



Treasury Board of Canada  
Secrétariat

Secrétariat du Conseil du Trésor  
du Canada

*Better government: with partners, for Canadians*



# Report on the State of Comptrollership in the Government of Canada

March 2011

Canada





# **Report on the State of Comptrollership in the Government of Canada**

© Her Majesty the Queen in Right of Canada,  
represented by the President of the Treasury Board, 2011

Catalogue No. BT66-15/2011E-PDF  
ISBN 978-1-100-19339-7

This document is available on the Treasury Board of Canada Secretariat  
website at <http://www.tbs-sct.gc.ca>

This document is available in alternative formats upon request.

## Table of Contents

Message From the Comptroller General.....	1
Context of This Report.....	2
Background and context.....	2
Information sources .....	3
Leadership provided by the Treasury Board of Canada Secretariat.....	4
Introduction: Purpose of This Report .....	6
Financial Management.....	7
Governance.....	7
Internal control.....	8
Financial reporting .....	10
Financial systems.....	12
Financial management community.....	14
Internal Audit.....	18
Overview of the <i>Policy on Internal Audit</i> (2009).....	18
Internal audit community .....	23
Human resources .....	25
Management of Assets and Acquired Services .....	28
Investment planning and the management of projects .....	28
Procurement .....	31
Materiel management .....	34
Real property .....	35
Procurement, materiel management and real property communities.....	38
Looking Forward .....	40
The strategic environment.....	40
Priorities for action .....	41
Priorities of the Office of the Comptroller General .....	43
Appendix A: The Role of the Office of the Comptroller General and Context Within the Treasury Board of Canada Secretariat.....	52
Appendix B: Methodology and Data Sources.....	54
Demographic study .....	54
Management Accountability Framework.....	54



---

## Message From the Comptroller General

I am pleased to present the first *Report on the State of Comptrollership in the Government of Canada*. This report provides an overview of the health of the financial management, internal audit, and assets and acquired services functions in the federal government today.

The report highlights the progress and achievements we have made over the last five years. It showcases present best practices and innovations in each area and acknowledges the various contributions that the functional communities have made. Finally, it provides a look ahead at the priorities and challenges that we are undertaking.

This report offers a comprehensive look at our comptrollership activities. Subsequent reports will focus predominantly on key issues.

It is my hope that this report will be used to inform and shape discussions on comptrollership issues.

James A. Ralston  
Comptroller General of Canada

---

## Context of This Report

### Background and context

The comptrollership regime in place today is the result of a series of renewal initiatives undertaken over the past few years. This renewal derives from the *Federal Accountability Act* (2006), which introduced specific measures to help strengthen accountability and increase transparency and oversight in government operations. Among other things, the *Federal Accountability Act* brought forward specific initiatives to strengthen core parts of the government's resource management regime. These initiatives include the following:

- ▶ Designating deputy ministers and deputy heads of designated government entities as the accounting officers for their organizations. Accounting officers have a legal obligation to appear before committees of the Senate and the House of Commons and answer questions on the management responsibilities set out in section 16.4 of the *Financial Administration Act*;
- ▶ Reinforcing the principles of fairness, openness and transparency in contracting and procurement; introducing a code of conduct for procurement; and improving departments' procurement capabilities;
- ▶ Establishing a new Office of the Procurement Ombudsman to help ensure fairness and transparency in federal government procurement; and
- ▶ Strengthening auditing and accountability within departments by clarifying the managerial responsibilities of deputy heads within the framework of ministerial responsibility, and by bolstering the internal audit function within departments and Crown corporations.

In addition, the Federal Accountability Action Plan called for streamlining and modernizing the government's procurement and financial management and internal audit policies, and for repealing policies and regulations that were counterproductive to accountability and good management. The ensuing process, which drew heavily on a series of internal and external reviews that preceded the Action Plan or were undertaken as a response to it, resulted in the overhaul of the government's overall resource management regime. The new, streamlined policy framework does the following:

- ▶ Clarifies accountabilities and responsibilities of resources management practitioners;
- ▶ Elevates resource management to a strategic role in the management of departments, moving it from the back office to a core decision-making role;
- ▶ Introduces the chief financial officer (CFO) model and reinforces the chief audit executive (CAE) model, including professional qualifications and sufficient training;



- 
- ▶ Improves departmental governance;
  - ▶ Enables better oversight and monitoring of departmental compliance;
  - ▶ Enhances internal controls; and
  - ▶ Improves internal and external financial reporting.

## Information sources

A variety of evidence sources have been used in this report to support the performance analysis. The primary source is the Management Accountability Framework (MAF), which is used by the Treasury Board of Canada Secretariat to identify management strengths and weaknesses in individual departments and agencies and, ultimately, on a government-wide basis in the spirit of continuous improvement.

As explained in more detail in the section on governance for financial management, it should be noted that the departmental accountability framework for financial management includes the deputy head as accounting officer, the CFO, senior departmental managers, and all others who have financial responsibilities across a department. In this context, the MAF should be understood as an indicator of the overall performance of the whole organization, at all levels.

The assessment methodology for each area of management covered by the MAF is reviewed annually. New criteria may be introduced during this review, aligning management expectations to the new operating environment. The assessment might focus on a new policy or maturity of a function or community. Because all departments and agencies are assessed using the same methodology, the MAF provides an enterprise-wide view of management practices to departments and a view to government-wide trends and management issues for the Treasury Board of Canada Secretariat. Increasing management expectations through the MAF produces continuous improvement in the quality of public management in the federal public service.

Each year, departments submit evidence for each area of management, which is assessed using the following four-point scale:

- ▶ “Attention required” (inadequate attention to deficiencies);
- ▶ “Opportunity for improvement” (evidence of attention to the deficiencies and some progress);
- ▶ “Acceptable” (meets expectations); and
- ▶ “Strong” (sustained performance that exceeds expectations and suggests continued strong performance).

---

In addition to the MAF, the Office of the Comptroller General of Canada (OCG) relies on information and findings from other sources such as reports by the Office of the Auditor General of Canada, departmental audit committees and the Standing Committee on Public Accounts; departmental audits and evaluations; and each department's annual *Report on Plans and Priorities* and *Departmental Performance Report*.

## Leadership provided by the Treasury Board of Canada Secretariat

The OCG, as part of the Treasury Board of Canada Secretariat, has played a core role in advancing most of these initiatives, including developing policy frameworks and individual policies, delivering key components of the Federal Accountability Action Plan, and strengthening the communities for financial management, internal audit, and assets and acquired services management.

More generally, the OCG provides oversight and direction to government-wide efforts to improve the stewardship of taxpayers' dollars and government assets. The OCG works to strengthen financial management, internal audit, management of real property and materiel, investment planning, project management, and procurement across the federal public service. This is accomplished by providing functional direction to departments, demonstrating leadership, developing and maintaining policies and practices, nurturing sustainable and professional communities, and helping to improve government financial operations.

The core components of the Government of Canada's resource management regime are financial management, the management of assets and acquired services, and internal audit. All are supported by strong and sustainable communities of trained professionals.

Financial management is a continuum of interdependent activities that safeguard the public purse, enable prudent and effective departmental spending in support of government operations, and facilitate reporting on how monies have been spent. Policies, directives and guidelines set out accountabilities and clarify financial responsibilities, controls to prevent mistakes and malfeasance, and activities that support effective and efficient financial planning and operations.

Internal audit provides objective, independent advice on how well an organization is managing risks, establishing and maintaining its systems of internal control, and organizing and operating its governance structure. The function makes recommendations to improve management practices and controls. This report provides an overview of the *Policy on Internal Audit* and the efforts underway to strengthen public sector accountability, risk management, resource stewardship and good governance.

---

The management of assets and acquired services is a set of activities that constitutes the basis for the government's management practices and controls regarding public assets (e.g., land and buildings, furniture, and equipment) and acquired services (e.g., consulting services, military equipment maintenance, and support to highly complex service delivery arrangements).

Presented in this report are the Treasury Board policies, directives and guidelines that govern procurement, real property, materiel management, investment planning and project management that enable departments to deliver their programs and services in a way that provides value for money and demonstrates sound stewardship.

---

## Introduction: Purpose of This Report

This report provides an overview of the health of the comptrollership function across the Government of Canada, as of March 31, 2011. It highlights recent developments in the comptrollership community and priorities in the following areas:

- ▶ Financial management;
- ▶ Internal audit;
- ▶ Investment planning and project management;
- ▶ Procurement;
- ▶ Materiel management; and
- ▶ Real property.

The report is primarily intended to do the following:

- ▶ Inform deputy heads of progress made in recent years to strengthen the comptrollership function across the Government of Canada;
- ▶ Support deputy heads, CFOs and CAEs by identifying areas for improvement; and
- ▶ Assist the Treasury Board of Canada Secretariat in its functional leadership role by identifying priority areas where departments need further support and guidance for policy implementation and achieving functional health.

Because this is the first annual report of the OCG, it covers the full scope of the comptrollership function. Future annual reports by the OCG will focus on particular themes according to issues affecting the comptrollership function that arise from year to year.

---

## Financial Management

Financial management is a continuum of interdependent activities that safeguard the public purse, enable prudent and effective departmental spending in support of government operations, and facilitate reporting on how monies have been spent. Policies, directives and guidelines set out accountabilities and clarify financial responsibilities, controls to prevent mistakes and malfeasance, and activities that support effective and efficient financial planning and operations. Oversight monitors compliance with legislation, policies and regulations and assesses overall performance. Financial reporting supports transparency by providing pertinent, reliable, and timely financial and non-financial information to Parliament and to Canadians. Effective financial management systems feed and support these activities, providing the information necessary for making sound management decisions.

## Governance

The crucial central role of finance on all aspects of departmental business and the complexity of today's environment mean that financial management must be front and centre in decision making and operations. This involves moving away from a focus on transaction processing and elevating the role of the CFO to one of a trusted and strategic advisor on financial and departmental management. At home and abroad, organizations in the public and private sectors have been steadily shifting their approach to governance, i.e., the methods and mechanisms through which senior executives direct and control their organizations, gather information, make decisions, and report on their outcomes in a manner that meets the expectations and values of their key stakeholders.

Facing the same challenges—and in light of the *Federal Accountability Act*'s designation of deputy heads as accounting officers—in April 2009, the federal government introduced a CFO model with the new *Policy on Financial Management Governance*. Put simply, the model requires departments to ensure they have professionally accredited CFOs and deputy CFOs (DCFOs) in place who are broadly involved in decision making that has departmental financial resource management implications. The model ensures that deputy heads have the financial expertise and frameworks in place to allow them to fulfill their specific responsibilities with respect to financial management.

