA) 21111 for recording ongoing accounts payables, FRA 21112 for accrued salary and wages, and FRA 21113² for accrued liabilities (also known as PAYE). The balance of FRA 21113 at March 31, 2015 was \$472 million.

Office of the Auditor General's Findings on PAYE Processes

In 2014, the OAG completed specific audit procedures to obtain reasonable assurance that AANDC's submission of underlying financial information for the preparation of the summary financial statements included in the Public Accounts of Canada are free of material misstatement for the year ended March 31, 2014.

In their audit, The OAG noted the following two observations related to the PAYE process at AANDC:

- i) There was an absence of appropriate transactions listing or reports for FRA transactions; and,
- ii) There was a lack of Section 33 certification when setting up PAYEs.

2. AUDIT OBJECTIVE AND SCOPE

2.1 Audit Objective

The objective of this audit was to provide assurance that the Department is in compliance with the TB *Directive on Year-end Recording of Payables* and AANDC's *Policy on PAYE*, and that efficient, effective and adequate management controls are in place to properly account for and record Payables at Year-End.

2.2 Audit Scope

The scope of the audit included an assessment of the efficiency, effectiveness and adequacy of financial and administrative controls as well as the systems and processes instituted by management to ascertain and account for Payables at Year-End. The scope period of the audit, for the purposes of sampling, was from April 1, 2014 to June 30, 2015 (including carry-forward from previous years). The accuracy and completeness of year-end balances was not included in the scope of this audit, which focused on internal controls.

The audit also assessed the extent to which the Department has addressed the two findings related to PAYE from the OAG's previous year's audit of public accounts.

² This account refers to accrued liabilities, including payables, which can be charged against the appropriation as per the PAYE policy. It excludes salary accruals that should be recorded using FRA 21112.

3. APPROACH AND METHODOLOGY

The *Audit of PAYE* was planned and conducted in accordance with the requirements of the Treasury Board *Policy on Internal Audit* and followed the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*. The audit team examined sufficient, reliable and relevant evidence to provide a reasonable level of assurance in support of the audit conclusion. The principle audit techniques used included:

- *Interviews and walkthroughs with key individuals across the organization:* Individuals selected to participate in interviews and walkthroughs represented regional, sector, and hub activity and had responsibilities in Grants and Contributions (G&C), Operations and Maintenance (O&M), and salary PAYE set-up;
- *Documentation review:* This included reviews of process documentation, reports, progress updates, approaches and methodologies and other relevant documentation related to PAYE controls, G&C PAYEs, O&M PAYEs, and salary PAYEs; and,
- *Operating effectiveness testing to validate approach and findings:* A sample of PAYEs was selected for testing, based on the frequency of controls being performed for each distinct PAYE process conducted at the Western and Eastern accounting hubs. A total of 180 PAYEs covering the accounting hubs and proportioned among the regions and sectors was selected for testing. Some payment samples for payments conducted at fiscal year-end 2014-15 and the beginning of fiscal year 2015-16 were also tested to validate payments made against PAYEs.

The approach used to address the audit objective included the development of audit criteria, against which observations and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A. Relevant policies and directives referenced throughout the audit process are listed in Appendix B.

4. CONCLUSION

The Department is in compliance with the TB *Directive on Year-End Recording of Payables* and AANDC's *Policy on PAYE*, and appears to have a reasonably effective and adequate system of management controls in place to properly account for and record PAYE.

AANDC has fully remediated one of the two OAG recommendations from the previous year. The first recommendation, related to the generation of a report which details the account balances of certain payables accounts, has been completed by AANDC. The second recommendation, related to implementation of the Section 33 review and approval, has been completed for G&C and O&M PAYEs, but is still not being performed on salary-related PAYEs.

Opportunities to further strengthen the effectiveness and efficiency of PAYEs have been noted within the report.

5. FINDINGS AND RECOMMENDATIONS

Each audit criterion, which established the expectations against which the audit was conducted, was assessed by the audit team using a combination of documentation review, analysis and detailed testing and interview procedures. A conclusion for each audit criterion was made based on the results of applying the relevant audit procedures. Where gaps were identified between expected and actual practices, the associated risk was evaluated to develop a conclusion and to document recommendations for improvement.

