

**ACTION PLAN IMPLEMENTATION STATUS UPDATE
REPORT TO THE AUDIT COMMITTEE - AS OF SEPTEMBER 30, 2011**

Human Resources and Workplace Services, Chief Financial Officer			
AUDIT OF PAYROLL			
APPROVAL DATE: 19/11/10			
PROJECT RECOMMENDATIONS	ACTION PLAN	EXPECTED COMPLETION DATE	PROGRAM RESPONSE
<p>1. INAC's Chief Financial Officer (CFO) and Director General (DG) of Human Resources and Workplace Services Branch (HRWSB) should implement a consistent pay administration process across the Department and establish documented agreements, outlining roles, responsibilities and applicable payment terms with each separate organization involved in the Department's payroll process.</p>	<p>An Account Verification Framework for Salaries is currently underway. The objective of the framework is to address the Section 33 process of the pay administration process.</p> <p>The Internal Control Unit under the CFO sector has documented the department's payroll process, identified control gaps and is currently developing a remediation plan.</p> <p><i>The Director General (DG) of Human Resources and Workplace Services Branch (HRWSB) will ensure that appropriate service agreements or MOU are in place when INAC is involved with other organizations.</i></p>	<p>Implementation of AVF for salaries is April 1, 2011.</p> <p>The documentation and assessment of design effectiveness is complete. The remediation plan is scheduled to be completed by March 31, 2011.</p> <p><i>Q4 – 2010/2011</i></p>	<p>Status: IOGC: Request to close CANNOR: Underway</p> <p>Status: Request to Close</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>CFO: a) Effective April 1, 2011, the Account Verification Framework is fully implemented to include the verification of salary transactions. The first report was presented to the Financial Management Committee Oct. 21/11.</p> <p>b) The remediation of design effectiveness was completed in fiscal year 2010/11. The CFO Sector is currently working with HRWSB to ensure the control gaps and errors are addressed.</p> <p>HRWSB: IOGC: Obtained a copy of the current MOU CANNOR: As of September 30th, 2011 the MOU between AANDC and CANNOR is still not signed but we are applying the terms and conditions included in the agreement and CANNOR is funding 2 positions (AS-02 and CR-05)</p> <p>AES: Significantly implemented. The recommendation will be closed once confirmation</p>

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			has been received that the remediation plan has addressed the identified control gaps and errors.
<p>2. INAC's CFO should implement controls to enforce appropriate salary reporting for separate operating agencies and validate that financial statements exclude CanNor from the Department's salaries and benefits expense.</p> <p>INAC should formalize service agreements with separate operating agencies and should reconcile actual transactions against salary figures reported in all regions to prevent similar discrepancies.</p>	<p>1) The Account Verification Framework will address these issues.</p> <p>2) There is a formal MOU with CanNor which will be renewed for 10-11. In the meantime, the previous MOU remains in effect.</p>	<p>1) April 1, 2011</p> <p>2) April 1, 2011</p>	<p>Status: Item 2-1 Request to Close</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>CFO:</p> <p>1. Effective April 1, 2011, the Account Verification Framework is fully implemented to include the verification of salary transactions. The first report was presented to the Financial Management Committee Oct 21/11. Separate coding is also used to record expenditures related to CanNor. Payroll transactions that are sent to PWGSC are reconciled to the Department's GL to ensure accuracy.</p> <p>2. Fiscal Year 2010-2011 was the second year of the MOU. It was updated and adjusted accordingly as to the level of services provided and their associated costs. The MOU currently incorporates specific services to be provided by each of the</p>