In practical terms, the CFO model makes financial considerations part of all departmental decisions and operations that may have financial resource implications. It also aims to broaden and deepen the impact of financial advice, including questions regarding affordability and ensuring that departments assess and manage risks, respect financial authorities, and have effective controls in place before programs are launched.

---

The *Policy on Financial Management Governance* also clarified the roles and responsibilities for financial management governance that must be exercised for the stewardship, management and oversight of public resources at all levels—deputy heads, the Comptroller General of Canada, CFOs and senior departmental managers. The policy gives CFOs the overall responsibility to support and advise the deputy head in departmental financial management. Specifically, this includes designing and maintaining appropriate departmental financial frameworks and related systems of internal control, and ensuring proper financial budgeting, reporting and disclosure. Although the CFO has overall responsibility for financial management in a department, he or she must also rely extensively on departmental managers, who are responsible for ensuring effective financial management for all the activities falling within their respective areas of responsibility.

The policy also strengthened the functional leadership of the Comptroller General for the financial management community. This includes providing government-wide functional direction and assurance for financial management and stewardship over public resources, as well as the involvement of the Comptroller General in the selection, performance assessment and removal of CFOs.

### **CFO model in place in most departments and agencies**

Although CFOs are not new to departments, one of the key changes introduced by the new CFO model is the requirement for all CFOs and DCFOs to have an appropriate combination of education, professional qualifications, experience and competencies to fulfill their duties. Progress in meeting this goal has been substantial. In 2010, over 80 per cent of CFOs in large departments had professional accounting designations. Moreover, CFOs are now better positioned than ever to play a strategic role in managing departments. Today, 94 per cent of departments have CFOs that report directly to their deputy heads, and 96 per cent of departments have CFOs that are members of the departmental senior management committee.

### **Internal control**

At the most basic level, internal controls are simply good business practices that allow an organization to achieve its objectives—the actions that organizations take to ensure that operations are efficient and effective, that internal and external financial information and reporting is reliable, and that laws, policies and regulations are being followed and assets are being safeguarded. Systems of internal control allow organizations to direct, monitor and measure resources based on the risks they are facing, and they play an important role in preventing and detecting fraud.

The past decade has seen broad changes to how several countries set out requirements pertaining to the management of internal controls in the private and public sectors. In the wake of a number of corporate scandals worldwide, shareholders are increasingly demanding explicit assurances

---

that financial reports are accurate and that appropriate internal controls are in place to prevent risky or fraudulent behaviour. The United States' *Sarbanes-Oxley Act of 2002*, for example, requires publicly traded corporations to provide assurance regarding the effectiveness of internal control over financial reporting, and that external auditors express their views on these controls and the reliability of the company's financial reporting. Public sector jurisdictions in various countries have introduced similar requirements, which generally take the form of a statement of internal control signed by the head of the organization and the CFO, sometimes with an accompanying audit report.

In the Government of Canada, deputy heads have always been responsible for ensuring that internal controls are regularly reviewed and are appropriate for the risks they are designed to mitigate. Deputy heads and their CFOs sign an annual Letter of Representation to the Auditor General of Canada and the Deputy Receiver General for Canada in support of the Public Accounts of Canada, stating that internal control and financial reporting are their responsibility and providing assertions over the integrity of the financial information.

To date, however, deputy heads and CFOs have never had to *disclose evidence* that their systems of internal control are well managed. With the introduction of the *Policy on Internal Control* in April 2009, federal departments are now required to annually assess, based on the risks present in their operating environment, the effectiveness of their systems of internal controls over financial reporting to ensure that:

- ▶ Financial transactions are appropriately authorized;
- ▶ Financial records are properly maintained;
- ▶ Risks of fraud, abuse, loss or mismanagement are properly mitigated; and
- ▶ Applicable laws and policies are followed.

In addition, departments are required to disclose a summary of their assessment results with their action plan to address any necessary adjustments. These summaries are provided with the annual financial statements, and an overarching Statement of Management Responsibility is provided each year.

### **New internal control policy represents a significant change for departments**

The new policy represents a significant change for federal departments and is being phased in over three years. The impact of the new requirements is already apparent: disclosure of the first summary reports in fall 2010 of the assessment results and action plans relative to effective internal control over financial reporting have, for the first time, provided evidence of the progress being made by the 22 large departments, representing over 90 per cent of government expenditures. The ultimate objective of this reporting is to provide assurance on the effective

---

management of these departments' systems of internal control over financial management and reporting. Work has already begun with other departments, and this will be augmented in future years as all departments implement the policy. Year-over-year tangible progress will be able to be tracked in the future.

As implementation unfolds over the next year and beyond, the new policy will bring increased rigour and consistency in how departments manage and monitor the effectiveness of their systems of internal control and how they report on their accountabilities in this area. Over time, these changes will significantly enhance departments' capacity to manage risk and demonstrate performance.

Broadly speaking, departments have already been enhancing their efforts to manage their systems of internal control to ensure they are effective. As it relates to internal controls over financial reporting, the information now published by the 22 large departments indicates that half are already at the advanced phase of testing the operating effectiveness of their internal controls over financial reporting. Completing the initial full assessment may take up to four years, depending on a department's particular complexities and risks.

Over the last two years, about 40 per cent of all departments assessed under the MAF were rated as "acceptable" or "strong" in managing their internal controls. It is noted, however, that the new policy did not apply to all of them over that time period. It is expected that continued progress and improved levels of maturity will be demonstrated as all remaining departments begin to publish their assessment results and action plans over the next two fiscal years and follow through on those commitments. This is a foundational element in support of the reliability of financial information and reporting.

## Financial reporting

Making sound business decisions requires access to reliable and timely financial information, which in turn allows organizations to manage their resources efficiently through planning, budgeting, accounting, control and oversight, and analysis. At the end of the cycle, good financial information enables reporting, which is an important mechanism for providing transparency and accountability to Parliament and Canadians on how the Government of Canada spends public funds.

Financial reporting in the Government of Canada has changed significantly over recent years as a result of efforts to increase accountability and transparency. The introduction of accrual financial information in departmental financial statements and the Public Accounts of Canada is now supplemented by in-year, government-wide monthly accrual financial information in the Department of Finance Canada's *The Fiscal Monitor*. As of April 2011, this will be further



---

supplemented by quarterly financial information published by all departments, agencies and Crown corporations. In addition, a project on accrual budgeting is underway that requires all departments and agencies to prepare, and include in their respective Reports on Plans and Priorities, a future-oriented, accrual-based statement of financial operations as of the 2011–2012 fiscal year. All of these reporting initiatives are supported by an increased focus on internal controls over financial reporting, as reinforced by the new *Policy on Internal Control*. This focus is increasing the awareness of and emphasis on internal controls and will provide an environment for continuous monitoring and improvement of controls over financial reporting.

### **New policy introduces quarterly financial reporting**

In June 2010, the Government of Canada introduced the *Policy on Financial Resource Management, Information and Reporting*. As of April 2011, departments will be required to prepare quarterly financial reports for the first three quarters of each fiscal year. These reports, which must be released within 60 days of the end of the reporting period, will increase the quality and frequency of financial reporting to Parliament and to Canadians, ensuring they are informed of government expenditures on an ongoing basis and facilitating parliamentary oversight in a more timely manner.

### **Consistently strong Public Accounts of Canada**

Because the policy was introduced in June 2010 (and since core components such as quarterly financial reporting will not come into effect until April 2011), it is still too early to comment on the policy's overall impact. That said, the Government of Canada has had a strong track record in the area of financial reporting. The Public Accounts of Canada, one of the most important accountability documents prepared by the Government of Canada, include the government's financial statements as well as discussion and analysis on the details of the government's financial transactions in a given year. These financial statements are audited annually by the Auditor General of Canada, and the *Public Accounts of Canada 2010* received the 12th consecutive unqualified audit opinion from the Auditor General. Such an opinion indicates that the Auditor General has determined that the financial statements of the organization are presented fairly in all material respects in accordance with the stated accounting policies. This testifies to the high standards of the government's financial statements and reporting.

### **Robust departmental financial statements**

Since 2006, each department has published its own departmental financial statements (which also supplement the Public Accounts of Canada), which provide financial information specific to each department. The Government of Canada has been a leader in this area, as there are currently very few jurisdictions that publish annual financial statements at the departmental level. The OCG reviews these departmental statements annually and has found that the statements are of good quality, follow professional standards and provide useful information to their readers.

---

Indeed, in 2009–2010, MAF ratings on the quality of departmental financial statements for 90 per cent of departments and agencies were rated as “acceptable” or “strong.” Final financial statements were timely and in compliance with the Treasury Board’s Accounting Standards. In addition, in order to improve the quality and reliability of departmental financial statements, departments are now required to ensure that measures are taken so that departments can sustain control-based audits of their financial statements, in whole or in part, if required or so directed by the Comptroller General. As this requirement or direction will be on an as-needed basis, the government does not require the annual audit of departmental financial statements, given the costs and additional work associated with such audits.

## Financial systems

The strength of an organization’s ability to manage resources is directly linked to the strength of its financial management systems. The business processes, rules and infrastructure that comprise these systems collect and process data on a wide range of government transactions to generate information that supports decision making on government policies and operations. Although financial management and reporting in the Government of Canada has seen considerable progress over the last few years, it has become clear that the relative lack of standardization and integration between financial management systems has created challenges in collecting and producing information—across government and within individual departments.

### **New financial management systems policy**

In order to enable more accurate, reliable, accessible and timely financial information—and to better support other policies on resource management and reporting and internal control—in January 2010 the government introduced the *Policy on the Stewardship of Financial Management Systems*. The policy clarifies departmental roles and responsibilities in the stewardship of financial management systems; calls for more strategic, cross-governmental coordination of systems; and emphasizes standardization, common business processes and common enterprise data requirements.

The focus on standardization is aimed at reducing the plethora of different systems, business processes, and data requirements currently in use across the federal government, thereby improving the quality and efficiency of collecting and producing financial information. The policy also supports the commitment in Budget 2010 to “undertake a comprehensive review of government administrative functions and overhead costs in order to identify opportunities for additional savings and improve service delivery.”

---

Because the policy was introduced in January 2010, it is too early to comment on its impact on government and individual departments. The scale of the standardization work involved is large and is expected to take some time to fully implement. Between 2010 and 2012, the OCG will be issuing a series of common financial management business process guidelines and common enterprise data standards.

The Financial Interoperability and Stewardship Initiative (FISI) is designed to take logical steps in moving toward interoperability and integration between financial data and financial systems in the Government of Canada by implementing a framework to help departments and central agencies expedite and complete ongoing projects. This will share benefits earlier and improve financial stewardship in the Government of Canada. FISI was allocated \$45 million in Budget 2009.

