



MAR 21 2018

The Honourable Kevin Sorenson, P.C., M.P.
Chair
Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario K1A 0A6

Dear Mr. Sorenson:

Pursuant to Standing Order 109 of the House of Commons, please accept this as the Government Response to the Thirty-third Report of the Standing Committee on Public Accounts, entitled *Public Accounts of Canada 2017*.

We would like to take the opportunity to thank you and the members of the Standing Committee for your unwavering commitment to ensuring effective public administration and sound financial practices in the Government of Canada.

Recommendation 1

With respect to Recommendation 1, the Government has made progress with regard to improving the internal controls pertaining to pay administration.

The Government of Canada is taking a whole-of-government HR-to-Pay approach that recognizes that, to improve controls in pay systems and pay administration, we must also consider the controls in the administration of human resources. In addition, as processes are the foundation for controls, the processes for human resources and pay administration need to be considered in this approach.

This government-wide approach involves many partners and is under the leadership of the Associate Deputy Minister of Public Services and Procurement. In addition to providing oversight and accountability and to gathering perspectives from across government to inform this whole-of-government approach, a governance structure has been established for HR-to-Pay.

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The Office of the Auditor General identified access controls as a significant internal control weakness, and the understanding of Phoenix user access requirements has evolved significantly since implementation. Access to Phoenix is role-based, meaning that permission to perform certain operations is based on the employee's role in the organization. Public Services and Procurement Canada has reviewed and redesigned roles so that users have clear and appropriate access. A role catalogue was developed to help employees and managers better understand the intent and capabilities of each role. The redesign of roles also led to a review of the assignment of these roles to users. In parallel, Public Services and Procurement Canada has taken steps to strengthen controls on who is granted access, who can change data and what changes they can make. Furthermore, a segregation of roles is strictly enforced so that no individual has system access that allows them to execute successive transactions without checks and balances. Finally, a new internal system audit role has been introduced to support departmental internal audit and evaluation activities related to payroll processes and post-payment verification. Together, all of these measures have improved clarity of roles, reduced error rates and strengthened controls in Phoenix.

At the Public Service Pay Centre, Public Services and Procurement Canada has increased workforce capacity among the compensation staff and at various satellite locations. This has freed resources to focus on measures to improve pay processes, which include improvements in financial controls. For example, the Pay Centre:

- Is currently running a "Pod" pilot whereby three departments are serviced by a single team of compensation advisors. This pilot ends in March 2018 and is expected to demonstrate that having specific departments serviced by a dedicated team will enable a holistic approach to an employee's file moving away from the transaction approach. A final report on the pilot is due in April 2018 and will inform future plans to implement Pods across the Pay Centre;
- Will be reviewing and revising processes and controls related to verification of manual pay calculations to ensure that section 34 of the *Financial Administration Act* verification requirements is met;
- Will review and revise quality assurance practices to improve the timeliness and frequency of reports and follow-up action plans; and
- Will identify lean process improvements at the Pay Centre by April 30, 2018.

Recognizing that the integrity of human resources data has a significant impact on employee pay, human resources units within departments and agencies have also put in place a range of internal controls to ensure that human resources data being sent to Phoenix is correct and timely. Across organizations, human resources processes that create the greatest number of pay issues are being redesigned. This is underway with a prioritized focus on the areas that are having the highest impact on pay, namely transfer-in and transfer-out, actings, terminations of employment and overpayments.

The Government is committed to developing a government-wide control framework for HR-to-Pay. Public Services and Procurement Canada and the Treasury Board of Canada Secretariat will collaborate on this multi-year activity to better align and integrate the HR-to-Pay control environment, bringing together human resources, finance and systems components. A project plan with clear accountabilities will be developed, and progress will be monitored and reported through the governance structure. Findings of the various audits, test reports, third-party reviews and lessons learned will inform the future efforts to enhance and improve controls required in departments and agencies to ensure accurate and timely pay for all public service employees.

Recommendation 2

With respect to recommendation 2, the Government has made significant progress in updating the methodology used to determine discount rates and will publicly share these results on or before the tabling of the *Public Accounts of Canada 2018*. In addition to sharing the results of the review and any adjustments to the methodology, the Government will share the supporting discussion paper, which will include a summary of industry practices and meaningful trends in both the private and public sectors, and highlight any relevant trends in the accounting standard-setting world.

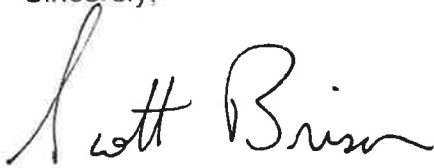
We would like to inform the Committee that, to date, the Government has completed the analysis of the merits of the various alternative discount rate methodologies considered, and is developing the methodology to be applied to discount its long-term assets and liabilities. Additionally, benchmarking continues to be conducted on industry practices in the public and private sectors. The Government is also considering emerging changes in accounting standards, as well as trends in the Canadian financial market, in developing its methodology. We look forward to sharing the results of this work with you.

Recommendation 3

The Government has considered the recommendation and will include cross-reference information about federal organizations listed in the Public Accounts of Canada to account for differences in pagination in the English and French versions. This will be implemented in the main Table of Contents and Index of each of the printed volumes and make it easier to compare both official language versions of the Public Accounts of Canada. The pagination will also be simplified to a sequential numbering format (e.g. 1, 2, 3, etc.) with section numbers integrated into the section title at the bottom of the page.

In keeping with this spirit, the currently published HTML web version is accessible on the Receiver General's website and contains a hyperlink to sections between the English and French versions. This web-based version facilitates readers' ability to shift between the English and French versions, while also making it easier to locate information in both official languages.

Sincerely,



Hon. Scott Brison, P.C., M.P.
President of the Treasury Board



Hon. Carla Qualtrough, P.C., M.P.
Minister of Public Services and Procurement