

Transportation Safety Board of Canada

2010-11

Departmental Performance Report

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Chair's Message

For over 20 years, the Transportation Safety Board of Canada (TSB) has investigated thousands of transportation occurrences. No matter where things go wrong—on our waterways, along our pipelines or railways, or in our skies—we make sure Canadians know what happened and why. But our work doesn't stop there. Our mandate is to improve transportation safety, not just report on it, and that means we are committed to ensuring that our voice is heard and understood by regulators and the industry.

To accomplish all of this, we need to make strategic use of the human and financial resources available to us. That means making sure that we as an organization, along with the products we deliver—including our safety communications, recommendations, and media outreach—are as good as they can be.

Overall, we have been successful at meeting most of our targets. This year, for example, more than two dozen of our recommendations received our highest rating of “Fully Satisfactory.” Our recent safety Watchlist has also helped spur concrete action with industry and regulators. As a result, we have taken a significant step toward our goal of 80 per cent implementation for all recommendations. At the organization level, we also completed the implementation of the Multi-Modal Training and Standards Division, and we met or exceeded some of our targets for report publishing.

However, there is always room for improvement, particularly with goals as ambitious as ours. Delays on some projects were attributed in part to staff turnover and vacancies, but we feel we are on the right course, and those goals not met this year are, for the most part, being carried forward. At the organization level, these include a stakeholder consultation and improved records management, as well as continuous improvement in our modal investigations databases.

Ultimately, Canadians need to have confidence in our transportation system, and that confidence, which is built on trust, can only exist if there is progress. That means we can never stop pushing for improvements, for increased uptake of our recommendations, and for increased organizational efficiency. Every year we set our goals higher, striving to do more, and now, as we enter our third decade, we will continue to do exactly that—so that Canada's transportation system becomes as safe as it can be.

Section 1: Overview

1.1 Raison d'être

The Transportation Safety Board of Canada (TSB) is an independent agency created in 1990 by an Act of Parliament (*Canadian Transportation Accident Investigation and Safety Board Act*). It operates at arm's length from other government departments and agencies to ensure that there are no real or perceived conflicts of interest. The TSB's sole objective is to advance transportation safety. This mandate is fulfilled by conducting independent investigations into selected transportation occurrences. The purpose of these investigations is to identify the causes and contributing factors and the safety deficiencies evidenced by an occurrence. The TSB then makes recommendations to improve safety and reduce or eliminate risks to people, property and the environment.

The jurisdiction of the TSB includes all aviation, marine, rail and pipeline transportation occurrences¹ in or over Canada that fall under federal jurisdiction. The TSB may also represent Canadian interests in foreign investigations of transportation accidents involving Canadian registered, licensed or manufactured aircraft, ships or railway rolling stock. In addition, the TSB carries out some of Canada's obligations related to transportation safety at the International Civil Aviation Organization (ICAO) and the International Maritime Organization (IMO).

1.2 Responsibilities

The TSB exists as an independent investigation body with the sole goal of advancing transportation safety. Since its inception in 1990, the TSB has conducted thousands of investigations across the modes for which it is responsible.

The TSB is one of many Canadian and foreign organizations involved in improving transportation safety nationally and internationally. Because it has no formal authority to regulate, direct or enforce specific actions, the TSB can only succeed in fulfilling its strategic outcome through the actions of others. Operating at arm's length from other federal departments involved in the transportation field, the Board must present its findings and recommendations in such a manner that others feel compelled to act. This implies ongoing dialogue, information sharing and strategic coordination with organizations such as Transport Canada, the National Energy Board and the Canadian Coast Guard. The TSB must engage industry and foreign regulatory organizations in a similar fashion. Through various means, the TSB must present compelling arguments that will convince these "agents of change" to take action in response to identified safety deficiencies.

¹ A transportation occurrence is any accident or incident associated with the operation of an aircraft, ship, railway rolling stock or pipeline. It also includes any hazard that could, in the Board's judgement, induce an accident or incident if left unattended.

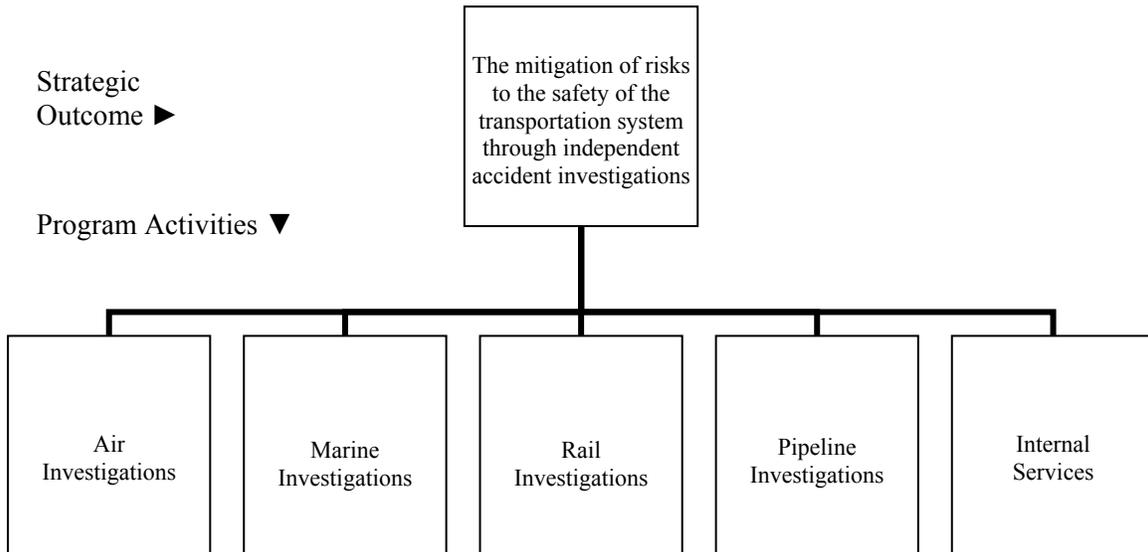
As one of the world leaders in its field, the TSB regularly shares its investigation techniques, methodologies and tools. For example, the Recorder Analysis and Playback System (RAPS) originally developed by the TSB for decoding, analyzing and creating the animations of flight recorder data, is being used in more than 10 countries to aid in safety investigations. Similarly, the TSB has contributed to the training of safety investigators from numerous countries, either by integrating foreign investigators into its in-house training programs or by sending senior staff to teach abroad. The TSB also shares data and reports with sister organizations, in addition to participating in international working groups and studies to advance transportation safety.

Through its contacts with regulators, manufacturers and other investigative authorities, findings from TSB investigations have led to numerous improvements in operational practices, equipment design and regulations throughout all sectors of the marine, pipeline, rail and aviation industries. These efforts have also established Canada as a leader in transportation safety around the world and contributed to our country's economic and social well-being.

For more details on the TSB investigation process or the links between the TSB and other federal organizations visit the TSB website at <http://www.bst-tsb.gc.ca/eng/index.asp>.

1.3 Strategic Outcome and Program Activity Architecture

The chart below illustrates the program activities that contribute to the achievement of the TSB strategic outcome.



1.4 Organizational Priorities

The following table shows the progress achieved against the priorities identified in our 2010–11 Report on Plans and Priorities. Overall, the TSB achieved or exceeded its targeted objectives on certain priorities, while progress on others was less than expected primarily due to the complexity of the issue and/or staff turnover.

Priority Status Legend

<p>Exceeded: More than 100 per cent of the expected level of performance for the priority was achieved during the fiscal year.</p> <p>Met All: 100 per cent of the expected level of performance for the priority was achieved during the fiscal year</p> <p>Mostly Met: 80 to 99 per cent of the expected level of performance for the priority was achieved during the fiscal year</p> <p>Somewhat Met: 60 to 79 per cent of the expected level of performance for the priority was achieved during the fiscal year</p> <p>Not Met: Less than 60 per cent of the expected level of performance for the priority was achieved during the fiscal year</p>
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Priorities	Type ²	Status
<p>Strategic Communication of TSB’s mandate, investigative work and safety accomplishments over time</p>	<p>New</p>	<p>Met the expectations. In addition to our regular work, we undertook a number of activities to celebrate our 20th anniversary and to let Canadians know who we are and what we do. These activities included opening the doors of our laboratory to the media and the public, staffing a series of information booths at key locations across the country and, on-line video testimonials.</p> <p>We also undertook a number of targeted media and outreach events to raise greater awareness of the significant transportation risks identified on our new Safety Watchlist.</p> <p>Finally, we continued to leverage technology, improve our website and started to explore social media platforms to communicate more effectively, maximize the reach of all of our safety messages and increase</p>

² Type is defined as follows: **Previously committed to** - committed to in the first or second fiscal year before the subject year of the report; **Ongoing** - committed to at least three fiscal years before the subject year of the report; and **New** - newly committed to in the reporting of the DPR.

Priorities	Type ²	Status
Strategic Human Resources Management	Previously committed	<p>the uptake on our recommendations.</p> <p>Mostly met the expectations. Significant progress was achieved in the review and update of organizational structures and job descriptions; a recruitment page was created on our website; an alumni program was established; the implementation of the Training and Standards Division was completed. The review of the standby system and the development of an investigator training program are well underway.</p>
Product Improvements	Previously committed	<p>Somewhat met the expectations. The review and improvement of the investigation databases project was divided into smaller and more manageable projects that will be gradually actioned over the next few years. The project was too complex to undertake the improvement of all four modal databases at once.</p> <p>The planned stakeholder consultation on TSB products and services was deferred to 2011-12 due to delays in receiving approval to conduct a public opinion consultation.</p> <p>The streamlining of the report production unit and processes was almost completed by year-end and some improvements were made to the TSB website.</p>
Policy and Procedure Management Framework	New	<p>Somewhat met expectations. Although progress was made under this priority, more work is required.</p> <p>The TSB finalized its formal Governance Structure, which constitutes the foundation of its policy, directive and procedure management framework. Standardized templates were developed for all departmental policies and directives. Some policies and directives were reviewed and updated. Work plans were developed for the review of other policies.</p> <p>The project to implement an electronic document and records management system was re-scoped in 2010-11. The revised plan calls for a gradual implementation of a new system over the next few years. However, priority will first be placed on assessing new Treasury Board policies and directives on information management and updating the department's information management strategy.</p>

1.5 Risk Analysis

The TSB operates within the context of Canada's very large, complex, dynamic and ever changing transportation system. The most important external and internal challenges faced in 2010–11 are described in the following paragraphs.

From an External Point of View

Government in a Deficit Economy

In Budget 2010, the Government announced the requirement for departments to fund within their existing budgets any wage and salary increases resulting from collective agreements for fiscal years 2010-11 to 2012-13 and confirmed that expenditures in the areas of travel, conferences and hospitality were still capped at the 2008-09 level. In response, the TSB undertook a closer scrutiny of its expenditures and made some adjustments in order to continue delivering on its mandate within available resources.

