

Annex to the Statement of Management Responsibility Including Internal
Control Over Financial Reporting of

Social Sciences and Humanities Research Council of Canada

for Fiscal year 2023-24 (Unaudited)

Table of contents

1. INTRODUCTION.....	1
2. DEPARTMENTAL SYSTEM OF INTERNAL CONTROL OVER FINANCIAL REPORTING.....	1
2.1 INTERNAL CONTROL MANAGEMENT	1
2.2 SERVICE ARRANGEMENTS RELEVANT TO FINANCIAL STATEMENTS.....	1
3. DEPARTMENTAL ASSESSMENT RESULTS DURING FISCAL YEAR 2023-24	2
3.1 NEW OR SIGNIFICANTLY AMENDED KEY CONTROLS:.....	2
3.2 ONGOING MONITORING PLAN:	2
4. SSHRC'S MULTI-YEAR ONGOING MONITORING PLAN.....	3

1. Introduction

This document provides summary information on the measures taken by the Social Sciences and Humanities Research Council of Canada (SSHRC) to maintain an effective system of internal control over financial reporting (ICFR), including information on internal control management, assessment results and related action plans.

Detailed information on the department's authority, mandate and program activities can be found in the 2023-24 [Departmental Results Report](#) and the 2024-25 [Departmental Plan](#).

2. Departmental system of internal control over financial reporting

2.1 Internal control management

SSHRC has a well-established governance and accountability structure to support departmental assessment efforts and oversight of its system of internal control. A departmental internal control management framework, approved by the President and the CFO, is in place and includes:

- Organizational accountability structures as they relate to internal control management to support sound financial management including roles and responsibilities for senior managers in their areas of responsibility for control management;
- Through the annual Performance Management and Employee Assessment Agreements, all employees are to certify and attest that they have read the Value and Ethics Code for the Public Service. The Code outlines accountability for responsible conduct;
- Guidance to business process owners regarding impacts of changes on internal controls;
- Ongoing communication and training on statutory requirements, and policies and procedures for sound financial management and control; and
- Monitoring of, and regular updates on, internal control management, as well as the provision of relevant assessment results and action plans to the President, CFO and the Internal Audit Committee (IAC).

2.2 Service arrangements relevant to financial statements

SSHRC relies on other organizations for the processing of certain transactions or the provision of information, which impacts its financial statements as follows:

Common Arrangements

- Public Services and Procurement Canada, which administers the payments of salaries and the procurement of some goods and services in accordance with SSHRC's Delegation of Authority, and the provision of accommodation services;
- Department of Justice Canada provides legal advice and services with respect to potential liabilities and claims to which SSHRC may be subject in the normal course of operations; and
- Treasury Board Secretariat, which provides information on public sector insurance and centrally administers payment of the employer's share of contributions toward statutory employee benefit plans.

Specific Arrangements

SSHRC administers funds received from other government departments and agencies to issue grants, scholarships and related payments on their behalf. During the year, SSHRC administered \$408,976,973 (\$420,562,000 in 2022-2023) in funds for grants and scholarships. These expenses are not reflected in SSHRC's financial statements but rather are recorded in the financial statements of the departments or agencies that provided the funds.

3. Departmental assessment results during fiscal year 2023-24

The following table summarizes the status of the ongoing monitoring activities according to the previous fiscal year's rotational plan.

Progress during the 2023-24 fiscal year:

Element in previous year's rotational ongoing monitoring plan	Status
Grants & Scholarships	The design assessment was completed during 2023-24. No design weaknesses or design gaps were noted during the design assessment. Operating effectiveness will be tested in 2025-26 as planned
Period-End Reporting	The assessment was completed during 2023-24; remedial actions were identified, and implementation was completed by April 2024.
Payroll/Salaries Process	The design effectiveness was assessed for 2023-24. No remedial action is identified. The operation effectiveness will be performed in 2024-25 as planned

3.1 New or significantly amended key controls:

The recent migration to a new financial system has significantly impacted the existing control systems across various business cycles. As a result, most of the controls currently in place have been affected and will require thorough review and potential modification. To ensure continued compliance and operational efficiency, these controls will be evaluated and adjusted as necessary during the organization's ongoing monitoring cycles over the next three years. This proactive approach will help maintain robust internal controls and support the integrity of our financial reporting and business processes.

3.2 Ongoing monitoring plan:

As part of its rotational ongoing monitoring plan, the department completed its reassessment of the financial controls related to Grants and Scholarships; Period-End Reporting; and Payroll/Salaries

process. All these control assessments were presented to the Internal Audit Committee (IAC) on April 2024.

