

## 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, 2011, and all information contained in these statements rests with the management of the Canadian Centre for Occupational Health and Safety (CCOHS). These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles, except as disclosed in Note 12- Net Debt Indicator.

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 the department's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in CCOHS' Annual Report and *Departmental Performance Report*, is consistent with these financial statements.

An Audit Committee appointed by the Council of Governors of CCOHS has reviewed these statements with management and the auditors, and has reported to the Council of Governors. The Council of Governors has approved the financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting 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 CCOHS and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting (ICFR).

An assessment for the year ended March 31, 2011 was completed in accordance with the *Policy on Internal Control* and the results and action plans are summarized in the annex. The annex is available on CCOHS' website at the following location: [http://www.ccohs.ca/ccohs/reports/other\\_reports.html](http://www.ccohs.ca/ccohs/reports/other_reports.html)

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The Office of the Auditor General, the independent auditor for the Government of Canada, has expressed an opinion on the fair presentation of the financial statements of CCOHS which does not include an audit opinion on the annual assessment of the effectiveness of CCOHS' internal controls over financial reporting.

Approved by:



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Steve Horvath  
President and Chief Executive Officer  
Hamilton, Canada June 21, 2011



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Bonnie Easterbrook, CGA  
Chief Financial Officer

**Canadian Centre for Occupational Health and  
Safety's**

**Annex to the Statement of Management  
Responsibility including Internal Control over  
Financial Reporting**

FISCAL YEAR 2010-11

## **NOTE TO THE READER**

With the new Treasury Board *Policy on Internal Control*, effective April 1, 2009, departments are now required to demonstrate the measures they are taking to maintain effective system of internal control over financial reporting (ICFR).

As part of this policy, departments are expected to conduct annual assessments of their system of ICFR, establish action plans to address any necessary adjustments, and to attach to their Statements of Management Responsibility a summary of their assessment results and action plan.

Effective systems of ICFR aim to achieve reliable financial statements and to provide assurances that:

- Transactions are appropriately authorized
- Financial records are properly maintained
- Assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement
- Applicable laws, regulations and policies are followed

It is important to note that the system of ICFR is not designed to eliminate all risks, rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate.

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess the effectiveness of associated key controls and adjust as required, as well as to monitor the system in support of continuous improvement. As a result, the scope, pace and status of those departmental assessments of the effectiveness of their system of ICFR will vary from one organization to another based on risks and taking into account their unique circumstances.

This annex is unaudited.

## 1. Introduction

This unaudited document is attached to Canadian Centre for Occupational Health and Safety *Statement of Management Responsibility Including Internal Control over Financial Reporting* for the fiscal-year 2010-2011. As required by the new Treasury Board *Policy on Internal Control*, effective April 1<sup>st</sup> 2009, for the first time, this document provides summary information on the measures taken by Canadian Centre for Occupational Health and Safety to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the assessments conducted by CCOHS as at March 31, 2011, including progress, results and related action plans along with some financial highlights pertinent to understanding the control environment unique to the department.

### 1.1 Authority, Mandate and Program Activities

The Canadian Centre for Occupational Health and Safety (CCOHS) operates under the legislative authority of the Canadian Centre for Occupational Health and Safety Act S.C., 1977-78, c. 29 which was passed by unanimous vote in the Canadian Parliament. The purpose of this Act is to promote the fundamental right of Canadians to a healthy and safe working environment by creating a national institute (CCOHS) concerned with the study, encouragement and co-operative advancement of occupational health and safety.

Detailed information on CCOHS' authority, mandate and program activities can be found in *Departmental Performance Report* <http://www.ccohs.ca/ccohs/reports/dpr.html> and *Report on Plans and Priorities* [http://www.ccohs.ca/ccohs/reports/estimates\\_rpp.html](http://www.ccohs.ca/ccohs/reports/estimates_rpp.html).

CCOHS fulfils its mandate to promote workplace health and safety, and encourage processes and methods that will lead to improved worker physical and mental health, through a wide range of products and services. These products and services are designed in cooperation with national and international occupational health and safety organizations with an emphasis on preventing illnesses, injuries and fatalities.