5.1 *Compliance with Policies and Procedures*

The audit examined whether PAYE processes and associated procedures are designed to support compliance with applicable policies and that they had been updated to address OAG findings. This includes ensuring that PAYE processes, procedures and controls exist and meet AANDC policy and TB directive PAYE requirements.

5.1.1 **PAYE procedures are in compliance with applicable policies**

The audit expected to find that AANDC's *Policy on PAYE* addresses all key requirements set out in the TB *Directive on Year-End Recording of Payables* and that the definition of a PAYE and minimum requirements to have a payable set up as a PAYE are consistent between policy and procedures.

It was observed during the audit that the definition of a PAYE and the related minimum requirements for establishing one is consistent between AANDC's *Policy on PAYE* and TB's *Directive on Year-End Recording of Payables*. The audit did, however, note variances in the alignment of PAYE thresholds as follows:

- The PAYE thresholds outlined in AANDC's *Policy on PAYE* are: for Salary: \$1,000 per employee; for O&M: \$2,500 per transaction; and, for G&C: \$5,000 per agreement.
- The PAYE thresholds outlined in AANDC's procedures are: for Salary: no threshold; for O&M: \$1,000 per transaction; and, for G&C: no threshold.
- PAYEs less than all threshold amounts were observed to exist in the PAYE listings.

While the recording of PAYEs under threshold levels outlined is not a risk, inconsistencies were observed in the application of the threshold levels among the regions and sectors.

AANDC's *Policy on PAYE* is in compliance with the TB *Directive on Year-end Payables*; however, an opportunity to restudy the threshold levels and better align the establishment of PAYEs among the regions and sectors was identified.

Recommendation:

1. The Chief Financial Officer should consider whether efficiencies can be gained by revisiting the stated thresholds for establishing Payables at Year-End and ensuring consistent application.

5.1.2 OAG findings have been remediated

In the OAG's audit of Public Accounts for fiscal year 2013-14, the following two observations related to the PAYE process were identified:

- i) There was an absence of appropriate transactions listing or reports for FRA transactions; and,
- ii) There was a lack of Section 33 certification when setting up PAYEs.

It was expected that these two OAG recommendations would have been addressed by management during fiscal year 2014-15.

AANDC was able to provide a listing of all transactions in a timely manner for both Accounts 21111 and 21113, appropriately addressing the OAG's first finding. In response to the OAG's second finding, requiring a Section 33 certification to establish PAYEs, we found that AANDC has implemented the recommendation for G&C and O&M PAYEs but has not yet implemented the recommendation for manually set-up Salary PAYEs. Walkthroughs conducted during the audit noted that process owners were not aware of this requirement. Although section 33 certification was identified as a key control, AANDC's *Policy on PAYE* does not include the steps necessary to facilitate Section 33 certification.

AANDC has remediated the OAG's first finding; however, it has not fully remediated the second finding as section 33 is not being performed on PAYEs related to Salary.

Recommendation:

2. The Chief Financial Officer should ensure that Section 33 approvals are performed on the set-up of all Payables at Year-End, including Salaries.

5.2 Governance and Oversight

5.2.1 An effective governance framework is in place

The governance framework for the PAYE process at AANDC exists and is documented in the following AANDC policies and supporting procedure documents:

- *Policy on Payable at Year-End*
- *Purchases, Payables and Payment (PPP) Process Flowchart*
- *Account Verification Framework*
- *Year-End checklist*
- *Departmental Year-End Procedures 2014-15*
- *Policy on Account Certification*
- *Handbook on Account Certification*

Additionally, the accounting calendar that identifies key milestones for accounting processes in the lead up to year-end is documented, and the audit found that it was communicated via email to all personnel involved with year-end processes.

Roles and responsibilities are outlined in documentation but walkthroughs conducted for the audit and supporting evidence of follow up emails from regions and sectors related to PAYE procedures and walkthroughs indicate a lack of clarity around the ownership and steps involved with the Section 33 sign-off. As indicated in Section 5.1.2 above, AANDC's *Policy on PAYE* does not include the steps necessary to facilitate Section 33 certification. Furthermore, the audit noted that some documents do not make reference to the specific role and responsibilities of the accounting hubs with regard to PAYE validation and certification.