### **Strong governance of departmental financial management systems**

Even though 2009–10 was the first year in which financial management systems had a specific MAF indicator, 90 per cent of departments achieved overall ratings of “strong” or “acceptable” for governance, training and business processes. Governance models for departmental financial management systems were strong, which enables senior management to better identify, integrate and address financial management systems issues that arise. Moreover, these departments have shown a strong relationship between the financial management and information technology management functions. This contributes to the development of departmental risk management frameworks.

Departments that were assessed with “opportunity for improvement” or “attention required” had relatively minor non-compliance issues with the financial management systems policy. Differences in documentation among departmental human resources systems, and inadequate financial management systems training plans, were identified as key areas for improvement.

The 2009 CFO environmental scan identified a number of priority areas specifically related to financial management. In particular, CFOs voiced a desire to see better use of the existing enterprise resource planning financial management systems, and smarter, more efficient supporting processes and data. Inefficiencies in these areas, they indicated, are leading to augmented operational costs and challenges in resource capacity. In response to these concerns, the *Policy on the Stewardship of Financial Management Systems* was introduced. In addition the Treasury Board of Canada Secretariat has implemented three cornerstone initiatives designed to help departments and clusters standardize financial management processes, data and configuration. The intent is to reduce inefficiency and related cost and capacity implications by establishing enterprise-wide common practices. The result will be better enterprise financial management through enhanced financial system practices, improved knowledge management, and reduced complexity through standardization.

---

## Financial management community

### **Capacity continues to improve although significant challenges remain**

Efforts to recruit and place qualified CFOs and DCFOs have been crucial to ensuring that all large and medium-sized departments have CFOs and/or DCFOs who are professionally accredited accountants. However, this success has been tempered by demographic trends, and countering the impending wave of retirements and the limited pool of replacement candidates will be a principal challenge.

Entry-level recruitment and development has helped create a pipeline of talent to eventually replace retiring workers. The Financial Officer Recruitment and Development / Internal Auditor Recruitment and Development (FORD/IARD) Program recruited a record 163 candidates into the public service in 2008. As of 2009, nearly 25 per cent of the financial community had graduated from the program, including one in every five executive members. On average, the program receives requests for 125 to 150 positions from 30 hiring departments each year. The new Chartered Accountant Student Training (CAST) Program, which recruits and trains individuals to achieve their CA designation, has also proven popular.

MAF results from Rounds VI (2008–2009) and VII (2009–2010) indicate strengths and weaknesses regarding the capacity and capabilities of the financial management community across government. For example, in both rounds, more than 85 per cent of departments were assessed as being “acceptable” or “strong” in supporting and promoting a sufficient amount of training for financial officers. In both these rounds, more than three quarters of departments reported that at least 90 per cent of the financial officer (FI) positions in the financial management organization had current and approved learning plans.

There are MAF indicators related to the stability of the FI community that measure the extent to which FI positions in the financial management organization are occupied by indeterminately appointed incumbents, i.e., are filled neither on an interim basis nor vacant. Over 30 per cent of departments and agencies received ratings of “opportunity for improvement” or “attention required” over the last two years, indicating that some organizations are having difficulty managing turnover and recruitment.

The results in previous rounds related to stability, coupled with data on mobility and experience collected in a survey in 2009 (see “Financial Management Community Survey”), were key drivers in developing Round VIII methodologies for the line of questioning regarding capacity. The indicators in Round VIII have been broadened to include depth and breadth of experience. FI data from the Office of the Chief Human Resources Officer on length of time in position, length of time in the department, and departure rates for reasons other than retirement will be considered in the assessments. At the management level, information on length of time as an EX,

---

length of time in department, and length of time in the position will be collected and assessed. The experience of CFOs and DCFOs relative to the expectations of the “FI to CFO Career Path” developed by the DCFO Council will also be examined. In addition, information will be collected and assessed on the extent of take-up of leadership courses offered by the Canada School of Public Service and others.

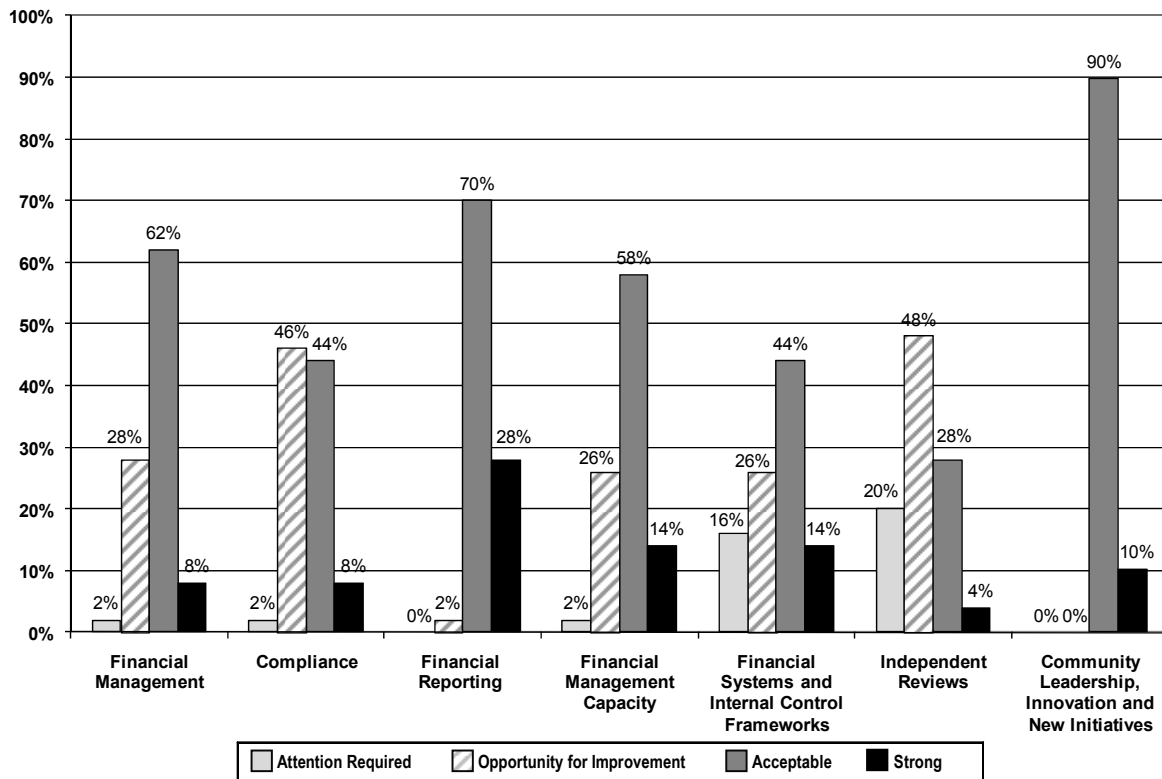
### Financial Management Community Survey

In 2009, the Office of the Comptroller General (OCG) commissioned Statistics Canada to conduct a comprehensive survey of the government-wide financial management community. A total of 4,635 financial officers (FI) and 336 executives (EX) were invited to participate. The response rates were 67 per cent and 54 per cent, respectively.

Some of the survey’s most notable findings are in the areas of mobility and experience. The data clearly show that the community is well educated and confident and that the desire for professional development and advancement is strong. Although varied work experiences and the opportunity for movement are considered desirable attributes of a career in government, a sustained high rate of mobility has resulted in a significant proportion of employees being new to their jobs in the FI and EX segments of the community. At the same time, increasing demands on the community are significantly affecting workloads, particularly at senior levels. The combination of these elements creates the risk that capacity could be strained.

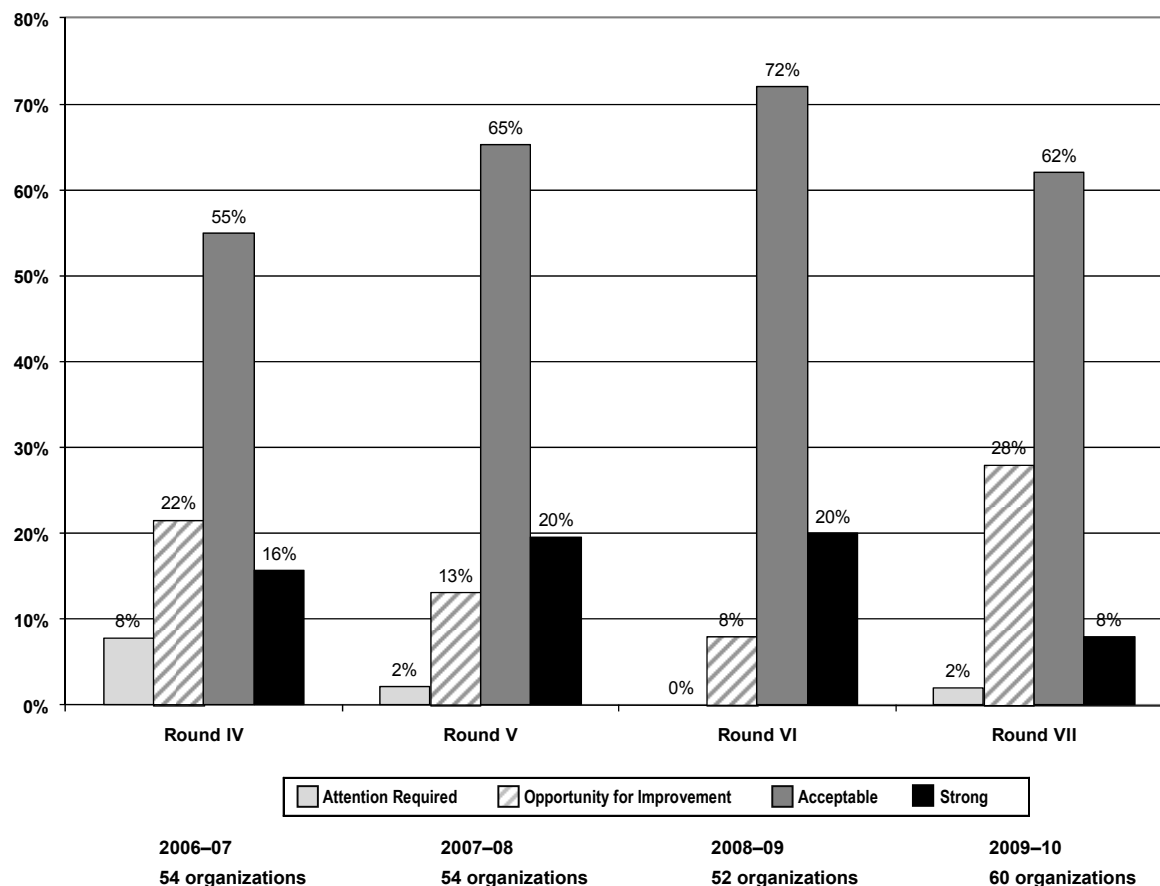
The OCG is working with departments to develop the necessary strategies and tools to ensure strong and sustainable capacity. For example, the OCG has recently updated the FI competency profile, which will assist departments and employees in recruitment, learning, performance appraisal, career management and other related activities. In addition, the recent implementation of the mandatory core curriculum initiative will provide new community members with the foundational knowledge they need. Targeting capacity challenges at the more senior levels, the OCG has recently launched collective staffing actions to establish pools of qualified candidates for DCFO positions at the EX-02 and EX-03 levels across government. Finally, in charting talent management options for the development and management of future CFOs, the OCG has dedicated senior staff to develop options that will include analysis of risks, costs, dependencies and implementation considerations in developing an approach for CFO talent management.