### 1.2 Financial highlights

Audited financial statements of the Canadian Centre for Occupational Health and Safety for fiscal-year [2010-2011] can be found at the [http://www.ccohs.ca/ccohs/reports/reports\\_council.html](http://www.ccohs.ca/ccohs/reports/reports_council.html) Information can also be found in the Public Accounts of Canada <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html>.

- Total expenses were \$10.6 million. The major expense is payroll at 77% of the total expenses. Professional and special services account for another 9% of expenses.
- Total revenues of \$4.0 million resulted from the sales of health and safety related goods and services.
- Total assets and liabilities were \$ 1.1 million and \$3.5 million respectively Tangible capital assets and accounts receivable account for \$ 615 thousand or almost 50% of the assets of CCOHS. The largest payable (\$1.7 million or 49%) is the employee

severance benefit and then deferred revenues from the sale of subscription web services. Outstanding vacation pay is another significant liability.

- CCOHS has one central office that serves all of Canada.
- CCOHS has a significant number of information systems that are critical to its operations and financial reporting.

### **1.3 Audited Financial Statements**

The Canadian Center for Occupational Health and Safety has consistently received an unqualified audit opinion from the Office of the Auditor General (OAG), the auditors of our financial statements.

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

CCOHS relies on other organizations for the processing of certain transactions that are recorded in its financial statements:

- PWGSC centrally administers the payments of salaries through its payroll system. In addition CCOHS utilizes the Common Departmental Financial System (CDFS) financial system. PWGSC issues payments and provides banking services on behalf of CCOHS.
- PWGSC provides accommodation services to CCOHS without charge.
- As well, Treasury Board Secretariat provides the Department with information used to calculate services provided without charge for health and dental.
- The Department of Justice Canada provides legal counsel and advisory services relating to CCOHS' legal requirements.

### **1.5 Material changes in fiscal-year 2010-2011**

No significant departmental changes that are relevant to the financial statements occurred in 2010-11. CCOHS has an independent Audit Committee.

In February 2011, the President, Mr. Len Hong retired. His replacement, Mr. Steve Horvath commenced his duties in April 2011.

## **2. CCOHS' control environment relevant to ICFR**

CCOHS recognizes the importance of setting the tone from the top to help ensure that staff at all levels understands their roles in maintaining effective systems of ICFR and is well equipped to exercise these responsibilities effectively. CCOHS' focus is to ensure risks are managed well through a responsive and risk-based control environment that enables continuous improvement and innovation.

### **2.1 Governance**

## **Key positions, roles and responsibilities**

Below are CCOHS' key positions and committees with responsibilities for maintaining and reviewing the effectiveness of its system of ICFR.

**Council of Governors** - Council of Governors comprised of representatives from labour, business, federal, provincial and territorial Canadian governments that govern the Centre and provide the strategic direction. In addition the Council approves the annual report and financial statements based upon the recommendation of the Audit Committee.

**President and CEO** – CCOHS' President and CEO, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. In this role, the President sits of the Council of Governors and the Audit Committee. The President oversees the day to day operations of the Centre.

**Chief Financial Officer (CFO)** – CCOHS' CFO reports directly to the President and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of ICFR, including its annual assessment.

**Service Unit Managers** – CCOHS' senior departmental managers in charge of program delivery are responsible for maintaining and reviewing effectiveness of their system of ICFR falling within their mandate.

**Departmental Audit Committee (DAC)** - The DAC is an advisory committee that provides objective views on the departments risk management, control and governance frameworks. It is comprised of four external members and was established over 25 years ago. As such, it reviews CCOHS' Audited Financial Statements and will review its system of internal control, including the assessment and action plans relating to the system of ICFR.

## **2.2 Key Measures Taken by CCOHS**

CCOHS reviews its risk annually during its business planning process. This review is done at the program level. Every three years, the Council of Governor's reviews its strategic direction, including an analysis of corporate risks, operational, regulatory/legal, financial and reputational.

Strategies to mitigate risk are incorporated into the business planning process.