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			<p>corporate functional areas (including HR within the NCR and in each territory.) Services provided include Compensation and Benefits services EX (all regions) and non-EX (NCR) to input all pay, overtime and benefit transactions as well as performing a reconciliation of actual transactions against salary figures reports (need to confirm with HR.) It is understood that the MOU will be reviewed annually to include a costed review of the level of services delivered. The MOU will deal with the level of shared services provided by AANDC to CanNor.</p> <p>HRWSB: N/A</p> <p>AES: Fully implemented. The recommendation will be closed.</p>
<p>3. In conjunction with Recommendation 1, INAC's CFO and DG of HRWSB should work together to address payroll control gaps by conducting and retaining evidence of the following:</p> <ul style="list-style-type: none"> Performing reconciliation between actual transactions and salaries reported for all regions 	<p>1) The Corporate Accounting and Reporting Directorate currently performs reconciliations between the payroll expenditures processed in RPS and the salary and benefits reported in OSMS and OASIS.</p> <p><i>2) A complete list of RPS users is provided by PWGSC on demand by INAC (at least every quarter). The list is reviewed and appropriate actions are taken to ensure we meet</i></p>	<p>1) Ongoing</p> <p>2) Q4-2010/2011</p>	<p>Status: Item 1 and 3 – Request to close</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>CFO:</p> <p>1. Payroll transactions that are sent to PWGSC are reconciled to the Department's GL to ensure accuracy.</p> <p>2. As of April 1, 2009, all pay authorization actions are performed by regional finance groups as the Account Verification Framework.</p>

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<ul style="list-style-type: none"> Establishing a complete list of RPS users and formalizing a process for regularly reviewing and approving RPS access privileges Enforcing segregation of duties between FAA s.33 and s.34 execution and maintain s.33 and s.34 evidence in all regions 	<p><i>security access controls set by PWGSC. We also ensure that we include the Office of the Auditor General past recommendations.</i></p> <p><i>An internal formal process document on RPS and GCPI access privileges will be developed and communicated.</i></p> <p>3) The Account Verification Framework for salaries will address the Section 33 process and clarify responsibilities of financial officers.</p> <p><i>4) Corporate compensation has been involved as the subject matter expert to assist CFO in the development of procedures for the authorization function and will continue to provide support as requested. This CFO Project may lose its relevance when pay will be centralized.</i></p> <p><i>HRWSB created a Monitoring and Quality Assurance Unit. A compensation monitoring framework will be developed and implemented.</i></p>	<p>3) April 1, 2011</p> <p><i>Upon CFO completion</i></p> <p><i>Q4 – 2010/2011</i></p>	<p>3. Every three months the list of active users in OSMS is sent to each to all regions asking them to review and confirm, by email, that this list is correct or advise of any changes. A form is requested to activate a new account, for any changes (name, phone number, data access list, responsibility profile, etc.) and to deactivate an existing account. Information requested on a form are: name, phone number, PRI, computer asset number, effective date, data access list, user privileges, responsibility profile, approval (all signatures), regional training given by and when. The access privileges are managed using the form itself and are limited to a very small user group, i.e., to approve JV (limited), permission to see protected data (very limited) and access to scenario (Minister's office only.)</p> <p>HRWSB: a) Establishing a complete list of RPS/GCPI users and formalizing a process for regularly reviewing and approving RPS access privileges.</p> <p>Status: Request to close (completed)</p> <p>Update/Rationale: Corporate Compensation recently developed RPS and GCPI access rights procedures. The formal process will be sent to Regional Directors of HR and CFO to ensure that everyone that may require</p>

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<ul style="list-style-type: none"> Identifying and addressing root causes of high payroll exception rates, particularly with respect to special employee groups, such as students and Casuals 			<p>access to both RPS and GCPI are aware of existing procedures.</p> <p>*****</p> <p>b) Enforcing segregation of duties between FAA s.33 and s.34 execution...</p> <p>Status: Request to Close (Completed)</p> <p>Update/Rationale: Authorization is now done within Finance in all 11 regions *****</p> <p>c) Identifying and addressing root causes of high payroll exception rates, particularly with respect to special employees groups, such as students and Casuals</p> <p>Status: No Action</p> <p>Update/Rationale: The Quality Assurance group will not undertake to develop monitoring procedures at this point given the Pay Consolidation transition towards Miramichi, NB, which is set to begin in March 2012 for Wave 1 Departments.</p>