From an Internal Point of View

Development and Maintenance of a Knowledgeable and Professional Workforce

The success of the TSB and its credibility depend largely on the expertise, the professionalism and the competence of its employees. However, the TSB is faced with workforce challenges. Many of the positions are "one deep," that is, there is only one person responsible for a specific task or function. Over the last few years, the TSB has faced a high level of attrition which is expected to continue for the next couple of years. During 2010-11, there were 25 employee departures from the TSB (14 retirements, 11 transfers to other departments), which represents more than 10% of its planned full-time equivalent positions. Although the TSB's hiring has increased, it is a constant challenge for the organization to backfill the departures particularly in the areas where there are shortages, opportunities for career progression elsewhere and where the knowledge and the skills are highly transferable from one department to another.

Product Improvements and Timeliness

The fulfillment of our mandate primarily depends on our ability to deliver, in a timely manner, quality safety products and services that contribute to the achievement of our strategic outcome. The TSB must therefore continue to improve the speed at which it publishes safety information while maintaining a high level of quality. It must also seek the opinion of stakeholders regarding the quality of its products and services to ensure their efficiency and relevance.

Improvement of Policies, Procedures and Processes

The TSB's work is fundamentally reliant on its information. The TSB must ensure that its information and knowledge are not only current but appropriately stored and readily accessible to employees who need it when they need it. To this end, the TSB must manage effectively and efficiently its policies, directives and procedures in all activity sectors. It must also continue to enhance the processes and tools in support of the management of paper and electronic records and data. These tasks are especially difficult because of the constantly evolving working environment and the on-going staff turnover.

1.6 Summary of Performance

2010–11 Financial Resources (\$ thousands)³

Planned Spending	Total Authorities	Actual Spending
29,786	32,017	30,698

2010–11 Human Resources (FTEs*)

Planned	Actual	Difference
235	219	16

* full-time equivalents

Strategic Outcome: The mitigation of risks to the safety of the transportation system through independent accident investigations					
Alignment of Program Activities to the Government of Canada Outcome: Safe and secure Canada					
Program Activities	2009-10 Actual Spending (\$ thousands)	2010-11 (\$ thousands)			
		Main Estimates	Planned Spending ⁴	Total Authorities ⁴	Actual Spending
Air Investigations	13,589	12,780	12,780	14,923	14,311
Marine Investigations	5,502	5,310	5,310	4,665	4,474
Rail Investigations	5,091	4,678	4,678	4,796	4,598
Pipeline Investigations	449	376	376	509	489
Total	24,631	23,144	23,144	24,893	23,872

³ Financial Resources equal the total line for Program Activities and Internal Services. Planned Spending comprises Main Estimates. Total Authorities comprises Main Estimates, Supplementary Estimates, carry-forwards and transfers from Treasury Board centrally managed votes.

⁴ The difference between Planning Spending and Total Authorities by program activity is explained by a change in 2010-11 in the methodology for allocating costs by program activity.

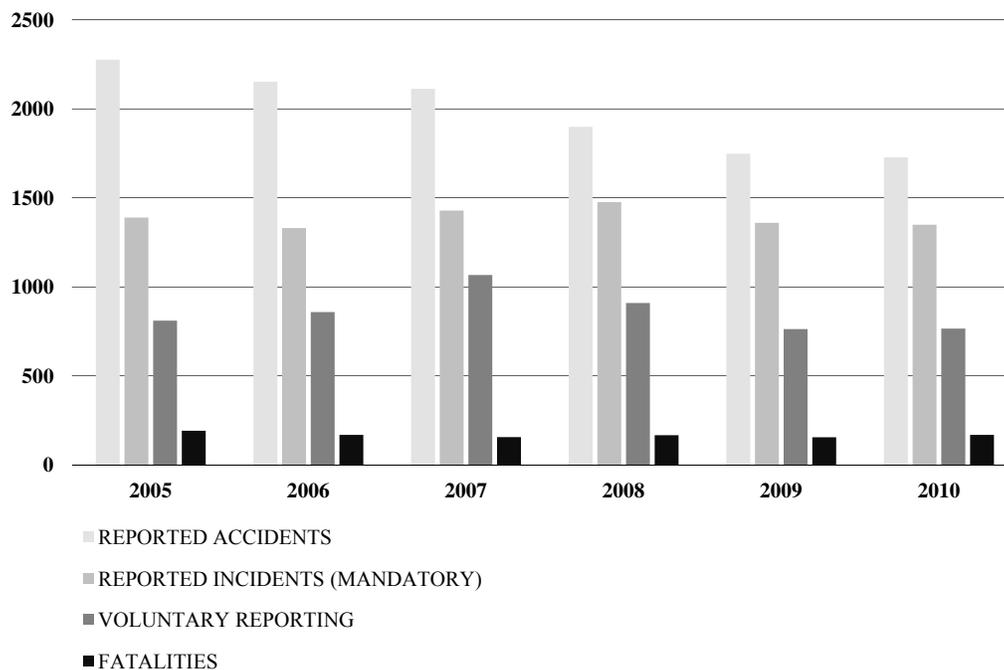
The following table shows the actual spending for the Internal Services program activity, which supports the needs of the four program activities outlined in the previous table.

Program Activity	2009-10 Actual Spending (\$ thousands)	2010-11 (\$ thousands)			
		Main Estimates	Planned Spending ⁴	Total Authorities ⁴	Actual Spending
Internal Services	6,818	6,642	6,642	7,124	6,826

Occurrences Reported to the TSB

In 2010, a total of 1727 accidents and 1349 incidents were reported in accordance with the TSB's regulations for mandatory reporting of occurrences.⁵ The number of accidents in 2010 decreased by 1% from the 1748 accidents reported in 2009 and by 15% from the 2005–09 annual average of 2038 accidents. The number of reported incidents decreased to 1349 in 2010 from 1360 in 2009, and was below the 2005–09 average of 1397. In 2010, the TSB also received 765 voluntary reports. Fatalities totalled 168 in 2010, up 13 from the 2009 total, but the same as the 2005–09 average.

Figure 1: Occurrences Reported to the TSB



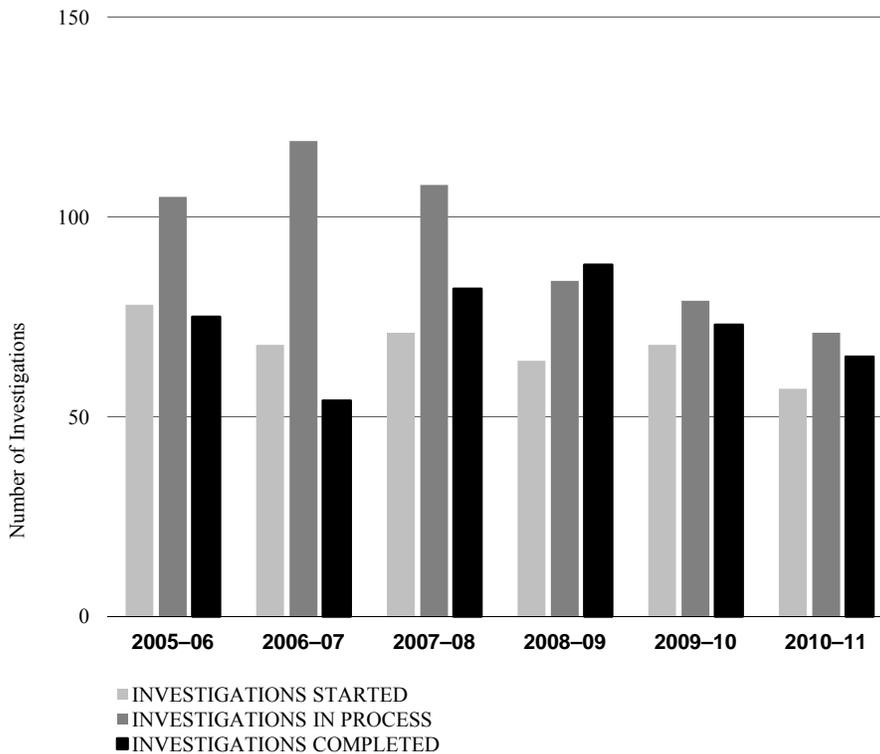
⁵ For definitions of terms such as *accident*, *incident* and *occurrence*, see Appendix A.

Investigations Started, in Process and Completed

In fiscal year 2010-11, investigations were undertaken for 57 of the occurrences reported to the TSB, compared to 65 in 2009-10. In that same period, 65 investigations were completed, compared to 73 in the previous year.⁶ The number of investigations in process decreased to 71 at the end of the fiscal year from 79 at the start. The TSB continues to rigorously apply its Occurrence Classification Policy to determine which occurrences to investigate. The decrease in the number of investigations undertaken is primarily explained by a decrease in the overall number of occurrences and by the fact that many occurrences do not involve significant safety issues that warrant detailed analysis.

The average time to complete an investigation was 488 days in fiscal year 2010–11, which represents an increase from the 2009-10 result of 454 days in 2009-10 but a decrease compared to the previous five-year average (531). The time required to complete investigations depends on many factors such as the complexity of the investigation work, the involvement of external/international stakeholders and the availability of TSB investigation resources.

Figure 2: Investigations Started, in Process and Completed



⁶ Investigations are considered complete after the final report has been issued.

Overall, the TSB has been successful in identifying safety deficiencies and in reducing risks in the transportation system. TSB investigations result in reports identifying safety deficiencies and, where appropriate, containing recommendations to reduce risks. Over this past year, in all cases where the TSB undertook an investigation, safety deficiencies and contributing factors were identified and communicated. These results reflect careful application of the TSB's Occurrence Classification Policy in deciding whether to investigate, and a thorough implementation of the investigation methodology. This systematic approach ensures that TSB investigation resources are invested in areas with the greatest potential safety payoffs.

Safety Communications Issued

In 2010–11, in addition to investigation reports, the TSB issued a total of 46 safety outputs: 7 recommendations, 22 safety advisories and 17 safety information letters. Safety information is also provided informally to key stakeholders throughout the investigation process, permitting them to take immediate safety actions. It is common practice for industry and government to take safety actions during the course of TSB investigations. Such safety actions range widely in scope and importance. Operators will often take immediate remedial action after discussion with TSB investigators (for example, to clear the sight-lines at a railway crossing by trimming bushes and vegetation). Regulators such as Transport Canada (TC) and the Federal Aviation Administration in the United States regularly issue mandatory directives requiring inspections and/or component replacement based on the TSB's preliminary findings. In such situations, rather than issuing recommendations, the TSB can then report on the corrective actions already taken by industry and government agencies.

Board Assessment of Responses to Safety Recommendations

In accordance with the *Canadian Transportation Accident Investigation and Safety Board Act*, a federal minister who is notified of a TSB recommendation must, within 90 days, advise the Board in writing of any action taken or proposed to be taken in response to the recommendation, or the reasons for not taking action. The Board considers each response, assessing the extent to which the related safety deficiency was addressed. When a recommendation generates responses from within and outside Canada, the Board's assessment is based primarily on the Canadian response. The TSB publishes on its website (www.bst-tsb.gc.ca) its assessment of the responses to its recommendations.