**Figure 1. MAF Round VII (2009–10) Financial Management and Its Lines of Evidence Ratings (LDAs and SDAs)\***



\* LDAs: large departments and agencies (41)  
SDAs: small departments and agencies (19)

**Figure 2. Overall MAF Financial Management AoM Ratings From Round IV to VII (LDAs and SDAs)**



Note: The MAF ratings showed a decline from Round VI to Round VII. This can be attributed to a number of factors: the *Policy on Internal Control* was assessed for the first time, the Secretariat's *Guide to Costing* was evaluated in MAF performance, financial management systems were assessed, and the scores required to achieve a rating of "opportunity for improvement," "acceptable" or "strong" were each raised by five basis points.

For the breakdown of the lines of evidence used for the various Areas of Management for the annual MAF Rounds of assessment, please refer to [www.tbs-sct.gc.ca/maf-crg](http://www.tbs-sct.gc.ca/maf-crg).

---

## Internal Audit

Internal audit is a professional, independent assurance function that is separate from line management and provides objective, substantiated conclusions as to how well a department is managing risks, establishing and maintaining its systems of internal control, and organizing and operating its governance structures. In doing so, internal auditors help organizations maintain correctly designed and applied control regimes and better ensure compliance with policies and legislation. Put simply, internal audit provides objective, independent advice on how well an organization is performing in these areas, and makes recommendations to improve management practices and controls. As such, internal audit acts as a necessary counterpart to financial management practices in any effective resource management regime.

The 2006 *Policy on Internal Audit* introduced significant changes to how internal audit is performed in the Government of Canada. The Federal Accountability Action Plan reinforced the policy requirements of the internal audit function and departmental audit committees in legislation, thereby reinforcing their impact. The policy positions internal audit as a core function to advise departmental management and is central to fulfilling deputy heads' accounting officer role. Among other things, the policy:

- ▶ Requires deputy heads to ensure that their departments have an appropriate, independent internal audit capacity;
- ▶ Mandates the establishment of independent departmental and agency audit committees that have external members; and
- ▶ Sets out a clearer role for the Comptroller General in establishing government-wide guidance and standards to ensure the effective implementation of internal audit across government.

### Overview of the *Policy on Internal Audit* (2009)

The objective of the *Policy on Internal Audit* is to support strong and accountable public sector management by ensuring effective internal auditing within departments and across government.

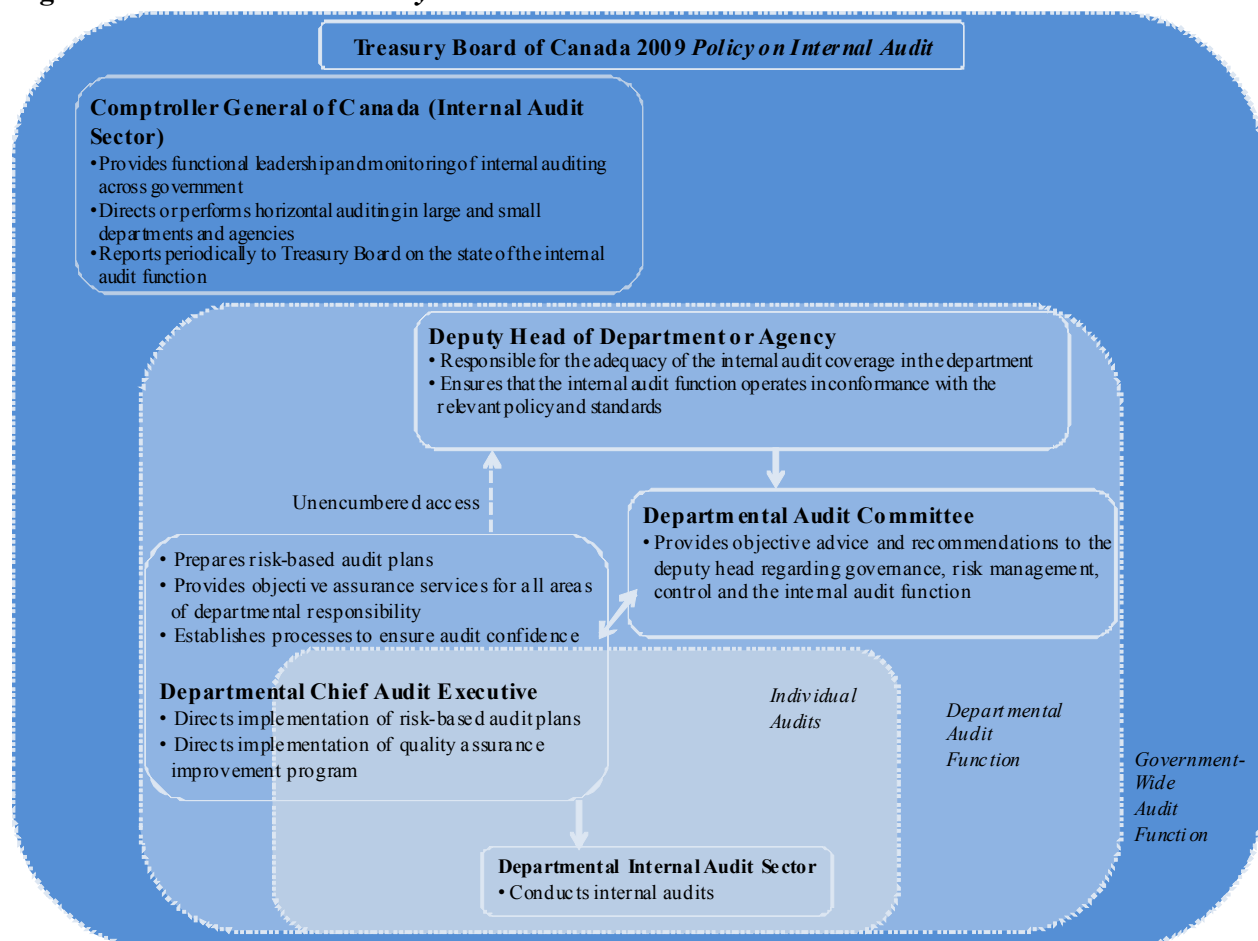


## The Functional Leadership Role of the Comptroller General of Canada

As leader for the government-wide internal audit function, the Comptroller General is responsible for the following:

- Determining the professional standards to be used for internal auditing in the federal government;
- Supporting the implementation of appropriately qualified audit committees and providing guidance on expected committee practices across government;
- Ensuring ongoing practice inspections and assessments of the entire spectrum of departmental internal audit activities;
- Identifying and indicating to deputy heads horizontal risks and audits to be included in departmental internal audit plans;
- Conducting horizontal and other internal audits focused on small departments and agencies (SDAs);
- Establishing an independent SDA Audit Committee to provide guidance and advice on internal auditing in SDAs;
- Undertaking horizontal audits that address government-wide, sectoral or thematic risks or issues in accordance with government-wide audit plans; and
- Providing advice to deputy heads, audit committees, CAEs and internal auditors on the application of the *Policy on Internal Audit* and on professional internal auditing standards.

**Figure 3. Structure of the *Policy on Internal Audit***

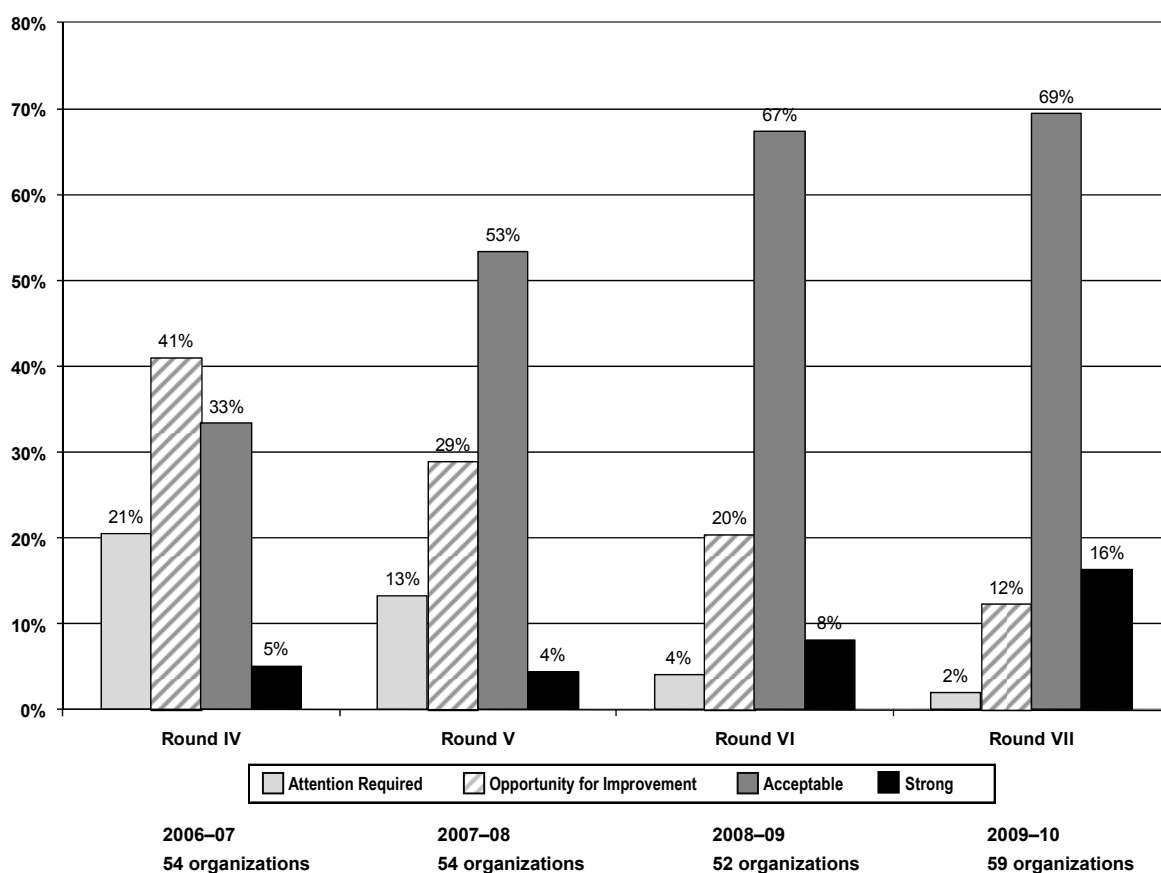


## Consistent improvements in departments' internal audit functions

Implementation of the policy across government was phased in between 2006 and April 2009. As such, the focus of MAF assessments between 2007–2008 and 2009–2010 has been assessing the extent to which the policy requirements have been implemented across government.