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	<p><i>Corporate Compensation is of the opinion that in a lot of cases, compensation is not directly responsible for these non-compliance but must play a role of guardian with it's stakeholders to remind them of their own responsibilities.</i></p> <p><i>For example: One observation was:</i></p> <p><i>No evidence of appropriate distribution of stand-by work across available resources...</i></p> <p><i>Although we believe this is a management responsibility, Corporate compensation should ensure that Managers refer to the pertaining collective agreement when making these decisions</i></p> <p><i>The HRWSB developed a policy on overtime and compensatory leave. Questions and Answers were developed and shared with all the regions.</i></p> <p><i>Therefore, this policy will be redistributed to all the regions and will be discussed with the HR community through conference calls.</i></p>		<p>recommender, then to their Manager, once approved it will be sent to the Compensation advisor for the final approval.</p> <p>This new tool contains 40,000 rules taken from collective agreements and other applicable legislation which will reduce the error rate to a minimum.</p> <p>This tool will standardize extra duty pay procedures for all Departments.</p> <p>Will include summaries of dollars spent by employee/sector which facilitate budget management.</p> <p>Our hours of work policy was rescinded (by Corporate Labour Relations) since it was not respecting new language in collective agreement.</p> <p>A compressed Work Week guide for employees and Managers was developed in June 2011 by Corporate Labour Relations and was distributed to Regional Directors of HR. It was also communicated through AANDC (formerly INAC) Express and posted on HR Online.</p> <p>The Policy on overtime and compensatory leave along with questions and answers will be distributed once again to Regional Directors of HR.</p> <p>AES: Implementation ongoing.</p>

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	<p><i>Also, the hours of work policy is being revised and a new document is being created which will address the question of overtime of employees on compressed work week.</i></p> <p><i>After a review of the error rate description, Corporate Compensation believes that the rate is reasonably low but we are unable to compare it with other Department as this is information is not available.</i></p>		
<p>5. INAC's DG of HRWSB should work with the CFO to conduct the following sequence of actions in advance of introducing GCPI:</p> <ul style="list-style-type: none"> • Address root causes of PeopleSoft data errors and implement controls to prevent new data errors and; • Engage all GCPI stakeholders to establish change management and communication protocols. • Document the post-GCPI end-to-end payroll process and associated controls. 	<p><i>GCPI is currently being implemented in regions, according to the action plan, with great success,</i></p> <p><i>The HR community has been meeting monthly for the past few months to discuss Data integrity issues. Data integrity reports are provided to all regions with explanations on how to do clean ups.</i></p> <p><i>Corporate compensation in its monthly conference calls addresses any GCPI data integrity issues that may arise.</i></p> <p><i>The Director of the HRWSB Business Improvement in conjunction with the GCPI team has introduced a GCPI log issue document. Every week compensation advisors are logging their</i></p>	<p>Q4-2010/2011</p> <p><i>On-going</i></p> <p><i>On-going</i></p> <p><i>On-going</i></p>	<p>Status: Item 5 F) Request to Close</p> <p>Update/Rationale: As of 30/09/2011:</p> <p>CFO: The remediation of design effectiveness was completed in fiscal year 2010/11. This included the documentation of the payroll process as well as the assessment of the design effectiveness. The assessment of the operational effectiveness is currently underway this fiscal year.</p> <p>HRWSB: PeopleSoft:</p> <p>Status: Request to close (completed)</p> <p>Update/Rationale: Data discrepancy reports were sent to the</p>

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<p>Implement access controls to prevent transactions from being entered directly to RPS through the On-Line Pay System once GCPI is implemented.</p>	<p><i>GCPI issues and Corporate compensation and the GCPI team addresses them.</i></p> <p><i>The PeopleSoft team has travelled across the country to provide training to the HR community on PeopleSoft. As the GCPI roll-out is done, training on GCPI is provided.</i></p> <p><i>The GCPI team and Corporate Compensation developed and updated the online help tool (UPK) to assist users in their data entries.</i></p> <p><i>End to end payroll process will be documented to ensure all stakeholders know their GCPI roles and responsibilities.</i></p>	<p><i>Completed</i></p> <p><i>On-going</i></p> <p><i>Q4-2010/2011</i></p>	<p>compensation community for clean up many months preceding GCPI implementation. Compensation advisors did a tremendous job to clean data in a relatively short period of time.</p> <p>GCPI was introduced to all 11 Regions during the June to December 2010 months. This initiative is a great success. All AANDC employees are now paid through GCPI.</p> <p>To ensure that our data remains clean, we send ad hoc reports quarterly to our regional compensation advisors.</p> <p>AES: Significantly implemented. The recommendation will be closed once confirmation has been received that the remediation plan has addressed the identified control gaps and errors.</p>