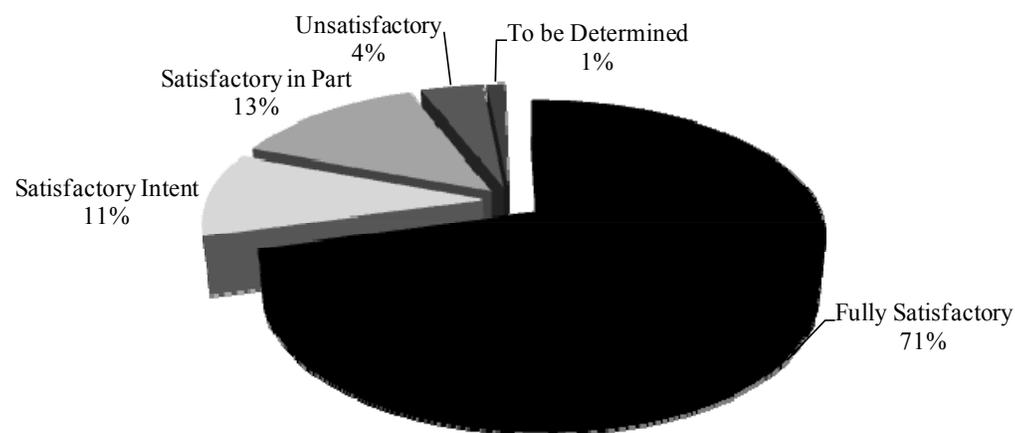
During the period between March 1990 and March 2011, a total of 537 recommendations were assessed by the Board. In addition, 7 recommendations are awaiting Board assessment, bringing the total number to 544.

In the 21-year period from 1990 to 2011, a majority of Board recommendations have effected positive change. As shown in Figure 3, in 71% of cases fully satisfactory responses were obtained from change agents and safety deficiencies were adequately addressed. In 11% of cases (satisfactory intent), change agents plan to take action that will substantially address the deficiency noted in the recommendation. In 13% of cases

(satisfactory in part), change agents have taken or plan to take action that will only partially address the deficiency noted in the recommendation. Finally, in 4% of cases (unsatisfactory), change agents have neither taken nor plan to take action that will address the deficiency noted in the recommendation.

Over the next four years, the Board is aiming to have the status of 80% of all its recommendations as “Fully Satisfactory”. Renewed outreach efforts will be made to engage key change agents in discussions on a number of long standing issues that remain unresolved in order to generate further safety actions.

Figure 3: Ratings of Assessments of Responses, 1990–2011



Board Assessment of Responses to Watchlist Recommendations

In March 2010, we released our safety Watchlist, which highlights nine critical issues posing the greatest risk to Canadians, issues that must be tackled to make Canada’s transportation system safer. Prior to this, our experts had found troubling patterns in their work. In fact, far too frequently, they arrived at the scene of an accident only to see the same set of persistent safety issues. In some cases these outstanding issues were up to 15 years old, and yet still not sufficiently addressed.

The Watchlist, then, became a “blueprint for change”—a way to restate the TSB’s safety messages, stimulate discussion, and generate further action on the part of the regulators and industry.

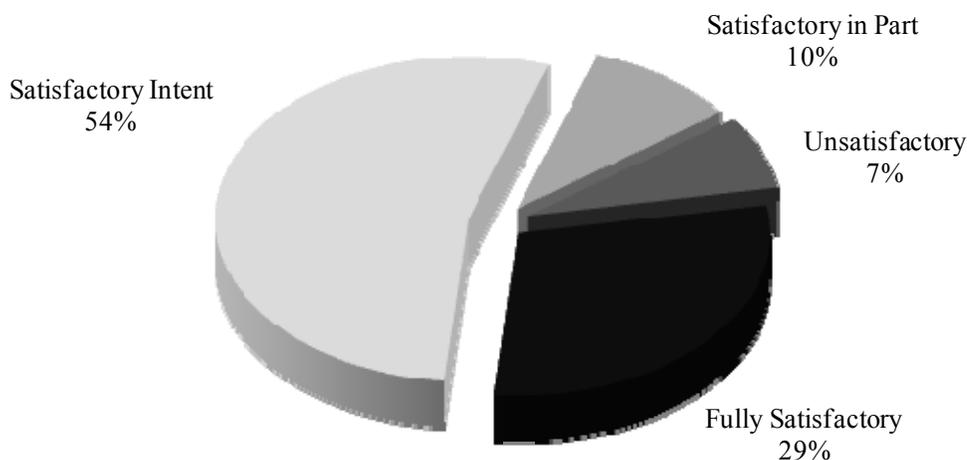
Underpinning the nine issues in the Watchlist are 41 safety recommendations—action items aimed at both industry and regulators. Prior to March 2010, only a handful of the responses to these recommendations had received our highest rating of Fully Satisfactory. Since the Watchlist’s release, however, we have added the Fully Satisfactory rating to seven more. This means that, in the first year, we are a little under a third of the way in addressing these critical issues. Detailed information about the actions taken in response

to the Watchlist recommendations is available in the TSB's 2010-11 Annual Report at <http://www.bst-tsb.gc.ca/eng/publications/index.asp>.

While some progress has been made, much more remains to be done. We have set a goal of 100% implementation. Over the next four years, we want the status of every single Watchlist recommendation—all 41 of them—to become Fully Satisfactory.

To this end, we will monitor all actions taken and provide regulators with periodic scorecards. We will also continue our outreach activities to raise greater awareness of the Watchlist issues. Next spring, we will conduct a more fulsome assessment and report publicly on actions taken and the results that have been achieved. We will also review and update our Watchlist. Issues that have been addressed in a Fully Satisfactory manner will be removed, and new issues may be added.

Figure 4: Watchlist Recommendations Ratings of Assessments of Responses, 1990–2011



Communicating Transportation Safety to Canadians and the Transportation Community

At the TSB, investigating accidents is only part of our job. When something goes wrong—on our waterways, along our railroads or pipelines, or in our skies—we do our best to find out what happened, why, and what can be done to prevent something similar in the future. But just as important is communicating that information to the people who need it most: government and industry stakeholders, media outlets, first responders, national and local authorities, manufacturers—and the Canadian public.

To do that, we use a variety of forums and formats: safety advisories and information letters, investigation reports, regular updates on the TSB website, monthly statistical reports, and media events organized across the country. In 2010–11, we released 65 investigation reports, and held 7 media events from coast to coast. We also responded to thousands of media inquiries through our central media line, at a regional level and face-to-face at accident sites.

In addition, the TSB has built a vibrant outreach program, informing various groups and associations about who we are, how we can work together, and generally making sure our message gets “out there.” To this end, Board members regularly give speeches and presentations, connecting with decision makers, raising awareness of transportation risks and encouraging further action on TSB recommendations. This fiscal year, they spoke to 23 audiences representing all four modes. TSB investigators also play an important role in promoting the TSB’s work and sharing information learned from investigations by attending and giving presentations at numerous events and conferences in Canada and abroad.

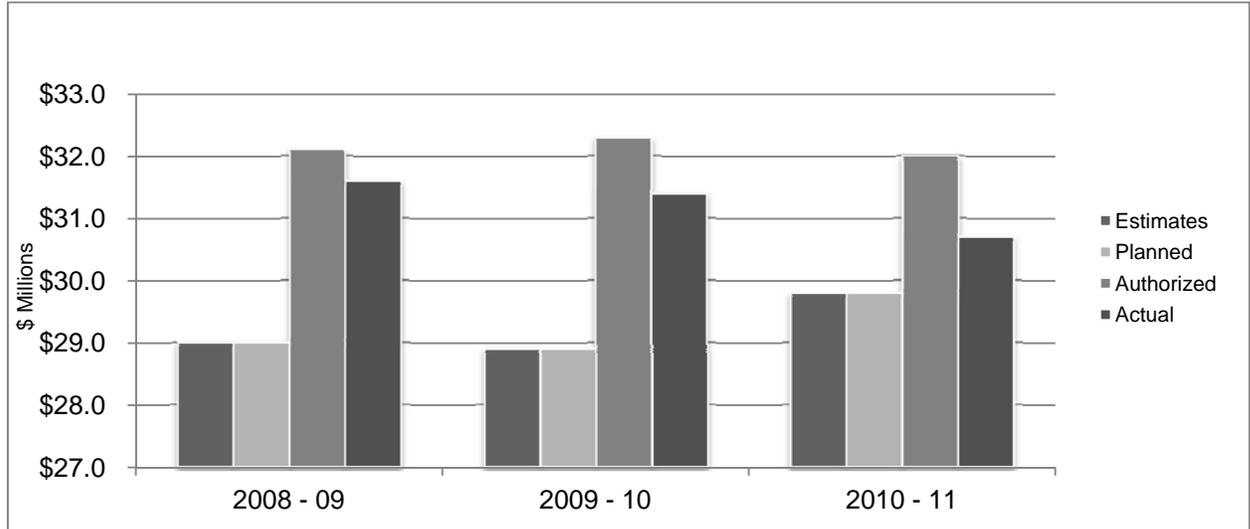
1.7 Expenditure Profile

The TSB is primarily funded by Parliament through an operating expenditures vote, and as a departmental corporation it has authority to spend revenues received during the year. As shown in the table below, expenditures for 2010–11 are below previous years’ expenditures. Program expenditures in 2010–11 decreased from 2009–10 by \$0.8 million or 2.4 per cent. This decrease is explained by several factors:

- staff turnover which reduced spending on salaries and training;
- a decrease in the number of deployments to occurrences which reduced travel and overtime costs;
- delays in the project to update the modal investigation databases which reduced informatics spending; and
- a planned decrease in discretionary spending in response to restraint measures in Budget 2010.

The following chart shows the TSB spending trend over a three-year period. Reference levels provided through the Main Estimates have remained stable over the past three years. However, additional authorities have been provided through Supplementary Estimates and Treasury Board vote transfers. These authorities were essentially intended to cover incremental costs to offset collective bargaining increases and the carry-forward of previous years’ lapses.

Figure 5: Spending Trend between 2008–09 and 2010–11



1.8 Estimates by Vote

For information on TSB organizational votes and/or statutory expenditures, please see the 2010–11 Public Accounts of Canada (Volume II) publication. An electronic version of the Public Accounts is available at <http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html>.

Section 2: Analysis of Program Activities

2.1 Strategic Outcome

The mitigation of risks to the safety of the transportation system through independent accident investigations.

2.2 Program Activities

To achieve this outcome, the TSB counts on its four key program activities, which are the conduct of safety investigations into the following four transportation sectors:

- Air
- Marine
- Rail
- Pipeline

As described in the 2010-11 Main Estimates, within each of the four program activities, personnel conduct independent investigations into occurrences in the federally regulated elements of the transportation system to identify causes and contributing factors, publish investigation reports, formulate recommendations to improve safety, communicate safety information to stakeholders, undertake outreach activities with key change agents, as well as assess and follow-up on responses to recommendations. This includes the execution of specialized work in the fields of: engineering, macro analysis, human performance, legal services, communications, quality assurance, as well as publishing and linguistic services.