CCOHS' control environment also includes a series of measures to equip its staff to manage risks well through raising awareness, providing appropriate knowledge and tools as well as developing skills. Key measures include:

- CCOHS' values and ethics code and its conflict of interest guidelines;
- A dedicated division under the CFO on internal control;

- Clear guidelines on authorities and compliance with S. 32, s. 34 and S. 33 of the Financial Administration Act.
- Accountability by responsibility centre for budgetary control and approvals of all expenditures.
- Regular communications of budget information, financial results and projections information to clearly identify risks and allocation of resources
- An open and transparent financial reporting system with access to all financial data within 5 working days of month end.
- Departmental policies tailored to CCOHS' control environment;
- Participation in horizontal internal audits
- Regularly updated delegated authorities matrix;
- IT processing systems to achieve greater security, integrity, efficiency and effectiveness.

### **3. Assessment of CCOHS' system of ICFR**

#### **3.1 Assessment baseline as at March 31, 2011**

CCOHS has had an independent audit conducted by the Office of the Auditor General, since its inception over 30 years ago. CCOHS has received a clean audit opinion each year on these audits.

To support the requirements or those of the Policy on Internal Control, an effective system of ICFR with the objectives to provide reasonable assurance that:

- Transactions are appropriately authorized
- Financial records are properly maintained
- Assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement
- Applicable laws, regulations and policies are followed

Over time, this includes assessment of design and operating effectiveness of the system of ICFR leading to ensuring the on-going monitoring and continuous improvement of the departmental system of ICFR.

**Design effectiveness means** to ensure that key control points are identified, documented, in place and that they are aligned with the risks (i.e. controls are balanced with and proportionate to the risks they aim to mitigate) and that any remediation is addressed. This includes the mapping of key processes and IT systems to the main accounts by location as applicable.

CCOHS has basic documentation of our key systems. There are extensive control and approval procedures in place. In order to support our review of internal control and provide assurance, CCOHS must fully document each step in the process.

**Operating effectiveness means** that the application of key controls has been tested over a defined period and that any required remediation is addressed. While this is not part of our annual audit, it will be included as part of our review of internal control.

**Ongoing monitoring program means** that a systematic integrated approach to monitoring is in place, including periodic risk-based assessments and timely remediation.

Such testing covers all departmental control levels which include corporate or entity, general computer and business process controls.

### **3.2 Assessment scope at CCOHS as at March 31, 2011**

An assessment is required for internal controls for financial reporting. CCOHS began with documentation and assessment of our entity level controls. Entity level controls refer to those controls and practices in place that permeate across the department and set the “tone from the top”.

CCOHS will continue its assessment based on the identification of key accounts of the financial statements that will be subject to the ICFR assessment process. CCOHS will undertake measures to assess its system of ICFR starting from its financial statement with a focus the following business Process Level Controls:

- Payroll (processed for CCOHS by PWGSC)
  - Revenue (Sale of goods and services)
  - Accounts Receivable
  - Accounts Payable
  - Capital assets
  - Financial Close & Reporting
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- For each significant account/location, CCOHS will completed the following steps:
  - Gathering information pertaining to processes and locations, risks and controls relevant to ICFR, including appropriate policies and procedures;
  - Mapping out key processes with the identification and documentation of key risk and control points on the basis of materiality, volumes, complexity, and susceptibility to losses/frauds, areas subject to audit observations, past history, external attention, and reliance on third-party.
  - Walk through testing to document flow of information.
  - design and operating effectiveness testing will be developed based upon the above information.

General computer controls are defined as controls over the core financial systems and IT infrastructure used across the organization and which support financial transactions. CCOHS is responsible for assessing effectiveness of all the key IT general controls for systems that it fully manages.

Where CCOHS acquires the services from another government department, the assessment will be limited to components of the system maintained and controlled by CCOHS. This includes services acquired through the Regional Pay System and Common Departmental Financial Management System (CDFS). Assessment of all other components is the responsibility of the other government department.

Finally, CCOHS will take into account and review information available from recent audits, evaluations and MAF.

#### **4. CCOHS' assessment results as of March 31, 2011**

##### **4.1 Design effectiveness of key controls**

During 2010-11 CCOHS completed documentation of design of its entity level controls. CCOHS also reviewed existing documentation of systems in preparation for mapping of key business processes.