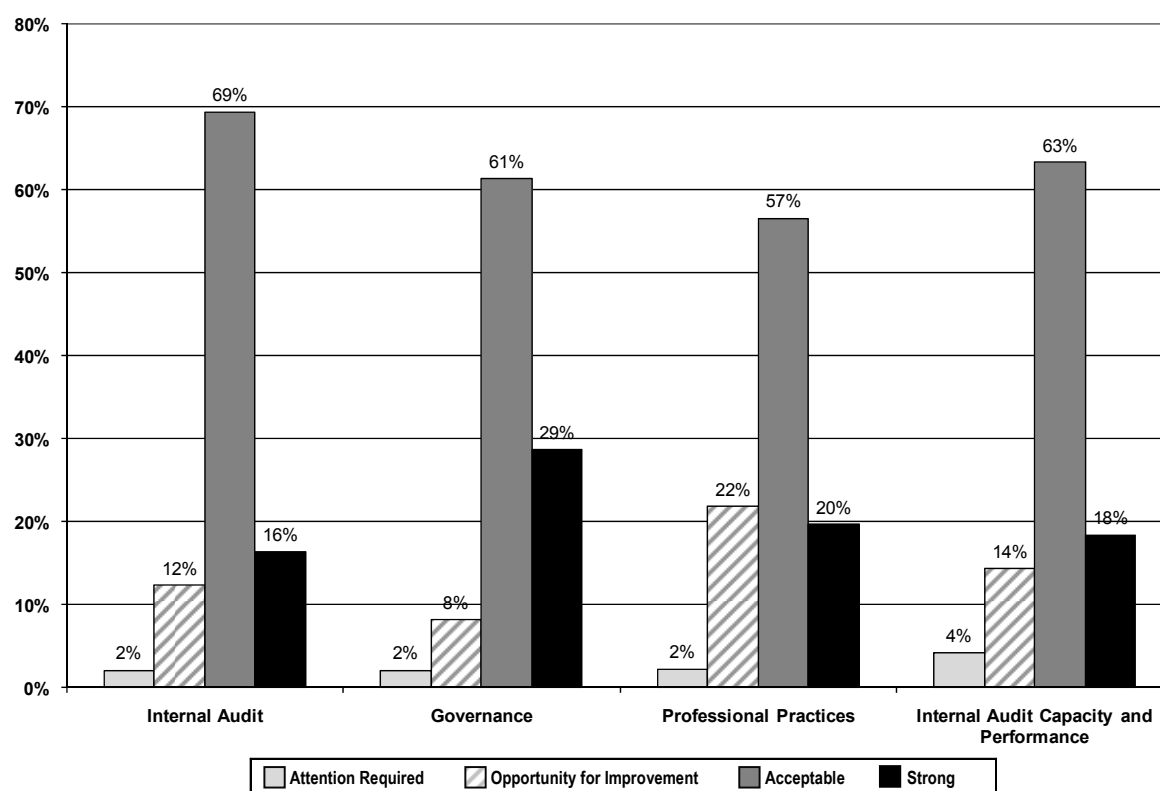
A phased-in approach to compliance with policy requirements was anticipated, and MAF assessments demonstrate consistent improvements to departments' internal audit governance structures and the health of the internal audit function. The percentage of departmental internal audit functions rated as “acceptable” or “strong” increased from 75 per cent in 2008 to 85 per cent in 2009; those rated as “opportunity for improvement” or “attention required” decreased from 24 per cent to 14 per cent. Almost all large departments and agencies had qualified chief audit executives (CAEs) in place as of 2010 and, with a few exceptions, the CAEs report directly to their respective deputy head to facilitate their organizational independence.

**Figure 4. Overall MAF Internal Audit AoM Ratings From Round IV to Round VII (LDAs and SDAs)**



Results also demonstrate that compliance with the requirements set out in the *Policy on Internal Audit* is generally quite high. Moreover, implementation has created a greater convergence of internal audit practices government-wide, as illustrated through the development and execution of risk-based audit plans. Ninety-one per cent of large departments and agencies produced risk-based audit plans in 2009, and 90 per cent were based on rigorous risk assessment exercises that appropriately addressed areas of highest risk and significance to the department. Almost all (98 per cent) of the planned audit work was assurance-based, in keeping with the requirements of the *Internal Auditing Standards for the Government of Canada*. Further, in 2009, 80 per cent of large departments and agencies had quality assurance improvement programs in place that are designed to ensure compliance with international and Treasury Board standards. As a result of these improvements, the Auditor General has publicly stated that the office of the Auditor General can increasingly rely on the internal audit work undertaken by departments, agencies and the OCG.

**Figure 5. MAF Round VII (2009–10) Internal Audit and Its Lines of Evidence Ratings (LDAs and SDAs)\***



\* LDAs: large departments and agencies (40)  
SDAs: small departments and agencies (19)

---

A total of 244 internal audit engagement reports were completed across government in 2009. Ninety per cent of internal audit reports analyzed as part of the MAF assessment process in 2009 met key expectations regarding the quality of audit reports as defined by *Internal Auditing Standards for the Government of Canada*.

It is premature to render a comprehensive perspective on the effectiveness of the *Policy on Internal Audit* in contributing to strengthening risk management, control and governance processes at the department- and government-wide levels. This will be more measurable in the near future and reported on in subsequent reports. Internal audit functions across government are currently developing—and in some cases piloting—the tools and templates that will facilitate the gathering and analysis of audit work performed in support of providing conclusions as to performance in these areas. In addition, the OCG is working to mine information from internal audit engagement reports (objectives, findings and recommendations) in order to better ascertain government-wide audit trends.

### **A solid start for departmental and agency audit committees**

The establishment of departmental and agency audit committees with external members is an important part of the overall governance structure. These committees have been established in all 47 large departments and agencies, and the Government of Canada Audit Committee and the Small Department and Agency Audit Committee have also been created. A total of 149 appointments have been made to these committees. By the end of 2009, 93 per cent of department and agency audit committees had implemented work plans based on a risk-guided focus and cycle for the review of values and ethics, risk management, and management control frameworks. Over half of the committees produced annual reports in 2009–2010. Since many of the committees were newly established, a significant portion of these reports concentrated on infrastructure, orientation and activities in support of mandated responsibilities; however, 33 per cent are already providing perspectives on departments' risk management, control and governance processes. In essence, these reports presented a discharge of core areas of responsibility, enabling the provision of strategic advice to deputy heads.

### **Departmental audits are having a positive impact**

Departmental CAEs are expected to report annually on how the internal audit function contributes to strengthening risk management, control and governance processes within respective departments. In 2009–2010, 82 per cent of CAEs produced annual reports that outlined progress toward demonstrating the value-added impact of the work performed by reporting on “what changed” as a result of that work. Notable examples include the following:

- ▶ Departmental development and implementation of risk management frameworks;
- ▶ Improvements to policies and processes;

- 
- ▶ Strengthened accountability frameworks in support of financial management and reporting; and
  - ▶ Improved controls regarding governance practices and the stewardship of assets, contracting and procurement.

### *The Policy on Internal Audit in Action*

In response to the worldwide financial crisis in 2009, a stimulus package was developed that was designed to be responsive and responsible. It was recognized that actions must be taken within a framework that identifies the risks, puts appropriate controls in place, and meets program objectives. A key priority for the Comptroller General was, and continues to be, assisting chief audit executives and chief financial officers in providing strategic and value-added advice to their departments as the government implements the Economic Action Plan.

To this end, the Office of the Comptroller General organized risk assessment sessions for audit executives, financial officers and line management. The focus of these sessions was to identify emerging risks related to the implementation of the stimulus measures and to consider effective mitigation strategies. Rather than internal audit coming in after the fact to identify risks and control weaknesses, the Office of the Comptroller General assisted with formulating advice and developing approaches and tools that are timely, front-end and risk-targeted. Chief audit executives were also encouraged to develop and enhance a solid working relationship with management and to be proactive and engaging in early discussions on risk mitigation strategies.

Identifying risks early allowed for internal audit to work with management to determine mitigation strategies for key risks. The key mitigation strategies included establishing a robust accountability and reporting framework; ensuring that selection criteria are defined, documented, clearly understood and consistently applied; and ensuring that the risk assessment process is clearly documented, objectives are clearly stated and communicated, performance measures are established and results monitored, and oversight systems and practices are established.

In a report released on October 26, 2010, Auditor General Sheila Fraser recognized the solid efforts of public servants in implementing Canada's Economic Action Plan, noting the application of due diligence in all aspects of the management and delivery of this enormous undertaking. The Auditor General also indicated that she was able to rely on the work performed by internal audit.

The Office of the Comptroller General and internal auditors in the departments were instrumental in helping to identify risks early in the Economic Action Plan process. The front-end advice and assistance was a real value-added activity that directly supported the achievement of this important government objective.

## Internal audit community

Ensuring the health and ongoing sustainability of the internal audit community has been a key area of focus. Human resources management has been bolstered, and MAF results over the past few years show improvements in the ability of departments to manage their professional communities over the longer term. The next step will be to improve how the internal audit community is managed as a collective.

---

The OCG has provided several human resources management tools to the internal audit community to help executives and employees manage their careers and clarify job expectations. These tools include several rounds of collective staffing, generic work descriptions, learning opportunities with the Canada School of Public Service and the Institute of Internal Auditors, job competency profiles, and an executive leadership program for CAEs.

Although funds were transferred to departments' fiscal frameworks for training, the Canada School of Public Service and the Institute of Internal Auditors have been experiencing frequent course cancellations due to low registration rates. The OCG is working with the School and the Institute to assess why registration rates are so low and will be collaborating with training providers to develop a new learning and training delivery model for the internal audit community.