TSB's Internal Services program activity includes the functions and resources required to support the needs of the program activities of the four transportation modes and to meet the department's corporate obligations. These activities are coordinated by the TSB's Corporate Services Branch and include the services relating to: human resources management; financial management; information management; information technology; real property; materiel; procurement; and other administrative services.

2.3 Air Investigations

2010–11 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
12,780	14,923	14,311

2010–11 Human Resources (FTEs^{*})

Planned	Actual	Difference
100	94	6

* full-time equivalents

Expected Results	Performance Indicators	Targets	Performance Status and Summary
Increased productivity while conducting investigations	Number of investigation reports published	50 reports	Somewhat met. The TSB published 38 investigation reports.
	Average time for completing investigation reports	457 days	Mostly met. The average time for completing the investigation reports was 503 days.
	Number of safety communications issued	Not applicable ⁷	Met all. The TSB issued: - 6 safety recommendations - 6 safety advisories - 3 information letters
Increased effectiveness of safety communications	Results of Board assessment of responses to recommendations	Not determined	Somewhat met. From 1990 to 2011, 59 per cent of responses to recommendations were assigned a fully satisfactory rating.

2.3.1 Performance Summary and Analysis of Program Activity

In 2010-11, the Air Program Activity expended the majority of its available financial resources, lapsing \$612 thousand. The lapse is primarily explained by employee turnover and a decrease in the number of deployments to occurrence sites, which reduced travel and overtime costs.

The Air Program Activity's actual staff level was below planned by six full-time equivalents. This gap was due to two vacancies in investigator positions, with the remainder attributed to vacancies in the various supporting functions such as: Communications, Operational Services and the Corporate Secretariat, which are allocated to the Air Program Activity.

⁷ A target for the number of safety communications issued cannot be set because the actual results vary depending on the findings of the investigations into individual transportation occurrences.

In 2010–11, the TSB published 38 Air investigation reports, 12 reports below the target objective (50). The TSB also communicated safety deficiencies it identified through 6 safety advisories and 3 information letters. The 38 reports were completed within an average time of 503 days, or 46 days more than the target objective (457) and 53 days more than the previous five-year average (450).

There are a number of reasons why the established targets were not reached. A number of complex investigations required more work than normal. Some investigations required more time due to the involvement of international stakeholders. Additionally, over the past year, a significant number of new Air investigations were undertaken in the Quebec Region, which significantly impacted the workload of the investigators in that region. Finally, the investigation into the 2009 Sikorsky S-92A helicopter crash off Newfoundland also involved a large portion of the Air Investigations Branch, Communications Branch and Board resources during the last three months of the fiscal year thereby delaying work on other investigations and reports.

A comparison with last year shows an increase in the number of investigations undertaken, 37 compared with 33, and a decrease in the number of investigations completed, 38 compared with 50. Among the 38 investigations completed, 8 per cent (3) were started in this fiscal year, 55 per cent (21) in 2009–10, 29 per cent (11) in 2008–09 and 8 per cent (3) in a previous year.

From 1990 to 2011, the 247 responses to air safety recommendations assessed by the Board have resulted in some positive changes. The change agents took fully satisfactory measures to address the deficiencies described in the recommendations in 59 per cent of cases (145 of 247) and plan to take such action in 8 per cent of cases (20 of 247). The TSB is not satisfied with the results achieved on the Air safety recommendations and plans to increase its efforts to encourage the regulators and industry stakeholders to undertake more safety actions.

2.3.2 Lessons Learned

It is difficult to predict from year to year where the investigation efforts will be required across the country. Better planning and management of investigation resources is required at the national level in order to shift resources according to these fluctuations. In future, efforts will be made to shift resources to areas of greater need in a timely manner.

More robust analysis is also required when defining performance targets to ensure that they are realistic and achievable. The target of publishing 50 Air reports a year may be too high given the decreasing trend in the number of occurrences that merit investigation under the TSB's Occurrence Classification Policy.

2.4 Marine Investigations

2010–11 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
5,310	4,665	4,474

2010–11 Human Resources (FTEs^{*})

Planned	Actual	Difference
41	37	4

* full-time equivalents

Expected Results	Performance Indicators	Targets	Performance Status and Summary
Increased productivity while conducting investigations	Number of investigation reports published	10 reports	Target mostly met. The TSB published 8 investigation reports.
	Average time for completing investigation reports	426 days	Target somewhat met. The average time for completing the investigation reports was 529 days.
Increased effectiveness of safety communications	Number of safety communications issued	Not applicable ⁸	Met all. The TSB issued: - 5 safety advisories - 6 information letters.
	Results of Board assessment of responses to recommendations	Not determined	Mostly met. From 1990 to 2011, 77 per cent of responses to recommendations were assigned a fully satisfactory rating.

2.4.1 Performance Summary and Analysis of Program Activity

In 2010-11, the Marine Program Activity expended the majority of its available financial resources. The lapse of \$191 thousand is primarily explained by vacancies in investigator positions. Additionally, the number of deployments to occurrence sites decreased, which reduced travel and overtime costs.

⁸ A target for the number of safety communications issued cannot be set because the actual results vary depending on the findings of the investigations into individual transportation occurrences.

The TSB published 8 Marine investigation reports, 2 reports below the target objective (10). The TSB also communicated safety deficiencies it identified through 5 safety advisories and 6 information letters. The 8 investigation reports were completed within an average time of 529 days, or 103 days more than the target objective (426) and 215 days below the previous five-year average (744).

A comparison of the results from this year and last year shows a decrease of 55 per cent in the number of investigations undertaken, 5 compared with 11 and a decrease of 11 per cent in the number of investigations completed, 8 compared with 9. Among the 8 investigations completed, 88 per cent (7) were started in 2009–10 and 13 per cent (1) in a previous fiscal year.

Throughout the fiscal year, the Marine Investigations Branch faced challenges due to significant fluctuations in human resources. Several investigator positions in Head Office and in the regions were vacant. In addition, some key management positions were also vacant for part of the year requiring employees to carry out both investigative and managerial duties. As a consequence, the overall performance suffered with a noticeable impact on the planned targets. Difficulties were also encountered with a few investigations resulting in delays in the completion of quality reports.

From 1990 to 2011, most of the marine safety recommendations assessed by the Board have resulted in positive changes. The change agents took fully satisfactory measures to address the deficiencies described in the recommendations in 77 per cent of cases (113 of 146) and plan to take such action in 17 per cent of cases (25 of 146).

2.4.2 Lessons Learned

More robust human resources management and succession planning are required to minimize the number of vacant positions and to reduce the length of time during which positions are vacant. In 2011-12, the TSB will undertake a more strategic approach to staffing investigator positions, including the creation of pre-qualified pools of candidates for investigator positions.

Opportunities for improvement were also identified in the Marine Investigations Branch business processes. In 2011-12, efforts will be made to optimize these processes. Closer attention will also be placed on the establishment of realistic timeliness performance targets that more closely align with the available resources.

2.5. Rail Investigations

2010–11 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
4,678	4,796	4,598

2010–11 Human Resources (FTEs^{*})

Planned	Actual	Difference
34	34	-

* full-time equivalents

Expected Results	Performance Indicators	Targets	Performance Status and Summary
Increased productivity while conducting investigations	Number of investigation reports published	13 reports	Target exceeded. The TSB issued 16 investigation reports.
	Average time for completing investigation reports	498 days	Target exceeded. The average time for completing the investigation reports was 442 days.
Increased effectiveness of safety communications	Number of safety communications issued	Not applicable ⁹	Met all. The TSB issued: - 1 safety recommendation - 9 safety advisories - 8 information letters.
	Results of Board assessment of responses to recommendations	Not determined	Mostly met. From 1990 to 2011, 82 per cent of responses to recommendations were assigned a fully satisfactory rating.

⁹ A target for the number of safety communications issued cannot be set because the actual results vary depending on the findings of the investigations into individual transportation occurrences.

2.5.1 Performance Summary and Analysis of Program Activity

In 2010-11, the Rail Program Activity expended the majority of its available financial resources and all of its human resources. The lapse of \$198 thousand is primarily explained by a decrease in the number of deployments to occurrence sites, which reduced travel and overtime costs.

Fiscal year 2010-11 was a very successful year for the Rail Program Activity. All of its performance targets were met and some were exceeded. The TSB published 16 Rail investigation reports, exceeding its target of 13 reports. These reports were completed within an average period of 442 days, or 56 days less than the target objective. The TSB also communicated safety deficiencies it identified through 9 safety advisories and 8 information letters.

A comparison of the results from this year and last year shows a decrease of 22 per cent in the number of investigations undertaken, 14 compared with 18, and an increase of 23 per cent in the number of investigations completed, 16 compared with 13. Among the 16 investigations completed, 63 per cent (10) were started in 2009-10, 38 per cent (6) in 2008-09.

The average time to complete an investigation report fell from 498 days in 2009-10 to 442 days in 2010-11, a drop of 11 per cent. The 2010-11 average time also decreased compared to the previous five-year average (570). This improvement in timeliness is primarily attributed to the reduced number of investigations and to some adjustments made to the internal business processes, which permitted resources to be better focused on fewer investigations.

From 1990 to 2011, most of the 131 rail safety recommendations assessed by the Board have resulted in positive changes. The change agents took fully satisfactory measures to address the deficiencies described in the recommendations in 82 per cent of cases (108 of 131) and plan to take action in 8 per cent of cases (11 of 131).

2.5.2 Lessons Learned

Over the past year, the Rail Investigations Branch has focused its efforts on managing the investigation process in a more rigorous manner. Through effective coordination within the investigation team, early development of the sequence of events and early identification of safety deficiencies, concise, focused reports were completed in a shorter timeframe. Better focused reports ensures that change agents are made aware of the safety deficiencies in a timely manner, which often translates to direct safety action and reduction of risk.

2.6 Pipeline Investigations

2010–11 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
376	509	489

2010–11 Human Resources (FTEs*)

Planned	Actual	Difference
3	3	-

* full-time equivalents

Expected Results	Performance Indicators	Targets	Performance Status and Summary
Increased productivity while conducting investigations	Number of investigation reports published	3 reports	Met all. The TSB published 3 investigation reports.
	Average time for completing investigation reports	490 days	Target exceeded. The average time for completing the investigation reports was 431 days.
Increased effectiveness of safety communications	Number of safety communications issued	Not applicable ¹⁰	Met all. The TSB issued 2 safety advisories.
	Results of Board assessment of responses to recommendations	Not determined	Met all. From 1990 to 2011, 100 per cent of responses to recommendations were assigned a fully satisfactory rating.

2.6.1 Performance Summary and Analysis of Program Activity

In 2010-11, the Pipeline Program Activity expended the majority of its available financial resources (lapse of \$20 thousand) and all of its human resources.

¹⁰ A target for the number of safety communications issued cannot be set because the actual results vary depending on the findings of the investigations into individual transportation occurrences.