5.2.2 An effective monitoring process is in place

AANDC's *Policy on PAYE* outlines roles and responsibilities over monitoring; however, this process is not as clearly outlined within the procedure level documentation. Specifically, the *Policy* states that monitoring should be performed at a minimum, on a monthly basis. This monitoring procedure is not well defined in the procedures and does not identify the parties responsible for monitoring activities. During walkthroughs for the audit, it was observed that monitoring activities were completed on a quarterly basis based on the requirements of account certification which included certification for PAYEs, not monthly as indicated in the *Policy*.

A tracking and monitoring process is clearly defined within AANDC's *Policy on Payables at Year-end*; however, they are not included in procedural documentation. Furthermore, the tracking and monitoring controls are not operating consistently among regions and sectors.

Recommendation:

3. The Chief Financial Officer should ensure the comprehensiveness and alignment of the *Policy* and procedural documentation, and their corresponding implementation, with regard to Payables at Year-end, including ongoing tracking and monitoring activities, and Section 33 validation and certification.

5.3 Controls to address financial assertions

5.3.1 An effective tracking and clearing process is defined and in place for PAYEs being carried over from previous fiscal years.

Review of documentation revealed a uniform PAYE monitoring and tracking template as well as tracking and clearing processes in place to ensure the ongoing accuracy of current PAYEs.

Walkthroughs with process owners revealed that monitoring procedures are completed on a quarterly basis, which aligned with the requirements of account certification that included certification for PAYEs, not monthly as indicated in the policy and procedures. Further, testing revealed that monitoring reports are not generated and/or reviewed consistently by all regions. Many PAYEs established prior to fiscal 2014-15 are still outstanding with little evidence that they are being monitored, supporting documentation is being retained, or they are actively being cleared. The recommendation to address this finding is included in recommendation # 3 above.

5.3.2 Key controls for all processes occurring in hubs are clearly documented, designed and tested for operational effectiveness

For fiscal year 2014-15, it was observed that the same year-end instructions were sent to all individuals involved in year-end processes in the hubs and mini hubs to ensure consistency.

Procedures indicated that the PAYE processes for G&Cs and O&Ms performed at the hubs are consistent. However, some inconsistencies were noted in how justification is provided for PAYE set-up for G&Cs. Walkthroughs identified that justification for PAYE set-up should be recorded in the comment box within PAYE Set-Up report module in the Grants and Contribution Information Management System (GCIMS). However, testing showed that in the eastern hub, justification for PAYE set-up was not recorded consistently in GCIMS, but was included in the funds remaining report. It was observed that the eastern hub had agreed to the PAYE set-up without using the comment box, after a request was made by a region to reduce the workload, as the justification was already specified in the funds remaining report. However, this change was not communicated widely across the department.

Key controls identified to be performed by hubs for the G&C and O&M processes were tested for operating effectiveness at the eastern and western accounting hubs. These controls include: PAYE set-up amount matching the supporting documentation and a section 33 signature executed by an appropriate authority. These controls were generally found to be operating effectively at both hubs.

Results of applied procedures indicate that several design weaknesses were noted in the Salary PAYE process, namely:

- PAYE items for Salary PAYEs transferred from 2013-14 to 2014-15 listed outstanding items, most of which should have been cleared, but were still listed as PAYE items at the time of the audit;
- a lack of clarity within the process documentation around:
 - which transactions are to be set up automatically and which require manual set-up;
 - the type of supporting documentation required for a Salary PAYE for Section 33 validation and certification; and,
 - the team responsible for performing the Section 33 approval for the manually set-up Salary PAYEs.

5.3.3 PAYEs are adequately supported by evidence

Testing of PAYEs determined that those related to G&Cs are adequately supported and reviewed through Section 34 and 33. The budget allocations and funding agreements for G&Cs are housed in GCIMS. The funds remaining at year-end and the PAYEs that are set up against these agreements are adequately tracked and supported within GCIMS.