The review indicated that the current documentation was out of date and did not capture all control points currently in place. There are extensive procedures, policies and practices in place. However, they are not documented in one place and the procedures in practice are not documented in flow charts or manuals.

The review did indicate a complete authorities matrix for approvals and proper delegation of authorities. Adequate policies are on hand for entity level controls that provide an environment that promotes internal control. These policies include:

- It Security Policy
- Values and Ethics Code
- Conflict of Interest Policy

Our government accounting system CDFS has a complete IT control Framework

During the year CCOHS implemented a new integrated order entry and subscriptions management system and also had a retirement of a key accounting position. This delayed complete systems documentation.

The review also indicated existence of adequate policies. Shortfalls were found in the following areas:

- Documentation on the flow of information and key control points in place
- Procedures manuals
- An updated Corporate Risk Profile
  
- Establishment of a process to ensure that policies, procedures and other documents are regularly reviewed and updated as necessary.

In assessing its entity controls, CCOHS focused on design effectiveness which is the prerequisite to testing operating effectiveness.

## **4.2 Operating effectiveness of key controls**

Operational effectiveness testing has not yet commenced and therefore no assessment results are available at this time.

When completing operating effectiveness testing, CCOHS will implement a risk based testing approach and methodology that will identify key controls to be tested over a defined period of time, including the selection of a sample, the test period and the method and frequency of testing.

Operational effectiveness for Entity Level Controls will not commence until the associated remediation of design effectiveness has been implemented and a sufficient time has passed to allow the controls to function for a portion of the financial year.

## **5. CCOHS action plan**

### **5.1 Progress as of March 31, 2011**

During 2010-2011 CCOHS made significant progress in reviewing and improving its key controls. Below is a summary of the main progress made by CCOHS:

#### **CCOHS has completed the following:**

- Gathered information pertaining to processes, risks and controls relevant to ICFR at CCOHS, including appropriate policies and procedures, recent audits, evaluations and results from MAF assessments
- fixed asset database with annual physical inventory and reconciliation
- Identified Entity Level controls and related documentation
- Identified IT General Controls and related documentation for one system
- Implementation of a performance management framework for departmental work allocations
- financial reporting framework with published financial statements on a monthly basis
- An external audit committee is in place
- Communication of the Policy on Internal Control and its requirements to senior management and the Audit Committee

### **5.2 Action plan for the next fiscal year and future years**

CCOHS has developed a multi-year plan to fully implement the requirements of the *Policy on Internal Control*

#### **By end of 2011-12 CCOHS plans to:**

- Complete a risk assessment to identify key risks, accounts and business processes
- Document key business process
- Test design effectiveness of key business controls
- Document IT general controls

- Test design effectiveness of IT general controls
- Address required remediation identified during assessments

**By the end of 2012-13, CCOHS plans to:**

- Test operating effectiveness of key business processes
- Test of operating effectiveness for entity level controls
- Address required remediation identified during assessments

**By the end of 2013-14 CCOHS plans to:**

- Test operating effectiveness of IT general controls
- Continue to test operating effectiveness of key business processes
- Develop a monitoring plan for ongoing monitoring of the effectiveness of the departmental system of ICFR.

	2011-12				2012-13				2013-14			
	Documentation	Design Effectiveness	Operating Effectiveness	Ongoing Monitoring	Documentation	Design Effectiveness	Operating Effectiveness	Ongoing Monitoring	Documentation	Design Effectiveness	Operating Effectiveness	Ongoing Monitoring
<b>Entity Level Controls</b>												
Control Environment		✓					✓					✓
<b>IT General Controls</b>												
Financial Systems	✓	✓									✓	✓
<b>Business Process and Financial Reporting Controls</b>												
Capital assets, impairment and amortization	✓	✓					✓					✓
Purchases, Payments and Payables, Accruals	✓	✓					✓					✓
Payroll and HR benefits	✓	✓					✓					✓
Sales, Receipts and Receivables	✓	✓					✓					✓
Financial Reporting	✓	✓					✓					✓