Fiscal year 2010-11 was a very successful year for the Pipeline Program Activity. All of its performance targets were met or exceeded. The TSB published 3 pipeline investigation reports in 2010–11. These reports were completed within an average time of 431 days, or 59 days less than the target objective. The 2010-11 average time to complete a pipeline investigation report also remains 107 days below the previous five-year average (538). The TSB also communicated safety deficiencies it identified through 2 safety advisories.

From 1990 to 2011, all of the 20 pipeline safety recommendations assessed by the Board have resulted in positive changes.

2.6.2 Lessons Learned

The TSB has been able to meet its targets through careful and effective management of resources. Adherence to the investigation process and coordination within the Branch and with other TSB team members resulted in the early identification of metallurgical testing requirements and in the preparation of concise, focussed reports over a shorter timeframe.

2.7 Internal Services

2010–11 Financial Resources (\$ thousands)

Planned Spending	Total Authorities	Actual Spending
6,642	7,124	6,826

2010–11 Human Resources (FTEs^{*})

Planned	Actual	Difference
57	51	6

* full-time equivalents

Expected Results	Performance Indicators	Targets	Performance Status and Summary
Strengthening Management Practices	Continuous improvement in ratings for the individual areas of management of the Treasury Board Secretariat's Management Accountability Framework (MAF) assessment	Address any issues from MAF round VII	Mostly met the expectations. Progress has been made however sustained efforts will be required in 2011-12 to address the remaining items in the action plan.

2.7.1 Performance Summary and Analysis of Program Activity

The financial resources planned for Internal Services were not fully expended in 2010-11. The lapse in funds is primarily explained by the turnover in staff and the delay in implementing two projects: the implementation of an electronic records management system and the improvement of the modal databases, which reduced informatics spending.

The human resources staffing level in Internal Services was below planned in 2010-11. This gap was attributable to unplanned employee departures and to the time required to complete the related staffing processes to find suitable replacements. Over the course of the year, the TSB had to work hard to maintain adequate human resources capacity within its Corporate Services Branch. Nevertheless, all external corporate obligations were met and temporary help services were utilized to fill the short-term gaps to ensure the continuity of internal operations.

In 2009-10 the TSB was assessed as part of the Treasury Board Secretariat's Round VII of the Management Accountability Framework (MAF) assessments. The observations by the Treasury Board Secretariat related to the TSB management capacity were very positive. However, opportunities for improvement were identified with respect to departmental performance reporting. In response, the TSB has refined the wording of its Strategic Outcome and its Program Activities, which will be reflected in its 2012-13 Report on Plans and Priorities. Additionally, a review of performance indicators was completed and some changes were introduced in time for the 2011-12 Report on Plans and Priorities. Further work is required in order to finalize the TSB's performance management framework.

During 2010-11, the TSB undertook a number of major corporate planning activities. A new integrated human resources and business planning process was implemented. The departmental Corporate Risk Profile was updated and a new five year Strategic Plan was developed.

Due to conflicting priorities and vacancies in some key positions, limited progress was achieved in the development and update of policies, the review and streamlining of internal procedures and the documentation of internal service standards. The update of the policies and directives for the Corporate Services functional areas remains a priority going forward into 2011-12.

During 2010-11, the TSB faced a significant increase in workload arising from the new government-wide financial reporting requirements. In response to new Treasury Board policies, the TSB prepared future-oriented financial statements and revised the format of its audited year-end financial statements. Additionally, the TSB participated in an inter-departmental working group for the development of templates to meet the new reporting requirement to produce quarterly financial reports. This initiative resulted in the TSB's Quarterly Financial Report being distributed government-wide as a model for use by other small departments and agencies. Finally, the Treasury Board Policy on Internal

Control applied to the TSB for the first time for fiscal year 2010-11. This required a detailed assessment of the department's internal controls over financial reporting and the preparation of a management disclosure which is published as an annex to the TSB's financial statements in this Departmental Performance Report.

2.7.2 Lessons Learned

The TSB's success in achieving its Internal Services priorities is dependent upon having experienced staff in place that are knowledgeable about the TSB's operations. In order to minimize the impact of unplanned employee departures, the TSB has increased its usage of temporary help and casual employees to fill vacancies on an urgent basis.

Additionally, the staff complement of financial officer positions has been increased by one in response to the increase in financial reporting requirements and to reduce the risk to internal controls of employee turnover among financial staff. Finally, the human resources strategies to staff Internal Services positions will be reviewed and improved in order to develop more permanent solutions.

In reviewing the project delays, it was identified that better planning was required in order for the full scope of projects and their timelines to be better understood at the time of their initial approval. For 2011-12, projects have been divided into smaller components in order for the deliverables to be better understood and gated.

Section 3: Supplementary Information

3.1 Financial Highlights

The financial highlights presented within this section are intended to provide additional information about the TSB's financial position and operations.

On an accrual accounting basis, the TSB's expenses and net cost of operations were \$34.9 million for 2010–11 (\$34.8 million in 2009–10). These results include \$3.8 million in services received without charge from other federal government departments and other expenses that do not have an impact on the TSB's operating vote, such as the liability for employee benefits.

The decrease in assets on the Statement of Financial Position is primarily explained by a decrease of \$488,000 in the net book value of tangible capital assets during 2010-11. This decrease is primarily noted in the category of in-house developed software and is consistent with the deferral of the projects to enhance the TSB's modal databases and to implement an electronic document and records management system.

Condensed Statement of Financial Position

As at March 31, 2011 (\$ thousands)

	% Change	2010–11	2009–10
Total assets	-5.1%	6,995	7,371
Total liabilities	2.2%	7,055	6,897
Equity of Canada	-112.7%	(60)	474
Total	-5.1%	6,995	7,371

Condensed Statement of Operations

For the year ended March 31, 2011 (\$ thousands)

	% Change	2010–11	2009–10
Total expenses	0.5%	34,955	34,783
Total revenues	87.0%	43	23
Net cost of operations	0.4%	34,912	34,760

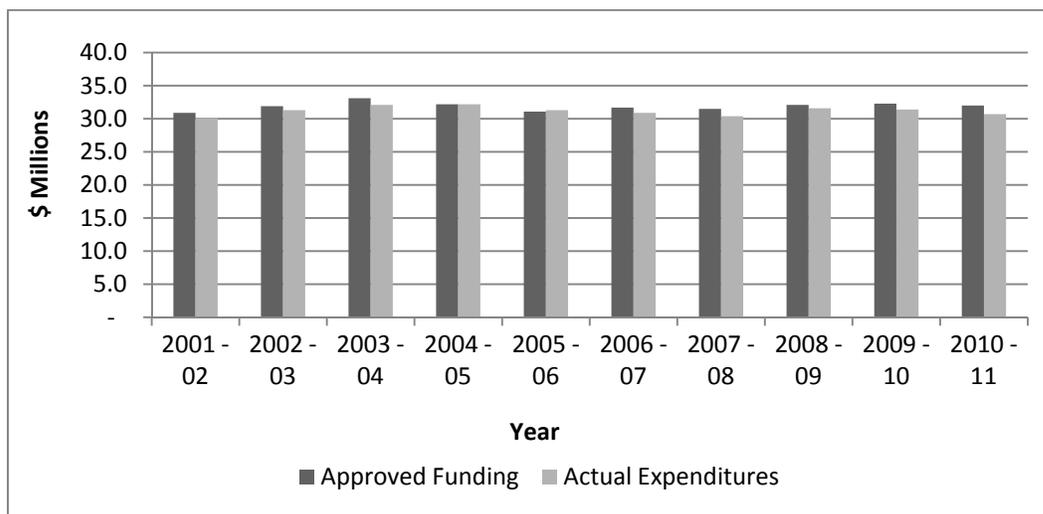
The TSB started the year with authorities of \$29.8 million in the Main Estimates. Additional authorities (Treasury Board vote transfers) in the amount of \$2.2 million were approved during the year for total approved funding of \$32.0 million. This included \$1.0 million for the carry-forward of the previous year's lapse, \$0.9 million for collective bargaining adjustments, and \$0.2 million for severance and parental benefits expenditures.

As shown in Figure 5, over the past 10 years, the TSB's funding has remained fairly consistent in the range of \$31 to \$32 million. For the period of 2002–03 to 2004–05, the TSB received short-term funding from Parliament to address specific resource pressures. Funding has subsequently leveled off and increases in funding in the last two years are primarily explained by employee salary increases negotiated through collective bargaining.

Program expenditures in 2010–11 decreased from 2009–10 by \$0.8 million or 2.4 per cent. The decrease is explained by several factors:

- staff turnover which reduced spending on salaries and training;
- a decrease in the number of deployments to occurrences which reduced travel and overtime costs;
- delays in the project to update the modal investigation databases which reduced informatics spending; and
- a planned decrease in discretionary spending in response to restraint measures in Budget 2010.

Figure 6: TSB's Funding and Expenditures from 2001–02 to 2010–11



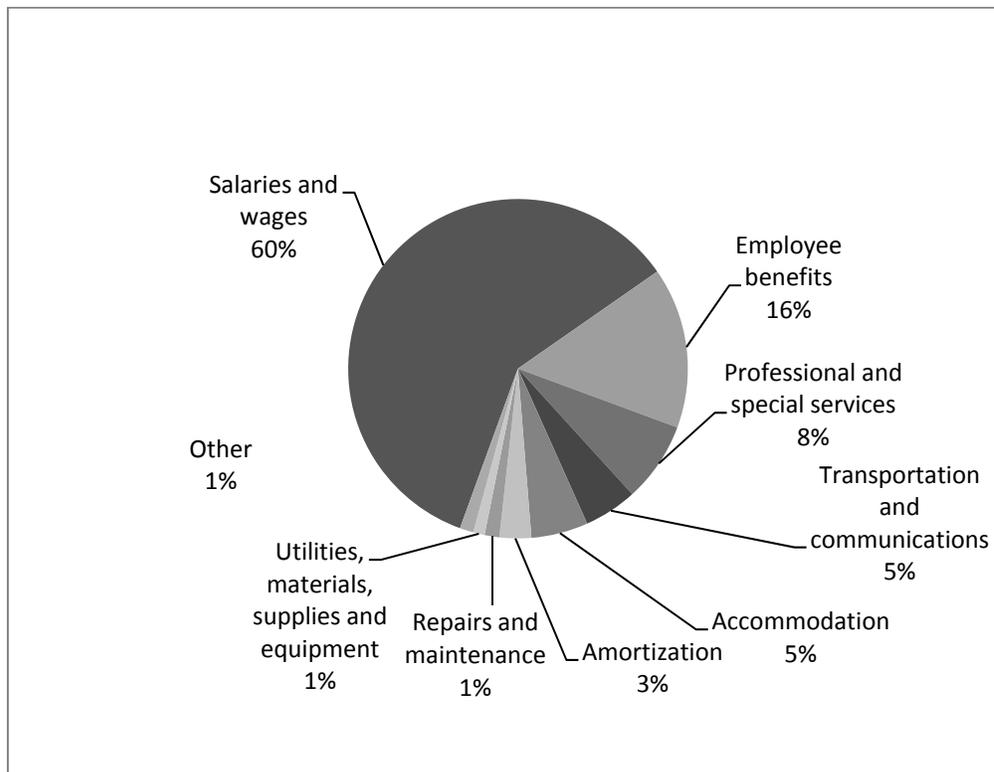
3.2 Financial Statements

The TSB prepares detailed annual financial statements on an accrual accounting basis, which are audited by the Office of the Auditor General of Canada. In 2010-11, Treasury Board Secretariat issued a new accounting standard that required changes in the department's financial statements. In particular, the Statement of Operations now presents results by program activity rather than by category of expense. The audited financial statements of the TSB for the year ended 31 March 2011, as well as the related auditor's report and the annual assessment of the effectiveness of the department's internal controls over financial reporting, can be found in Appendix B.