Internal operations audit work is presently classified using the Administrative Services (AS) classification standard. The OCG considers that this standard, with its latest update in 1972, does not properly recognize the value of internal audit work, nor does the corresponding qualification standard adequately reflect the education and professional qualifications of present and future internal auditors. This is considered a contributing factor to recruitment and retention issues facing the internal audit community, as internal auditors seek better remuneration and professional recognition elsewhere. The Office of the Chief Human Resources Officer, in cooperation with the OCG, is exploring potential solutions to address these issues.

The internal audit community has made strides in its ability to become self-sustaining. Many departments and agencies have worked together to hire internal auditors, and this has contributed greatly to the advancement of its maturity.

Additional capacity-building tools will be made available to the internal audit community in the coming year to ensure continued professionalization in meeting the requirements of the *Internal Auditing Standards for the Government of Canada*.

Guidance, direction, and learning and development remain an important focus. A clear direction on the meaning of professionalization of the internal audit community is being defined—this affects not only the development of learning and development strategies, but overall HR management of the group as well.

---

## Human resources

The core public service internal audit community responded to the new requirements in the *Policy on Internal Audit* (2006) with a period of rapid growth. As of March 2010, there were 479 full-time-equivalent (FTE) internal auditors in the federal core public administration compared with 190 FTEs in 2004–2005.

The OCG actively monitors the size and the characteristics of the internal audit community. Surveys in 2008 and 2009 identified how many internal audit positions within the core public service were under the scope of the *Policy on Internal Audit*. Statistics Canada was hired to perform a demographic analysis, using the number of positions, to identify the characteristics of the employees who had occupied these positions from 2005 to 2010. Table 1 shows significant growth in indeterminate-funded positions from 2004–2005 to 2009–2010.

Table 1. Number of Indeterminate-Funded Internal Audit Positions in the Federal Core Public Administration From 2004–2005 to 2009–2010

	2004– 2005	2005– 2006	2006– 2007	2007– 2008	2008– 2009	2009– 2010
Total internal auditors	168	198	241	358	387	413
Total EX internal auditors	22	27	39	44	61	66
<b>Total FTEs</b>	<b>190</b>	<b>225</b>	<b>280</b>	<b>402</b>	<b>448</b>	<b>479</b>
<b>Percentage annual increase</b>		<b>18%</b>	<b>24%</b>	<b>44%</b>	<b>11%</b>	<b>7%</b>

The demographic analysis identified several trends that the OCG is following closely:

- ▶ The average time spent at a position level before being promoted has decreased from 4.6 years in 2005 to 2.7 years in 2010.
- ▶ The average years of continuous service has fallen from 16 years in 2005 to 10 years in 2010. Approximately two thirds of the internal audit community has less than 10 years of continuous service in the public service.
- ▶ The employee transfer rate between departments was 21 per cent, 23 per cent and 24 per cent, respectively, from 2008 to 2010.

Staffing and recruitment of experienced and qualified internal auditors remains a challenge. Most of the new positions since 2006 were staffed by public servants who moved from other areas of activity into internal audit. This has created a need to rapidly train and mentor people who are new to the field. The turnover rate in the internal audit community is consistent with other functional communities that provide common services within the public service (e.g., PE, FI and PG).

The OCG, in cooperation with the CAEs, is developing strategies to address these issues.

## Financial resources

Financial resources for internal audit are allocated from departmental appropriations and incremental funding provided by the Treasury Board in 2006–2007 and onward. In 2008–2009, approximately \$28 million was provided to 45 organizations on an ongoing basis to cover incremental costs incurred to establish departmental audit committees, fund professional development costs for internal audit staff, and fund the salaries of additional internal audit staff.

Table 2 shows that there has been an increase in internal audit resources of 113 percent between 2005–2006 (pre-audit policy) and 2009–2010.

Table 2. Incremental Investment in Internal Audit Across Government Since the Introduction of the *Policy on Internal Audit*

	Budget				
	2005–2006	2006–2007	2007–2008	2008–2009	2009–2010
<b>Baseline funding</b>	<b>\$54,916,000</b>	<b>\$67,399,000</b>	<b>\$81,723,000</b>	<b>\$76,161,000</b>	<b>\$91,008,000</b>
<b>Incremental funding provided by the Treasury Board of Canada Secretariat by category:</b>					
Audit committee	—	\$1,328,000	\$4,421,000	\$6,393,000	\$6,393,000
Training and professional development	—	\$2,455,000	\$3,334,000	\$3,026,000	\$3,026,000
Additional funding to address the new requirements of the 2006 <i>Policy on Internal Audit</i>	—	\$4,499,000	\$12,289,000	\$16,711,000	\$16,711,000
<b>Total incremental funding</b>	<b>—</b>	<b>\$8,282,000</b>	<b>\$20,044,000</b>	<b>\$26,130,000</b>	<b>\$26,130,000</b>
<b>Total</b>	<b>\$54,916,000</b>	<b>\$75,681,000</b>	<b>\$101,767,000</b>	<b>\$102,291,000</b>	<b>\$117,138,000</b>



---

## **Evaluation of the Policy on Internal Audit**

A 2009 interim review of the *Policy on Internal Audit* concluded that implementation has largely been positive to date. Real progress has been made in developing and strengthening the function across government, senior managers were viewing internal audit as a valuable and integral component of management, and internal audit was increasingly contributing to the decision-making process in departments and agencies. At the same time, the review also recommended the development of more guidance and tools to help departments and agencies consistently and effectively implement the policy. Work on such guidance continues.

A full evaluation of the policy is required by 2011 to determine its relevance, success, cost-effectiveness, and design and delivery. The evaluation process is complete, and a report has been submitted to the Treasury Board of Canada Secretariat Evaluation Committee. The key initial findings of the evaluation are positive. The policy is seen to have led to the following:

- ▶ A significant increase in the independence of the internal audit function realized by CAEs who report directly to deputy heads and by departmental audit committees that have external members;
- ▶ Increased management action on internal audit report recommendations;
- ▶ An important contribution to improved risk management, governance, control and stewardship; and
- ▶ Increased effectiveness of the internal audit function, which has been bolstered by increased capacity.

Once the approval process is completed, the full evaluation report will be made public.

---

## Management of Assets and Acquired Services

The management of assets and acquired services is a set of activities that constitute the basis for the government's management practices and controls regarding public assets (e.g., land and buildings, furniture, and equipment) and acquired services (e.g., consulting services, military equipment maintenance, and support to highly complex service delivery arrangements). Treasury Board policies, directives and guidelines that govern procurement, real property, materiel management, investment planning and project management enable departments to deliver their programs and services in a way that provides value for money and demonstrates sound stewardship.

Sound procurement and contracting practices, investment planning, project management, and asset management are fundamental and enduring priorities of the government and enable the efficient delivery of programs to Canadians in a cost-effective manner. They are core to the effective functioning of government programs and the achievement of key government priorities (e.g., the Economic Action Plan, sound expenditure management) and other commitments such as agreements on international and internal trade and comprehensive land claims. Indeed, the need for robust asset management and project management is as great as ever due to the significant public resources they consume. For example, in 2007–2008, departments were managing projects worth an estimated \$35 billion, and federal real property and materiel assets had a book value of about \$61.5 billion as of 2009.

The policies and related policy instruments that govern federal operations—including project management, procurement and contracting, and asset management—provide the parameters and conditions for effective management, reflecting federal legislation and other legal commitments entered into through international and internal trade agreements, as well as a range of socio-economic policies approved by the federal Cabinet. The implementation of policies that incorporate a risk- and capacity-based delegation of authority fosters modern management practices that are more relevant and reflective of the needs of the government today. Moreover, the management of all assets has to be done from an asset life-cycle perspective, from planning and acquisition to its use and disposal.

### Investment planning and the management of projects

Effective investment planning is key to achieving value for money and sound stewardship in government program delivery, particularly since investments in assets and acquired services have significant strategic, public policy, operational and financial implications. Planning government investments underpins the ability of departments to manage investments on the basis of priority and risk to the government.

---

Although effective investment planning helps select the right investment opportunities, the effective management of projects helps realize these opportunities through successful implementation. The sound management of projects is founded on a risk-based approach, including tailoring governance based on project characteristics and aligning capacity to the type and nature of projects managed.

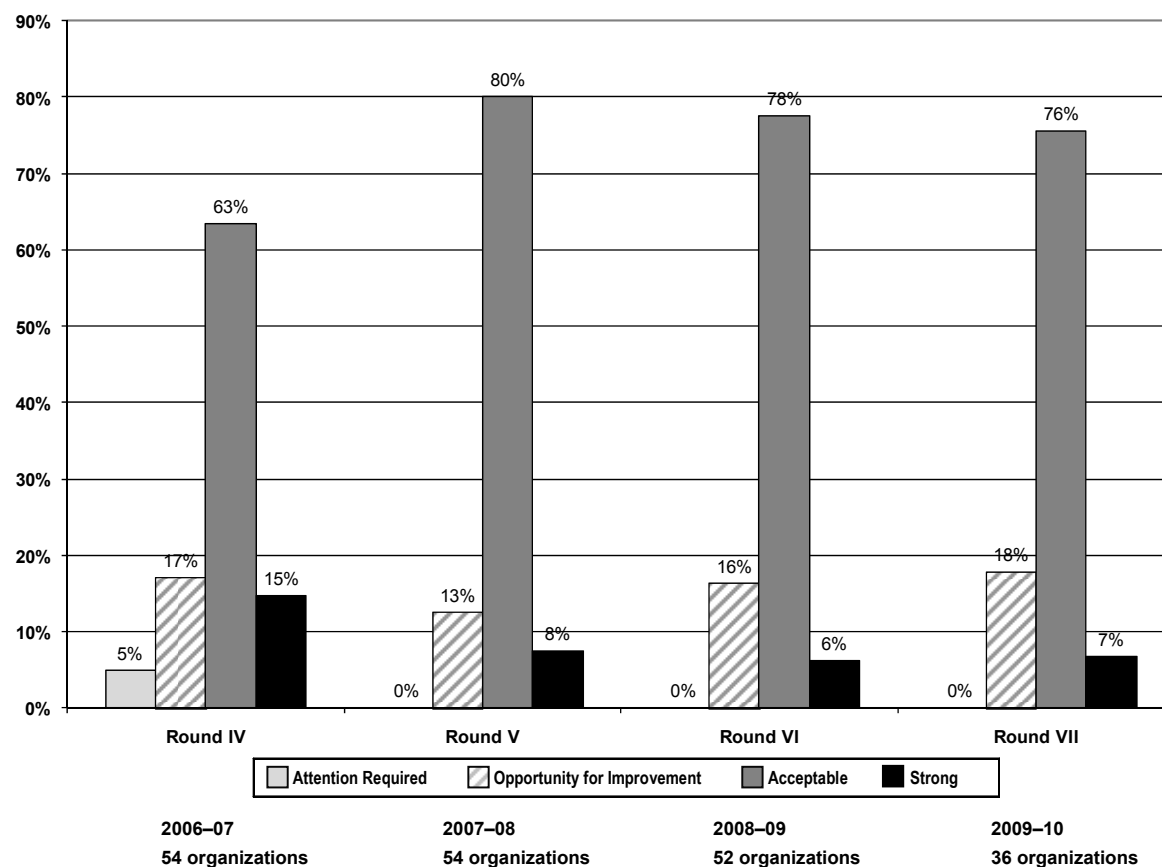
The Treasury Board *Policy on Investment Planning—Assets and Acquired Services* and the *Policy on the Management of Projects* were approved in 2007. These were subsequently amended in 2009 to reflect lessons learned based on the experiences of the first phase of implementation, which involved four departments that were early adopters. These policies will be implemented across government by April 2012 by means of four distinct phases. As part of this transition process, all federal departments are required to develop integrated investment plans, assess their capacity to manage projects in order to establish project approval parameters, and assess the complexity and risk of all planned projects over the planning horizon. These policies also require the establishment of departmental management control regimes for all aspects of investment planning and project management.