PAYEs related to O&M are adequately supported and reviewed through Section 34 and 33. The outstanding commitment report generated from SAP at year-end forms the basis for the

identification and set-up of PAYEs, and supporting documentation are provided for each identified PAYE.

PAYEs related to Salary are not adequately supported impacting the effectiveness of Section 34 and 33 reviews.

5.3.4 PAYEs are adequately supported and reviewed to ensure expenses are attached to the appropriate period

Testing of PAYEs determined that PAYEs are reviewed for Section 34 and 33 to ensure that transactions are being recorded in the accurate period. Some exceptions were noted in PAYEs that were set-up prior to fiscal year 2014-15. One sample in the audit testing did not include the appropriate supporting documentation for prior year's PAYEs that would be reviewed to ensure that expenses are attached to the appropriate period. Two samples did not include evidence of Section 34 approval at the time of PAYE set-up. The observation reinforces the importance of ongoing monitoring and tracking to ensure that carried forward PAYEs are validated and/or cleared in a timely manner.

In addition to PAYEs, audit testing was also performed on payments made during the transition from 2014-15 to 2015-16. Of the transactions that met PAYE criteria, it was observed that all of them were set-up as PAYEs in the appropriate period.

5.3.5 PAYEs are adequately supported and reviewed to ensure amounts are accurate and appropriately recorded

Testing of PAYEs that were set-up in 2014-15 determined that PAYEs are reviewed for Section 34 and 33 to ensure that PAYE amounts are accurate. Generally, the controls are operating effectively ensuring that the PAYE amount matches the supporting documentation. However, in some instances for O&M PAYEs, small variances existed between the PAYE and supporting documentation, and in some instances for Salary PAYEs, the supporting documentation could not be provided to ensure that the PAYE is accurate.

G&C and O&M PAYEs are adequately supported and reviewed to ensure transactions meet PAYE criteria, are recorded in the appropriate period and are accurate. Salary PAYEs are not consistently supported with appropriate documentation, and there is a corresponding lack of clarity in the process documentation as mentioned in Section 5.3.2.

Recommendation:

4. The Chief Financial Officer should review the procedures and controls related to the Salary Payables at Year-End processes to ensure that Salary PAYEs from pre-2014-15 are appropriately cleared in a timely manner; and, process documentation clearly specifies the automated and manual process, the required supporting documentation, and the Section 33 validation and certification for Salary PAYEs.

6. EFFICIENCY OF THE PAYE PROCESS

In order to meet its year-end financial reporting requirements, the Department processes PAYEs within very tight timelines. Though the process, as it currently operates, allows the Department to meet its deadlines, the following describes a number of changes that could improve the efficiency of the PAYE processes. As the process differs slightly for each type of PAYE, we have grouped our findings by PAYE type below:

O&M:

The process of Section 33 certification for O&M is very paper-based and onerous in nature. With a very tight timeline for Section 33 certification, there could be room for improvement in considering electronic or system-based options.

G&C:

The procedures for G&C PAYEs required two reports to be uploaded in GCIMS. Following responses from the regions and sectors on the redundancy of the reports, the requirement was reduced to upload one report with Section 34 certification. This was an ad hoc effort to make the process more efficient, but led to discrepancies as to which report was certified by Section 34 and provided to Section 33 for validation.

The procedures also required that a comment box be filled out within GCIMS for the PAYE set-up reports to serve as the justification for the PAYE creation. This was considered time-consuming by the regions and the requirement was later changed by the hub, leading to some of the regions no longer requiring this comment box to be filled out. There is an opportunity to review the process from an efficiency point of view to ensure that redundancies are reduced and consistency is improved across the department.

Salary:

Section 33 certification for Salary is currently not centralized in the accounting hubs, but resides in the respective regions and HQ. The manual set-up of Salary PAYE at year-end 2014-15 for the regions by the Corporate Accounting and Reporting Directorate at HQ was a temporary arrangement to accommodate a staged adaptation to the SAP financial management system. Increased clarity and improved alignment of roles and responsibilities are expected for manually set-up Salary PAYE and the corresponding Section 33 certification going forward.

7. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date (Month & Year)
<p>1. The Chief Financial Officer should consider whether efficiencies can be gained by revisiting the stated thresholds for establishing Payables at Year-End and ensuring consistent application.</p>	<p>CFO will review thresholds of all types of PAYEs for potential efficiencies and will clarify directives and procedures to ensure consistent application.</p>	<p>Chief Financial Officer</p>	<p>Clarify procedures by Q4 of 2015-2016. Clarify internal directives by Q1 2016-2017.</p>
<p>2. The Chief Financial Officer should ensure that Section 33 approvals are performed on the set-up of all Payables at Year-End, including Salaries.</p>	<p>CFO will review the roles and responsibilities for staff on section 33 to make sure that section 33 will be performed as per the recommendations.</p>	<p>Chief Financial Officer</p>	<p>Q4 of 2015-2016</p>
<p>3. The Chief Financial Officer should ensure the comprehensiveness and alignment of the Policy and procedural documentation, and their corresponding implementation, with regard to Payables at Year-end, including ongoing tracking and monitoring activities, and Section 33 validation and certification.</p>	<p>CFO will review TBS's Directive on Year-End Recording of Payables, AANDC's internal directive on Payables at Year-end, and AANDC's year-end procedures to ensure consistency. Furthermore, We will take this under consideration in an updated risk analysis of our internal control monitoring plan.</p>	<p>Chief Financial Officer</p>	<p>Q4 of 2015-2016</p>

<p>4. The Chief Financial Officer should review the procedures and controls related to the Salary Payables at Year-End processes to ensure that Salary PAYEs from pre-2014-15 are appropriately cleared in a timely manner; and, process documentation clearly specifies the automated and manual process, the required supporting documentation, and the Section 33 validation and certification for Salary PAYEs.</p>	<p>CFO will review the procedures and controls, including Section 33 and certification related to Salary payables at year end. This review will take place after training is received on PWGSC's new pay system, Phoenix. Phoenix will replace the Regional Pay System (RPS) and will impact AANDC's business processes. Phoenix is expected to be implemented in February 2016 with training to AANDC in January 2016.</p>	<p>Chief Financial Officer</p>	<p>Q4 of 2015-2016</p>
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Appendix A: Audit Criteria

To ensure an appropriate level of assurance to meet the audit objectives, the following audit criteria were developed to address the objective.

Audit Criteria	Sub-criteria
Compliance	
1a. PAYE procedures were developed to be in compliance with AANDC Policy on Payables at Year-end and the TB Directive on Year-end Payables	1.1 PAYE procedures exist and align with AANDC Policy on Payables at Year-end
	1.2 AANDC Policy on Payables at Year-end is in compliance with TB Directive on Year-end Payables
1b. PAYE process have been updated to address findings identified by the OAG during the Audit of AANDC for the 2013-14 Public Accounts	1.3 OAG findings have been remediated
Governance and oversight	
2a. An effective governance framework is in place, which includes clearly defined roles and responsibilities, regular meetings and updates to inform the regions and accounting hubs.	2.1 No further sub-criteria identified.
2b. An effective PAYE monitoring process is in place to ensure that current and past PAYEs are monitored in the BMUs and regions.	2.2 No further sub-criteria identified.
Controls to address financial assertions	
3a. An effective tracking and clearing process is in place to ensure the existence and accuracy of PAYEs.	3.1 No further sub-criteria identified.
3b. PAYE processes and controls are documented, designed and operating effectively and consistently at	3.2 No further sub-criteria identified.

Audit Criteria	Sub-criteria
the accounting hubs.	
3c. All PAYEs are adequately supported to ensure the good or services have been received.	3.3 No further sub-criteria identified.
3d. All PAYEs are adequately supported to ensure they are recorded in the appropriate period.	3.4 No future sub-criteria identified.
3e. All PAYEs are adequately supported to ensure that are accurate.	3.5 No future sub-criteria identified.

Appendix B: Relevant Policies/Directives

The following authoritative sources (i.e. Policies/Directives) were examined and used as a basis for this audit:

- Treasury Board *Directive on Year-end Recording of Payables*
- AANDC *Policy on Payables at Year-End*
- AANDC *Policy on Account Certification*