The net cost of operations of the TSB represents an approximate cost of \$1.02 per Canadian citizen. For this amount, Canada maintains the capability to investigate major failures in four different modes of the national transportation system.

The following graph shows TSB expenses by major categories.

Figure 7: TSB Expenses by Category



3.3 List of Supplementary Tables

All electronic supplementary information tables listed below can be found on the Treasury Board of Canada Secretariat's website at <http://www.tbs-sct.gc.ca/dpr-rmr/2010-2011/index-eng.asp>:

- User Fees Reporting
- Green Procurement

Section 4: Other Item of Interest

4.1 Organizational Contact Information

Additional information about the Transportation Safety Board of Canada and its activities is available on the TSB website at <http://www.bst-tsb.gc.ca/eng/index.asp> or by contacting us at:

Transportation Safety Board of Canada
Place du Centre
200 Promenade du Portage
4th Floor
Gatineau, Quebec
K1A 1K8

E-mail: communications@bst-tsb.gc.ca
Toll Free: 1 800 387-3557
Fax: 819-997-2239

Appendix A – Glossary

Accident	in general, a transportation occurrence that involves serious personal injury or death, or significant damage to property, in particular to the extent that safe operations are affected (for a more precise definition, see the <i>Transportation Safety Board Regulations</i>)
Incident	in general, a transportation occurrence whose consequences are less serious than those of an accident, or that could potentially have resulted in an accident (for a more precise definition, see the <i>Transportation Safety Board Regulations</i>)
Occurrence	a transportation accident or incident
Recommendation	a formal way to draw attention to systemic safety issues, normally warranting ministerial attention
Safety Concern	a formal way to draw attention to an identified unsafe condition for which there is insufficient evidence to validate a systemic safety deficiency but the risks posed by this unsafe condition warrant highlighting
Safety Advisory	a less formal means for communicating lesser safety deficiencies to officials within and outside the government
Safety Information Letter	a letter that communicates safety-related information, often concerning local safety hazards, to government and corporate officials

Appendix B – Audited Financial Statements

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 management of the Transportation Safety Board of Canada (TSB). 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.

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 TSB's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the TSB's *Departmental Performance Report* is consistent with these 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 communications aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the TSB.

An assessment of the Internal Controls over Financial Reporting (ICFR) 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 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 the TSB which does not include an audit opinion on the annual assessment of the effectiveness of the department's internal controls over financial reporting.

Wendy A. Tadros
Chair

Chantal Lemyre, CGA
Chief Financial Officer

Gatineau, Canada
August 9, 2011



INDEPENDENT AUDITOR'S REPORT

To the Chair of the Transportation Safety Board of Canada
and to the President of the Queen's Privy Council for Canada

I have audited the accompanying financial statements of the Transportation Safety Board of Canada, which comprise the statement of financial position as at March 31, 2011, and the statement of operations, statement of equity of Canada and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Transportation Safety Board of Canada as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

John Rossetti, CA
Assistant Auditor General
for the Interim Auditor General of Canada

August 9, 2011
Ottawa, Canada

Statement of Financial Position

As at March 31

(in thousands of dollars)

2011

2010

Assets

Financial assets

Due from the Consolidated Revenue Fund	1,845	1,625
Accounts receivable and advances (note 4)	28	90
Total financial assets	1,873	1,715

Non-financial assets

Prepaid expenses	79	109
Inventory	113	129
Tangible capital assets (note 5)	4,930	5,418
Total non-financial assets	5,122	5,656

TOTAL Assets	6,995	7,371
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Liabilities and Equity of Canada

Liabilities

Accounts payable and accrued liabilities (note 6)	1,840	1,688
Vacation pay and compensatory leave	1,007	1,044
Employee future benefits (note 7)	4,208	4,165
TOTAL Liabilities	7,055	6,897

Equity of Canada	(60)	474
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TOTAL Liabilities and Equity of Canada	6,995	7,371
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Contingent liabilities (note 8)

Contractual obligations (note 9)

The accompanying notes form an integral part of these financial statements.

Wendy A. Tadros
Chair

Chantal Lemyre, CGA
Chief Financial Officer

Gatineau, Canada
August 9, 2011

Statement of Operations

For the year ended March 31
(in thousands of dollars)

2011

2010

Expenses

Air investigations	16,269	16,098
Marine investigations	5,213	5,535
Rail investigations	5,284	5,431
Pipeline investigations	560	503
Internal services	7,629	7,216
TOTAL Expenses	34,955	34,783

Revenues

Air investigations	12	11
Marine investigations	1	4
Rail investigations	11	3
Pipeline investigations	-	-
Internal services	19	5
TOTAL Revenues	43	23

Net Cost of Operations

34,912

34,760

Segmented information (Note 12)

The accompanying notes form an integral part of these financial statements.

Statement of Equity of Canada

For the year ended March 31 (in thousands of dollars)	2011	2010
Equity of Canada, beginning of the year	474	111
Net cost of operations	(34,912)	(34,760)
Net cash provided by the Government of Canada	30,360	32,746
Change in Due from the Consolidated Revenue Fund	220	(1,465)
Services received without charge (note 10 (a))	3,798	3,842
Equity of Canada, end of the year	(60)	474

The accompanying notes form an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31 (in thousands of dollars)	2011	2010
Operating activities		
Net cost of operations	34,912	34,760
Non-cash items:		
Services received without charge (note 10(a))	(3,798)	(3,842)
Amortization of tangible capital assets	(1,054)	(1,121)
Net loss on disposal and write-off of tangible capital assets	(6)	(11)
Variations in Statement of Financial Position:		
Decrease in accounts receivable and advances	(62)	(56)
Increase (decrease) in prepaid expenses	(30)	39
Increase (decrease) in inventory	(16)	10
Decrease (increase) in liabilities	(158)	1,907
Cash used for operating activities	29,788	31,686
Capital investing activities		
Acquisition of tangible capital assets	604	1,068
Proceeds from the disposal of tangible capital assets	(32)	(8)
Cash used for capital investing activities	572	1,060
Net cash provided by the Government of Canada	30,360	32,746

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

1. Authority and Objectives

The Canadian Transportation Accident Investigation and Safety Board (CTAISB) was established in 1990 under the *Canadian Transportation Accident Investigation and Safety Board Act* and is a departmental corporation named in Schedule II to the *Financial Administration Act*. In its day-to-day activities the CTAISB is also known by the name Transportation Safety Board of Canada, or simply the TSB. The objective of the TSB is to advance transportation safety. It seeks to identify safety deficiencies in transportation occurrences and to make recommendations designed to eliminate or reduce any such safety deficiencies. In addition to investigations, including where necessary public inquiries into selected occurrences, the TSB may conduct studies into more general matters pertaining to transportation safety. The TSB has the exclusive authority to make findings as to causes and contributing factors when it investigates a transportation occurrence. The TSB's operating expenditures are funded by a budgetary lapsing authority whereas contributions to employee benefit plans are funded by statutory authorities.

The TSB has four key program activities, which are the conduct of safety investigations in the following four transportation sectors:

- Marine
- Pipeline
- Rail
- Air

Within each program, personnel conduct independent safety investigations into selected transportation occurrences. They identify causes and contributing factors, assess risks to the system, formulate recommendations to improve safety, publish investigation reports, communicate safety information to stakeholders, undertake outreach activities with key change agents, as well as assess and follow up on responses to recommendations. These activities are carried out by highly qualified investigators who are experts in the transportation operational sectors. They also work closely with personnel who are responsible for executing specialized work in the following fields: engineering and technical, macro-analysis, human performance and communications.

The Internal Services program activity also contributes to the achievement of TSB's strategic outcome. This program activity includes the functions and resources required to support the needs of the program activities of the four transportation modes and to meet the department's corporate obligations in areas such as human resources, finance, administration, information management and information technology.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Treasury Board accounting policies stated below, 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 11 – Net Debt Indicator.

Significant accounting policies are as follows:

(a) Parliamentary appropriations

The TSB is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the TSB do not parallel financial reporting according to Canadian generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two bases of reporting.

(b) Net Cash Provided by the Government of Canada

The TSB operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the TSB is deposited to the CRF and all cash disbursements made by the TSB are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Due from the Consolidated Revenue Fund

Amounts due from the CRF are the result of timing differences at year-end between when a transaction affects appropriations and when it is processed through the CRF. Amount due from the CRF represents the net amount of cash that the TSB is entitled to draw from the CRF, without further appropriations, in order to discharge its liabilities.

(d) Revenues

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenue takes place.

2. Summary of Significant Accounting Policies (continued)

(e) Expenses

Expenses are recorded on an accrual basis:

- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
- Services received without charge from other government departments for accommodation, administration of workers' compensation, the employer's contribution to health and dental insurance plans, and external audit services are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. The TSB's contributions to the Plan are charged to expenses in the year incurred and represent the total TSB obligation to the Plan. Current legislation does not require the TSB to make contributions for any actuarial deficiencies of the Plan.
- Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivable and advances

Accounts receivables and advances are stated at the lower of cost and net recoverable value.

(h) Inventories

Inventories consist of parts, material and supplies held for future program delivery and not intended for resale. They are valued at cost using the average cost method. If they no longer have service potential, they are valued at the lower of cost or net realizable value.

(i) Tangible capital assets

All tangible capital assets having an initial cost of \$2,000 or more are recorded at their acquisition cost. In addition, acquisitions of all general-purpose furniture and informatics hardware are recorded as tangible capital assets.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

Tangible Capital Asset Class	Amortization Period
Building	40 years
Furniture	10 years
Office equipment and tools	5 years
Laboratory equipment	15 years
Informatics hardware	4 years
Informatics software (purchased)	7 years
Informatics software (in house developed)	10 years
Motor vehicles	7 years
Other vehicles	15 years
Leasehold improvements	Lesser of the remaining term of the lease or useful life of the improvement

During the year, the estimates of the useful life of the TSB's tangible capital assets were reviewed to determine their appropriateness in light of their present and planned usage. As a result of the review, the useful life of the following assets were extended: Building from 30 to 40 years, Laboratory equipment from 10 to 15 years and Informatics software (purchased) from 3 to 7 years. These changes in accounting estimates were applied prospectively and did not result in a significant variation in amortization expense.