Departments that have Treasury Board–approved investment plans, and the corresponding organizational project management capacity assessments, now benefit from new, risk-based project approval limits (as opposed to those based on arbitrary dollar-based thresholds). They are able to focus key resources on the management of higher-risk, more complex projects, resulting in more efficient allocation of time and effort by the department as well as the Treasury Board and the Treasury Board of Canada Secretariat. To date, seven investment plans have been approved by the Treasury Board (the four early-adopter departments from Phase I and three departments from Phase II). Phases II and III are now proceeding concurrently, involving 45 departments and agencies; 15 departments remain in Phase II, and the 30 that began the transition in April 2010 are part of Phase III. The final phase, Phase IV, involves an additional 42 departments and agencies and was launched in fall 2010.

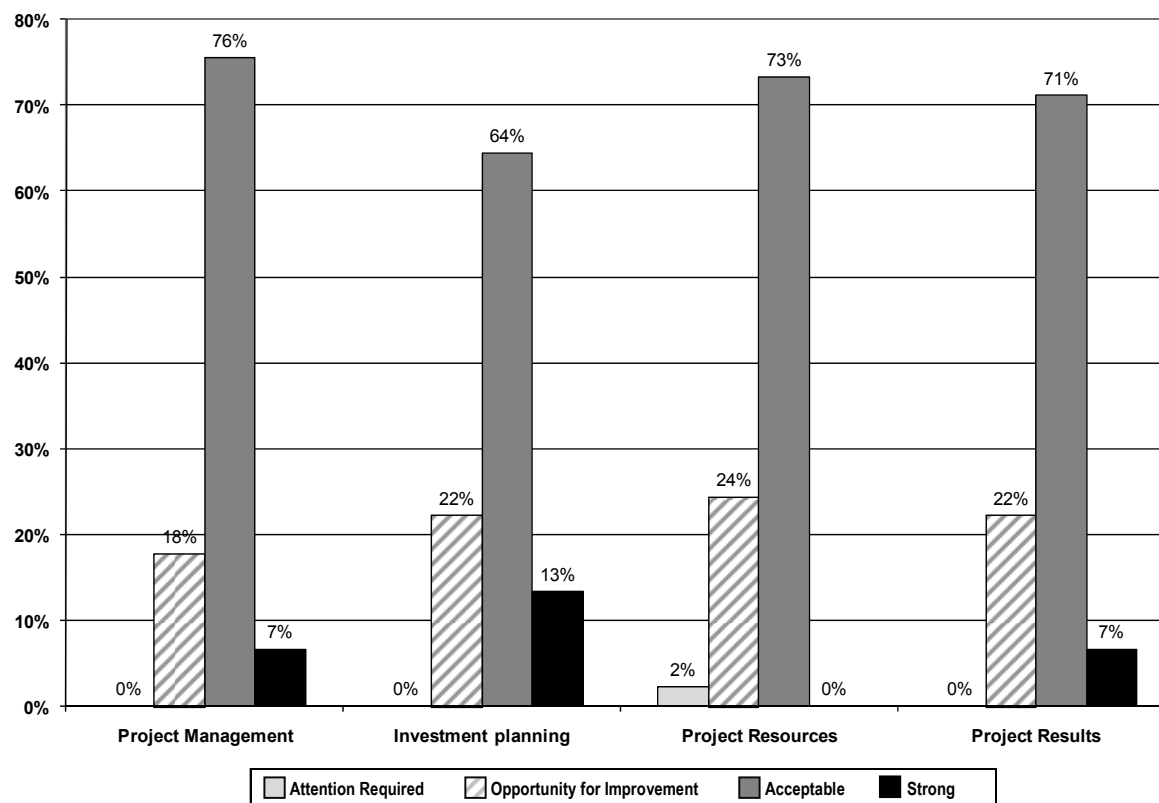
In terms of MAF assessments, changes to the methodology for assessing investment planning and project management between MAF Rounds VI and VII, as well as the adoption of a new risk-based approach to the overall MAF process, preclude categorical trend analysis over this period. This being the case, 84 per cent of all departments assessed in Round VI received an “acceptable” or “strong” rating for Area of Management (AoM) 15—Investment Planning and Management of Projects. This figure remained relatively steady in Round VII at 83 per cent, which includes 18 organizations that were not assessed in Round VII but whose ratings were brought forward from the previous round.

In accordance with the MAF, the three lines of evidence under AoM 15 seek to assess the performance of departments during a set period against the established criteria. Although the assessment criteria for AoM 15 are consistent with the requirements in each of the relevant Treasury Board policies, MAF results do not confirm policy compliance. As the new policies on investment planning and the management of projects are being implemented over a five-year transition period, it is important to note that some departments are still operating under the outgoing policy regime while others are operating under the new policies. The MAF may indicate that a department has demonstrated acceptable management practices during the assessment period, but these practices may not yet be fully compliant with the new policies.

**Figure 6. Overall MAF Project Management AoM Ratings From Round IV to Round VII (LDAs and SDAs)**



**Figure 7. MAF Round VII (2009–10) Project Management and Its Lines of Evidence Ratings (LDAs and SDAs)\***



\* LDAs: large departments and agencies (21)

SDAs: small departments and agencies (15)

## Procurement

The objective of government procurement is to acquire goods and services and carry out construction in a manner that enhances access, competition and fairness, and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and to Canadians. In 2009, the federal government procured an estimated \$20 billion in goods and services (including construction services) to enable the delivery of operations, programs and services for Canadians.

The full suite of procurement-related policies focuses on ensuring that acquisition decisions are in the best of interest of taxpayers. These policies continue to evolve in response to ongoing and emerging developments, such as new or planned trade agreements and their impact on government procurement and contracting, and achieving socio-economic and environmental objectives (e.g., greening of government operations, and support for industrial, regional and Aboriginal economic development, etc.).

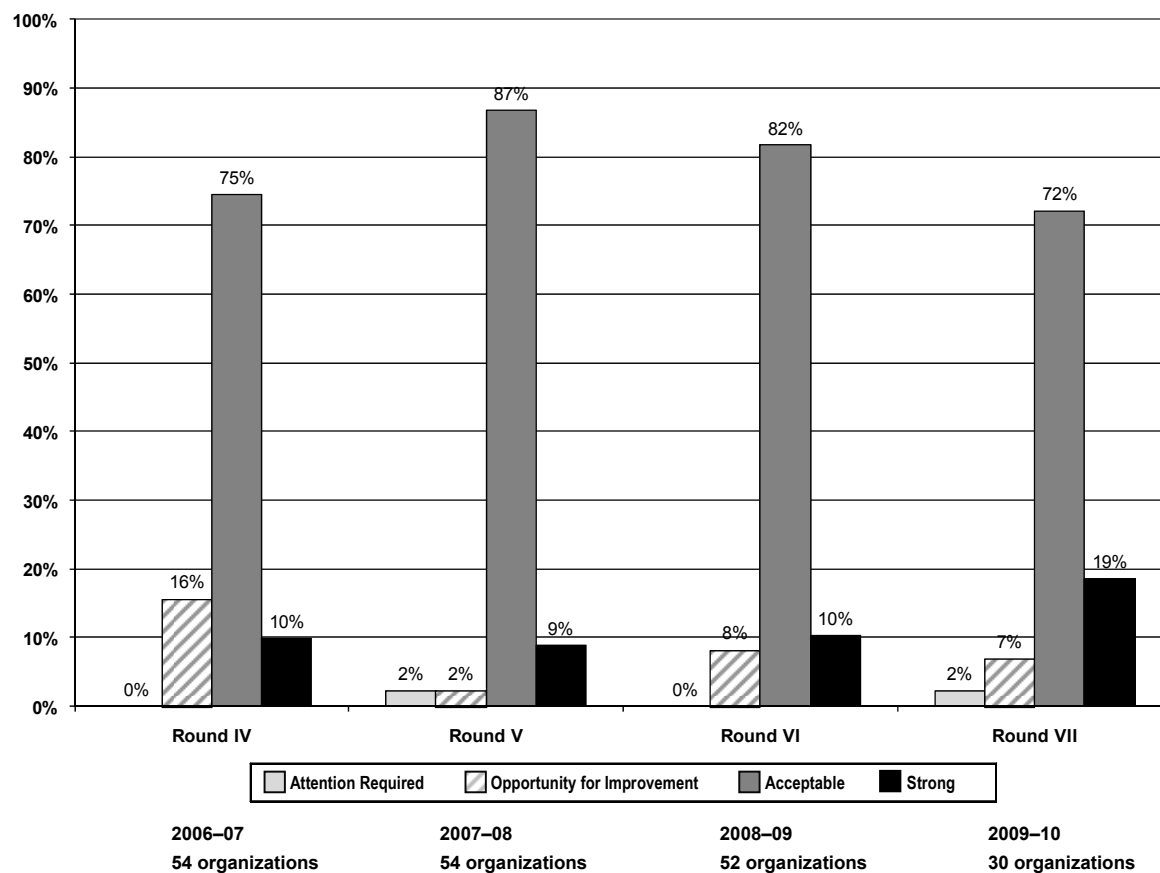
---

To this end, a new *Policy on Managing Procurement* and related directives are currently being finalized. The new policy instrument will clarify and update policy-related requirements, introduce a risk-based approach to contracting, increase general contracting limits, and provide more flexibility to departments. It will also represent a major departure from extensive and outdated transaction-level requirements. Its focus is on how procurement is managed by departments, with special emphasis on effective planning and integration across government.