Grants and Scholarships

The Grants and Scholarships process was assessed for design effectiveness as part of the multi-year ongoing monitoring plan. The period of testing covered April 1, 2023, to February 29, 2024. The process consists of six (6) key controls for Grants and six (6) key controls for Scholarships.

Overview of the findings:

- No design weaknesses or design gaps were noted during the design assessment.
- Operating effectiveness will be tested as part of a complete test of controls over grants and scholarship payments planned for 2025-26.

Period-End Reporting

As per the Internal Control Ongoing Monitoring Plan, the Period-End Reporting business process was assessed for design effectiveness. The period of testing covered April 1, 2023, to February 29, 2024. This process consists of eight (8) key controls that include monthly Trial Balance submission, regular corporate accounts reconciliations, quarterly Financial Report preparation and Proactive disclosures of senior executives' Travel related expenditures.

Overview of the findings:

- Five (5) controls were assessed as ineffective (three controls evaluated as low risk and two as medium risk) due to a lack of documented evidence and sign-off on the reconciliations and reviews completed by the financial operations team over the trial balance, capital assets, general and sub ledgers, and grants and scholarships payments.

A management action plan was developed, and all five (5) observations were remediated by April 2024.

Payroll/Salaries Process

As per the Internal Control Ongoing Monitoring Plan, the Payroll/Salaries Business Process was assessed for design effectiveness. The period testing covered April 1, 2023, to February 29, 2024. This process consists of thirty-one (31) key controls based on TBS Guideline on Financial Management of Pay Administration.

Overview of the findings:

- One design gap was noted during the design assessment. As the policy requires departments to complete periodic post-payment verifications on only a sample of pay files and using a sampling strategy, the compensation team performs very detailed bi-weekly post-payment verification on all pay files. The policy requirement mainly addresses Core departments who are fully serviced by the Pay Centre at Miramichi while the Agencies have an in-house and fully resourced compensation team who can perform full verifications rather than using a sampling strategy.

4. SSHRC's Multi-Year Ongoing Monitoring Plan

SSHRC and NSERC migrated from FreeBalance, the former financial system, to a new financial system, SAP, in April 2023. The Agencies joined a cluster of other government departments and agencies that are hosted and serviced on SAP by the Treasury Board Secretariat (TBS).

Business processes identified in the multi-year testing plan will all, to some extent, be impacted by the implementation of SAP. As such, a design assessment of business cycles is being performed post-implementation to ensure that controls are operating as intended and to identify any potential control gaps as a result of the system change.

When reviewing the detailed business processes and the potential impact on controls, the following factors are considered:

- Leveraging the capabilities of the new system
- Minimizing the impact on operations
- Minimizing cost
- Enabling future business value

To assess the global risks, the Multi-Year Ongoing Monitoring Plan has been revised to perform a design assessment and Operating effectiveness assessment of all business processes over the next three (3) fiscal years following SAP implementation based on their risk elements, and while considering the impact of the new financial system. The Plan also includes a full assessment of the purchases, payments and payables cycle to be completed in 2024-25 in order to validate the controls over this cycle and to conform to the changes brought up by TBS in the context of contracting and at the level of the Ongoing Monitoring of Internal Controls Over Financial Management. The purchases, payments and payables cycle was last tested in 2021-2022 and all observations were completed then.

The Agencies' rotational ongoing monitoring plan over the next three fiscal years, is shown in the following table. An internal controls assessment on the SAP system will not be necessary as TBS, in their role as the host department, completes a regular assessment over IT General Controls related to SAP, and provides the Agencies with an annual report presenting the results of the assessment. It should be noted that the CASD Finance team will be evaluating in 2024-25 whether there is a need to include additional Business Processes such as CFO attestations and Project Management to this rotational plan.

Key control areas	Fiscal Year 2023-24	Fiscal Year 2024-25	Fiscal Year 2025-26	Fiscal Year 2026-27
i) Entity-level controls			X	
ii) Information technology general controls				
AMIS				X
NAMIS				X
RP / CRM			X	
iii) Business process controls				
Grants and Scholarships	X*		X	
Purchases, Payments and Payables		X		X
Payroll/Salaries	X*	X**		X
Interdepartmental Settlements		X		X
Financial Reporting: Period End	X*		X	
Financial Reporting: Year End			X	
iv) Additional Internal Control over Financial Management				
Forecasting & Budgeting		X		

X* Only Design Assessment

X Design Assessment &

Operating Effectiveness

X** Only Operating Effectiveness