(j) Contingent liabilities

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(k) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the useful lives of tangible capital assets, the assumptions underlying the employee severance benefits liability, the value of services received without charge and the assessment of contingent liabilities. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary Appropriations

The TSB receives its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the TSB has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year Parliamentary authorities used:

(in thousands of dollars)	2011	2010
Net cost of operations	34,912	34,760
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Services received without charge	(3,798)	(3,842)
Amortization of tangible capital assets	(1,054)	(1,121)
Net loss on disposal and write-off of tangible capital assets	(6)	(11)
Employee future benefits	(43)	542
Vacation pay and compensatory leave	37	(125)
Refund of previous years' expenses	3	1
Miscellaneous revenues	43	23
Accrued liabilities	22	129
Other adjustments	24	(25)
	30,140	30,331
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
<i>Add (Less):</i>		
Acquisition of tangible capital assets	604	1,068
Increase (decrease) in prepaid expenses	(30)	39
Increase (decrease) in inventory	(16)	11
Current year authorities used	30,698	31,449

(b) Authorities provided and used:

(in thousands of dollars)	2011	2010
Operating expenditures - Vote 10	26,354	25,635
Transfer from TB - Vote 15- Compensation adjustments	873	1,646
Transfer from TB - Vote 25- Operating Budget Carry Forward	969	664
Transfer from TB- Vote 30- Paylist requirements	235	671
Statutory contributions to employee benefit plans	3,512	3,680
Statutory spending of proceeds from disposal of surplus Crown assets	46	19
Spending of revenues as per <i>Financial Administration Act</i> Section 29.1	29	14
	32,018	32,329
Less:		
Authorities available for future years	(37)	(1)
Lapsed: Operating	(1,283)	(879)
Current year authorities used	30,698	31,449

4. Accounts Receivable and Advances

The following table presents details of accounts receivable and advances:

(in thousands of dollars)	2011	2010
Receivables from other Federal Government departments and agencies	1	69
Receivables from external parties	17	13
Employee advances	10	8
TOTAL	28	90

5. Tangible Capital Assets

Cost (in thousands of dollars)	Opening Balance	Acquisitions	Disposals and write-offs	Closing Balance
Building	2,901	39	-	2,940
Furniture	937	34	(7)	964
Office equipment and tool	53	41	(3)	91
Laboratory equipment	2,641	127	(261)	2,507
Informatics hardware	2,462	203	(731)	1,934
Informatics software (purchased)	850	26	(227)	649
Informatics software (in house developed)	3,096	23	-	3,119
Motor vehicles	685	68	(123)	630
Other vehicles	102	-	-	102
Leasehold improvements	571	43	(12)	602
TOTAL	14,298	604	(1,364)	13,538

Accumulated amortization (in thousands of dollars)	Opening Balance	Amortization	Disposals and write-offs	Closing Balance
Building	2,516	58	-	2,574
Furniture	343	101	(7)	437
Office equipment and tool	46	5	(3)	48
Laboratory equipment	1,897	68	(261)	1,704
Informatics hardware	1,854	268	(731)	1,391
Informatics software (purchased)	717	30	(226)	521
Informatics software (in house developed)	842	307	-	1,149
Motor vehicles	411	35	(98)	348
Other vehicles	48	7	-	55
Leasehold improvements	206	175	-	381
TOTAL	8,880	1,054	(1,326)	8,608

Net book value (in thousands of dollars)	Opening Balance	Closing Balance
Building	385	366
Furniture	594	527
Office equipment and tool	7	43
Laboratory equipment	744	803
Informatics hardware	608	543
Informatics software (purchased)	133	128
Informatics software (in house developed)	2,254	1,970
Motor vehicles	274	282
Other vehicles	54	47
Leasehold improvements	365	221
Net Book Value	5,418	4,930

6. Accounts Payable and Accrued Liabilities

The following table presents details of accounts payable and accrued liabilities:

(in thousands of dollars)	2011	2010
Accounts payable to other government departments and agencies	234	489
Accounts payable to external parties	859	690
	1,093	1,179
Accrued liabilities	747	509
TOTAL	1,840	1,688

7. Employee Future Benefits

(a) Pension benefits

The TSB's employees participate in the Public Service Pension Plan which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the TSB contribute to the cost of the Plan. The 2010-11 employer's contribution expense amounts to \$2,465,291 (\$2,657,286 in 2009-10), which represents approximately 1.9 times (1.9 in 2009-10) the contributions by employees.

The TSB's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits

The TSB provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2011	2010
Employee severance benefits, beginning of year	4,165	4,707
Expense for the year recorded as employee benefits	531	6
Benefits paid during the year	(488)	(548)
Employee severance benefits, end of year	4,208	4,165

In the 2011 Budget, the Government of Canada announced its intention to revise its employee benefits package to eliminate severance benefits payable upon voluntary separation or retirement of an employee. Collective agreements reflecting this change in employee benefits have been signed with certain bargaining agents. As a result, these employees have been provided the option to be paid in full or a portion of their severance entitlement in fiscal year 2011-12 or to defer payment to a future year. The estimated payout and reduction to the TSB's employee severance liability from this government-wide event cannot be determined at this date. The TSB expects to receive incremental funding from Treasury Board in order to fund the severance payments.

8. Contingent Liabilities

In the normal course of its operations, the TSB becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded

on the TSB's financial statements. The TSB did not have any contingent liabilities as at March 31, 2011.

9. Contractual Obligations

The nature of the TSB's activities can result in some large multi-year contracts and obligations whereby the TSB will be obligated to make future payments when the services/goods are received.

Contractual obligations as at March 31, 2011 represent a total of \$295,814, broken down as follows:

(in thousands of dollars)	2011-12	2012-13	2013-14	2014-15	2015-16
Acquisition of goods and services	267	29	-	-	-

10. Related Party Transactions

The TSB is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The TSB enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the TSB received services which were obtained without charge from other Government departments as presented in part (a). Transactions with related parties and payables outstanding at year-end with related parties are presented in (b) and (c).

(a) Services received without charge:

During the year, the TSB received without charge from other departments: accommodation, administration of workers' compensation, the employer's contribution to health and dental insurance plans, and external audit services. These services without charge have been recognized in the TSB's Statement of Operations as follows with a corresponding amount in the Equity of Canada:

(in thousands of dollars)	2011	2010
Accommodation	1,894	1,950
Employer's contribution to health and dental insurance plans	1,783	1,780
External audit services	100	86
Administration of workers' compensation	21	26
TOTAL	3,798	3,842

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in the TSB's Statement of Operations given that a reasonable amount for those types of services cannot be determined.

(b) Transactions with related parties:

During the year, the TSB reimbursed other departments for certain services purchased on a fee for service basis. The departments with which the TSB incurred significant expenses are as follows:

(in thousands of dollars)		2011	2010
Treasury Board Secretariat	Employee benefit plans	3,512	3,680
Transport Canada	Aircraft Services	475	586
Public Works and Government Services Canada	Accommodation, translation and others	755	615
TOTAL		4,742	4,881

(c) Payables outstanding at year-end with related parties:

(in thousands of dollars)		2011	2010
Treasury Board Secretariat		80	373
Public Works and Government Services Canada		75	84
Transport Canada		120	60
Other government departments and agencies		9	3
TOTAL		284	520

11. Net Debt Indicator

The presentation of the net debt indicator and a statement of change in net debt is required under Canadian generally accepted accounting principles for the public sector.

Net debt is the difference between a government's liabilities and its financial assets and is meant to provide a measure of the future revenues required to pay for past transactions and events. A statement of change in net debt would show changes during the period in components such as tangible capital assets, prepaid expenses and inventories. Departments are financed by the Government of Canada through appropriations and operate within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by departments is deposited to the CRF and all cash disbursements made by departments are paid by the CRF. Under this government business model, assets reflected on the departmental financial statements, with the exception of the Due from the CRF, are not available to use for the purpose of discharging the existing liabilities of the department. Future appropriations and any responsible revenues generated by the department's operations would be used to discharge existing liabilities.

(in thousands of dollars)	2011	2010
Liabilities		
Accounts payable and accrued liabilities (note 6)	1,840	1,688
Vacation pay and compensatory leave	1,007	1,044
Employee future benefits (note 7)	4,208	4,165
TOTAL Financial Liabilities	7,055	6,897
Financial Assets		
Due from the Consolidated Revenue Fund	1,845	1,625
Accounts receivable and advances (note 4)	28	90
TOTAL Financial Assets	1,873	1,715
Net Debt Indicator	5,182	5,182

12. Segmented Information

Presentation by segment is based on the TSB's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expenses and by major type of revenues. The segment results for the period are as follows:

For the year ended March 31

(in thousands of dollars)

Operating expenses	Air	Marine	Rail	Pipeline	Internal services	2011	2010
Salaries and wages	9,916	3,332	3,286	352	3,998	20,884	20,832
Employee benefits	2,572	857	857	107	966	5,359	4,943
Professional and special services	1,254	152	254	22	981	2,663	2,661
Accommodation	772	309	278	21	514	1,894	1,950
Transportation and communications	608	295	291	24	554	1,772	1,989
Amortization	542	157	166	19	170	1,054	1,121
Repairs and maintenance	252	19	45	6	169	491	621
Utilities, materials, supplies and equipment	182	37	52	3	106	380	397
Rentals	60	12	17	-	150	239	114
Information	108	42	37	6	21	214	144
Net loss on disposal and write-off of tangible capital assets	3	1	1	-	-	5	11
TOTAL Expenses	16,269	5,213	5,284	560	7,629	34,955	34,783
Miscellaneous revenues	12	1	11	-	19	43	23
TOTAL Revenues	12	1	11	-	19	43	23
Net cost of operations	16,257	5,212	5,273	560	7,610	34,912	34,760

13. Comparative Information

During the year, the TSB adopted the revised Treasury Board Accounting Standard (TBAS) 1.2: Departmental and Agency Financial Statements which is effective for the Department for the 2010-11 fiscal year. The major change required by the revised standard is that the Statement of Operations now presents results by program activity rather than category of expenses and revenues. In addition, note 12 Segmented Information has been added.

Comparative figures have been reclassified to conform to the current year's presentation.

Annex to the Transportation Safety Board of Canada's (TSB) *Statement of Management Responsibility Including Internal Control Over Financial Reporting*

TSB Assessment of Internal Control Over Financial Reporting (Unaudited)

For the year ended March 31, 2011

1. Introduction

This document is an annex to the Transportation Safety Board of Canada's (TSB) *Statement of Management Responsibility Including Internal Control Over Financial Reporting* which prefaces the financial statements for the fiscal year 2010-11. As required by the Treasury Board Policy on Internal Control, this annex provides summary information on the measures taken by the TSB to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the assessments conducted by the TSB as at March 31, 2011, including progress, results and related action plans, along with some financial highlights pertinent to understanding the control environment of the TSB.

It is important to note that the system of ICFR is not designed to eliminate every possible risk, rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate. The maintenance of an effective ICFR is an ongoing process designed to identify and prioritize risks and the controls to mitigate those risks, as well as to monitor its performance in support of continuous improvement.

1.1 Authority, Mandate and Program Activities

The TSB's sole objective is to advance transportation safety. This mandate is fulfilled by conducting independent investigations into selected transportation occurrences. The purpose of these investigations is to identify the causes and contributing factors and the safety deficiencies evidenced by an occurrence. The TSB then reports publicly and makes recommendations to improve safety and reduce or eliminate risks to people, property and the environment.

Detailed information on the TSB's authority, mandate and program activities can be found in the *Departmental Performance Report* and in Section I of the *Report on Plans and Priorities*.

1.2 Financial Highlights

Key financial highlights from the 2010-11 financial statements are:

- Total expenses are \$34.9 million. Salaries and employee benefits comprise the majority at \$26.2 million (75%) for about 220 employees.

- Total revenues are \$.04 million, primarily from the delivery of safety investigation courses to other government and external agency employees, cost recovery on an investigation and the disposal of surplus assets.
- Tangible capital assets represent \$4.9 million (70%) of total assets (\$7.0 million), and amounts due from the Consolidated Revenue Fund to satisfy future cash requirements represent \$1.8 million (26%).
- Accounts payable and accrued liabilities comprise \$1.8 million (26%) of total liabilities (\$7.0 million). Employee future benefits represent the largest liability at \$4.2 million (60%).

Additional departmental financial information for fiscal year 2010-11 can be found under Section III - Supplementary Information of the *Departmental Performance Report* and in the *Public Accounts of Canada*.

1.3 Service Arrangements Relevant to Financial Statements

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

- Public Works and Government Services Canada (PWGSC) centrally administers the payments of salaries and benefits, the procurement of some goods and services, and the provision of accommodations, on behalf of the Department.
- Treasury Board Secretariat (TBS) provides an annual dollar figure for the centrally funded health and dental insurance plans, and provides information used to calculate various accruals and allowances, such as the employee severance benefit.

Further information is available in the financial statements under Note 10- Related Party Transactions.

1.4 Material Changes in Fiscal Year 2010-11

There were no significant departmental changes in the year that impacted the department's financial results. During the year, the TSB adopted the revised Treasury Board Accounting Standard 1.2: Departmental and Agency Financial Statements. The major change required by the revised standard is that the Statement of Operations now presents results by program activity rather than category of expenses and revenues. In addition, Note 12 Segmented Information has been added.

2. TSB's Control Environment Relevant to ICFR

The TSB recognizes the importance of direction from senior management to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and are well equipped to exercise these responsibilities effectively. The TSB's objective is to continually enhance its internal control environment to ensure risks are managed well through a responsive and risk-based approach that enables continuous improvement and innovation.

2.1 Key Positions, Roles and Responsibilities

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

Chair - The TSB Chair, as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. This position is a Governor-in-Council appointment.

Chief Operating Officer (COO) – The COO is the top level public servant within the TSB and is responsible for the leadership over all operational activities in the department. This position chairs the Executive Committee.

Chief Financial Officer (CFO) - The CFO reports directly to the COO 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.

Executive Committee (EC) - As the central decision-making body, the EC reviews, approves and monitors the corporate risk profile and the departmental system of internal control, including the assessment and action plans relating to the system of ICFR. The EC is composed of the department's directors and director general, who are responsible for maintaining the effectiveness of the ICFR falling within their operations.

2.2 Risk Assessment over Financial Reporting

The key elements that increase the risk of error over financial reporting and by consequence the need for increased controls include:

- The financial significance of the financial statement element;
- The extent to which assumptions or judgment are required in determining the financial statement element;
- The risk of fraud/theft surrounding the financial statement element. For example, cash is more likely to be misappropriated and its reporting altered than a vehicle; and,
- The level of decentralization of financial operations.

Statement of Operations: The TSB's most significant expense is salaries and wages, which represents approximately 60% of its expenses. The expense for employee benefits is the second largest expense at 15% of total expenses. Hence controls surrounding payroll administration represent the most important controls over financial reporting in the Statement of Operations.

Statement of Financial Position: The most significant element on the TSB's financial statements is tangible capital assets, which amounted to \$4.7 million at March 31, 2011, or 70% of total assets. Hence controls surrounding the accounting of capital assets

represent the most important controls over financial reporting in the Statement of Financial Position.

The following elements reduce TSB's control risks over financial reporting:

- Simple financial transactions: the majority of department's expenses are salaries and employee benefits, and operating expenses. The department does not issue grants and contributions, enter into international transactions or other complex transactions. Additionally, the department has few transactions that require the use of TSB assumptions or judgment in determining their value, other than the useful life of tangible capital assets.
- Centralized financial reporting: Although certain financial transactions are initiated in regional offices, all financial transactions are reviewed by the Finance and Administration Division at Head Office.

The following elements increase TSB's control risks over financial reporting:

- Turnover: As a small department, many positions are one-deep and functions are performed by a single person in the organization. As a result, the department's financial controls are significantly affected by turnover among staff involved in financial management.
- Dependence on other departments: Similar to all government departments, the TSB relies on other organizations for the processing of certain transactions, such as payroll systems provided by Public Works and Government Services Canada, and the provision of cost information, such as the costs for services provided without charge (e.g. accommodations and employee benefits). These amounts represent a material amount of the financial statements. They are determined by other government departments and may involve the use of assumptions and professional judgment. The TSB therefore relies on other government departments to ensure they have adequate internal controls over the amounts reported for inclusion in the TSB's financial statements.

2.3 Key Measures Taken by the TSB

The TSB's control environment 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 organization-wide measures include:

- An established governance structure and provision of strategic direction through the Executive Committee.
- The department has an established Code of Professional Conduct that is distributed to all employees that outlines the values and ethics and expected behaviours.
- The financial processes have been established to ensure an adequate segregation of duties through delegated signing authorities and financial system user profiles and passwords.
- Employees receive appropriate training on financial management requirements. For example, employees must pass mandatory training offered by the Canada School of the Public Service prior to delegated financial signing authority being provided.
- Regular communications are maintained between the department's central Finance and Administration Division and the Administrative Officers in the branches and regions to ensure ongoing communication and training on financial reporting requirements.
- Regular reporting of financial performance and annual performance agreements with clearly set out financial management responsibilities.
- Human resources management plan and policies that support learning and succession planning.
- The majority of the TSB's employees are located at its Head Office and Laboratory in the National Capital Region. The TSB also maintains staff in eight cities across Canada, in order to rapidly deploy to transportation occurrences. Regional offices initiate, approve, process and record operating expenses however there is a central Finance function that oversees the regional finance activities.
- The TSB does not maintain an internal audit function. Instead it participates in horizontal audits of small departments and agencies led by the Treasury Board Secretariat. The TSB also occasionally engages external firms to perform ad hoc internal audits.
- The employee delegation of financial authorities instruments are regularly updated; and
- The TSB has accounting policies and procedures tailored to the TSB's control environment.

While not part of the internal control framework of the department, each year-end the Office of the Auditor General performs an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The audit also includes an evaluation of the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by TSB management as well as evaluating the overall presentation of the financial statements. The TSB financial statements have consistently received a clean audit opinion.

3. Assessment of the TSB's System of ICFR

The objectives of the TSB's ICFR are to maintain an effective system to provide reasonable assurance that a) transactions are appropriately authorized, b) financial records are properly maintained, c) assets are safeguarded, and d) applicable laws, regulations and policies are complied with.

Over time, this means the TSB must assess the design and operating effectiveness of its system of ICFR, leading to ensuring the on-going monitoring and continuous improvement of its departmental system of ICFR.

The TSB assessment of internal controls in 2010-11 was focused on controls over payroll and capital assets, as these elements represent the most significant elements to the financial statements.

4. Assessment Results

The review of internal controls was led by the Chief Financial Officer. An external consultant was engaged to assist with the review of the internal control framework over financial reporting. The more significant findings from these assessments of the effectiveness of the system of internal control over financial reporting are summarized below.

4.1 Impact of Turnover

An essential element to an effective internal control framework is having trained and knowledgeable financial staff in place. As a small department, the TSB has very few financial officer positions (i.e. one FI-4, FI-3 and FI-2 respectively). Over the last three years, the TSB has experienced considerable turnover among its financial officer employees. This turnover in staff impacts the consistency in the application of controls and increases the likelihood of error. The risk of error is particularly elevated because the TSB's financial system is not commonly used within government or the private sector. As a result, it is almost impossible to hire staff having experience with the system and the learning curve for new finance employees is extended.

Action Taken:

- For the 2010-11 year-end, the TSB increased its year-end testing of amounts reported in the financial statements to compensate for the lack of a consistent application of the internal control framework during the year. No significant errors were identified.

Actions Planned for 2011-12:

- The TSB will increase its complement of financial officer positions by one to handle the increase in central agency reporting requirements and help ensure continuity during periods of turnover.
- The TSB will document a framework of year-end tests to be performed on amounts reported in the financial statements to assess their accuracy. These year-end tests should compensate for the increased risk of an undetected error on the financial statements due to employee turnover.

4.2 Documentation

Documented key business processes and related control points are an essential element to internal controls since they provide employees with the knowledge required of expected performance and behaviours. The TSB needs to update and increase the breadth, depth and format of documentation of controls and procedures.

Action Taken:

- During fiscal year 2010-11 year-end, the TSB reviewed its capital assets accounting policy and reviewed the historical usage of its assets against the amortization periods established for accounting purposes. As a result, the amortization periods of three categories of assets: building, purchased software and laboratory equipment were extended.

Action Plan for 2011-12:

- The TSB will increase the documentation and evaluation of financial reporting controls over its two highest financial reporting risk items: salaries and wages expense and tangible capital assets.

Action Plan for Future Years:

- The TSB will increase the documentation and evaluation of financial reporting controls over the remaining financial statement elements.

4.3 Accounting for Tangible Capital Assets

The TSB has 10 categories of assets in its financial statements with a cost of \$13.5million and book value of \$4.9 million at March 31, 2011. The accounting of assets is performed by finance staff while the management and tracking of capital assets is performed by administration staff. Year-end testing identified that the capital asset sub-ledger was not maintained current with the recording of financial transactions during the year. As a result, significant work had to be performed at year-end to reconcile the capital assets sub-ledger to the financial trial balance.

Action Taken:

- During the 2010-11 year-end, the TSB performed a physical count of the tangible capital assets in all its offices and updated its financial records. The update of the individual capital asset sub-ledger records was initiated and should be completed in 2011-12.

Action Planned for 2011-12:

- The TSB will review its process of accounting, tracking and updating its capital assets within its financial system to identify options for ensuring consistency throughout the year and facilitating the year-end reporting process.
- The TSB will increase the training and guidance with respect to the tracking and accounting requirements throughout the life cycle of an asset to ensure that all employees involved understand their role in keeping the asset records current.

5. Action Plan

In addition to the individual action items described above, in fiscal year 2011–12, the TSB will continue the ongoing monitoring of its ICFR and will report the results of this activity in this annex yearly. TSB senior management is committed to sustaining and continuously improving its sound framework of effective ICFR in the department, to ensure that the key controls meet the expectations of management and stakeholders and appropriately mitigate associated risks.