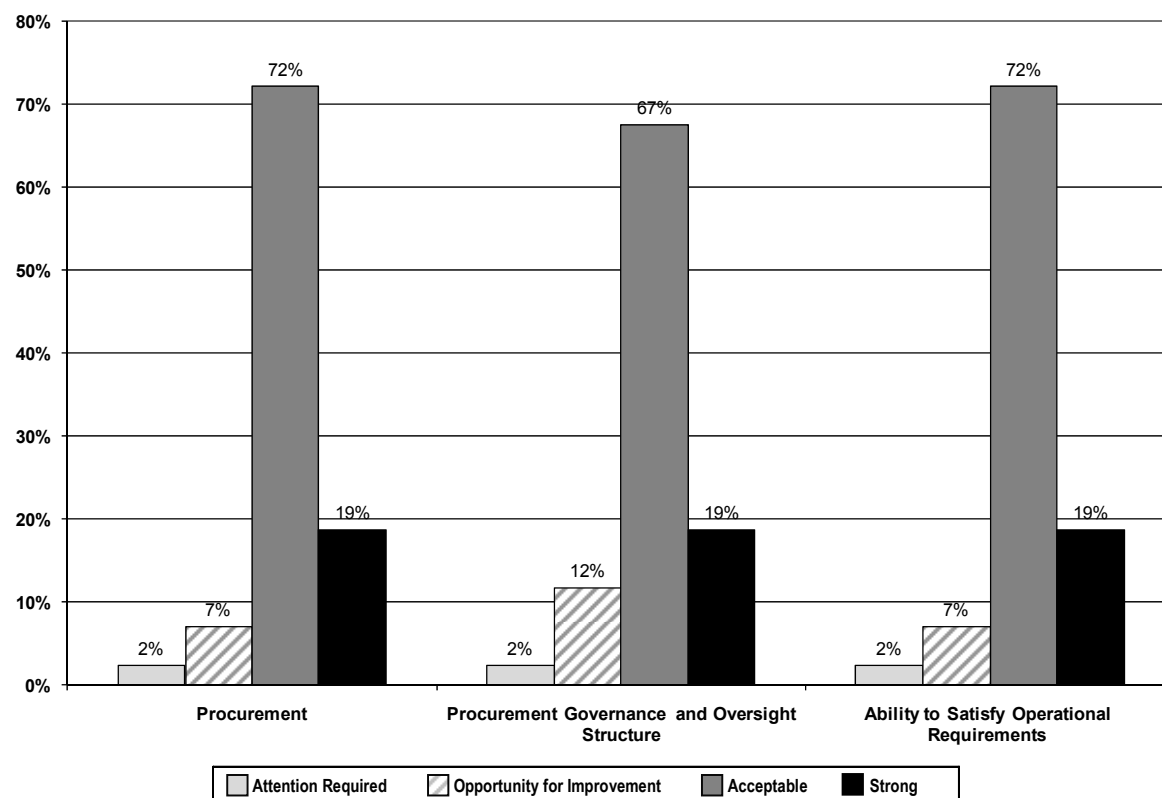
Meanwhile, a number of other initiatives have been undertaken to improve procurement across government. These include revisions to the guidelines on the proactive disclosure of contracts and contract amendments, and a review, with Industry Canada, of the effectiveness of the application of the *Policy on Title to Intellectual Property Arising Under Crown Procurement Contracts*, which is expected to be completed in 2011.

With regard to MAF assessments, 92 per cent of all departments assessed in Round VI (2008–09) received an “acceptable” or “strong” rating for their procurement performance. This figure remained relatively steady in Round VII at 91 per cent, which includes 23 organizations that were not assessed in Round VII but whose rating was brought forward from the previous round.

**Figure 8. Overall MAF Procurement Management AoM Ratings From Round IV to Round VII (LDAs and SDAs)**



**Figure 9. MAF Round VII (2009–10) Procurement Management and Its Lines of Evidence Ratings (LDAs and SDAs)\***



\* LDAs: large departments and agencies (17)  
SDAs: small departments and agencies (13)

## Matériel management

The objective of the *Policy on Management of Materiel*, approved in 2006, is to ensure that materiel is managed throughout its entire life cycle in a sustainable and financially responsible manner that supports the cost-effective and efficient delivery of government programs. The effectiveness of asset management is primarily measured through the MAF. In Round VII, departments received above-average ratings in materiel management, with 89 per cent of the organizations assessed obtaining a rating of “acceptable” or “strong.”

The executive fleet provides another illustration of improvement in the management of materiel. As of March 2010, 99 per cent of the executive fleet (90 vehicles) comprised environmentally friendly vehicles, compared with 27 per cent of the executive fleet in November 2005. This represents significant compliance across departments for the policy requirement in the Treasury Board *Directive on Fleet Management: Executive Vehicles* to green the executive fleet.



---

The 2009–2010 *Report to Parliament on the Application of the Alternative Fuels Act* indicates that the federal government fully complied with the requirements of the Act to acquire alternative fuel vehicles, where it is cost-effective and operationally feasible to do so. That year, 43 per cent of vehicles (1,525) acquired by the government were alternative fuel vehicles.

## Real property

Federal real property assets should be managed in a sustainable and financially responsible manner throughout their entire life cycle and support the cost-effective and efficient delivery of government programs. Effective real property management also supports broader government objectives and the public interest; these objectives include, but are not limited to, environmental considerations, the protection of the heritage character of designated buildings, and the provision of barrier-free access.

To create the basis for sound and sustainable management, the Treasury Board *Policy on Management of Real Property* requires departments to have a comprehensive management framework in place for real property. The four main elements of the framework include governance structures, policies and guidance, information systems, and asset performance monitoring. The robustness of this framework is measured in Area of Management 14, “Effectiveness of Asset Management.” In Round VII, 53 per cent of departments obtained a rating of “acceptable” or “strong” in real property management, which represents a slight decrease from Round VI. This decrease can be explained by the fact that departments had to clearly demonstrate that all four elements of the management framework were in place for Round VII; in Round VI, having an element of the management framework under development was considered acceptable.

The new *Fire Protection Standard* was approved by the Treasury Board in October 2009. The standard reflects the Treasury Board’s policy renewal objectives to streamline policies, strengthen accountabilities, and support management excellence across government as it clarifies accountabilities and prescribes clear requirements that will help reduce fire risks to federal real property.

Following Secretariat approval of the *Guide to Management of Real Property: Aboriginal Context* in March 2010, the guide was posted on the Secretariat’s website the following June. The guide outlines best practices that can lead to more productive interaction with Aboriginal groups for particular sites or departmental portfolios. The guide also provides useful links to key real property policy and Aboriginal treaty-based reference documents, and outlines the use of appropriate types of consultation throughout the federal real property life cycle, particularly during the disposal process.

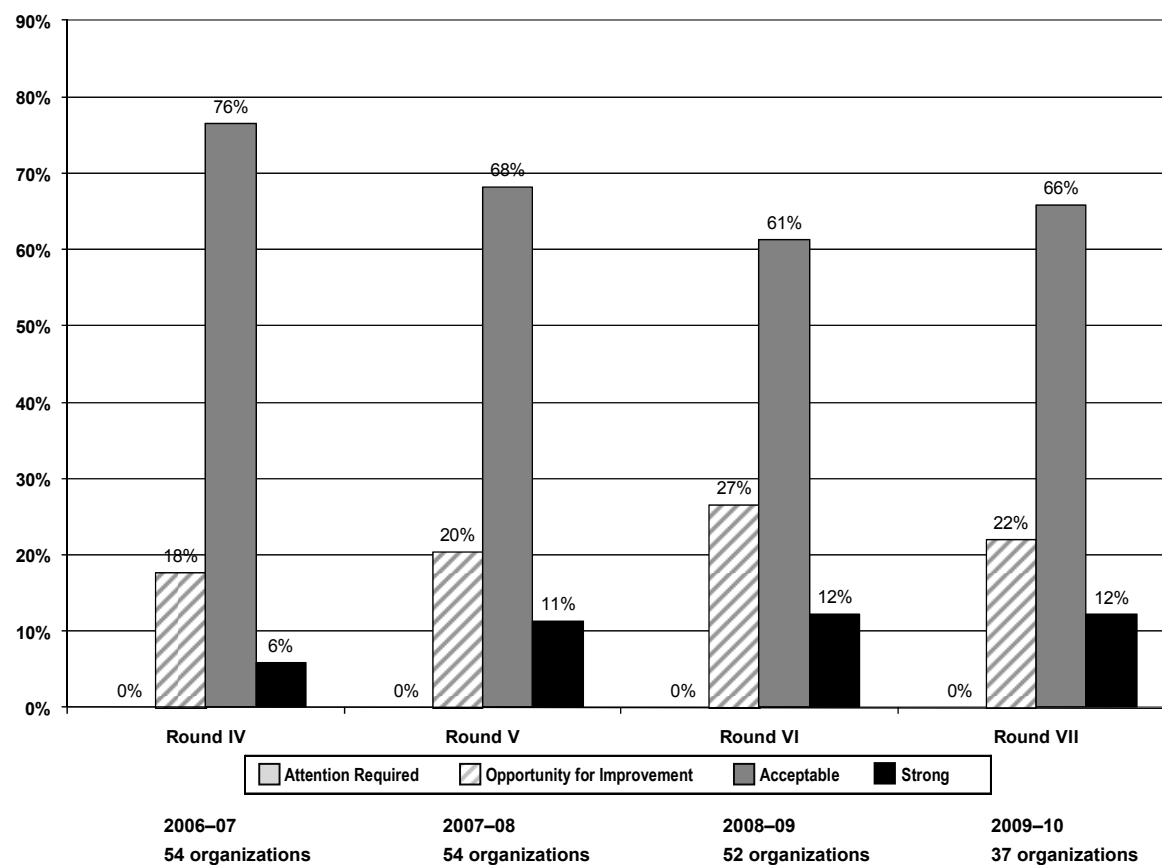
---

The *Directory of Federal Real Property* is the central repository and the only complete listing of real property holdings (approximately 24,000 property records) of the Government of Canada. The *Reporting Standard on Real Property* requires that a data certification process be completed annually. In 2009, 93 per cent (43 of 46) of organizations required to report to the directory successfully obtained their certification.

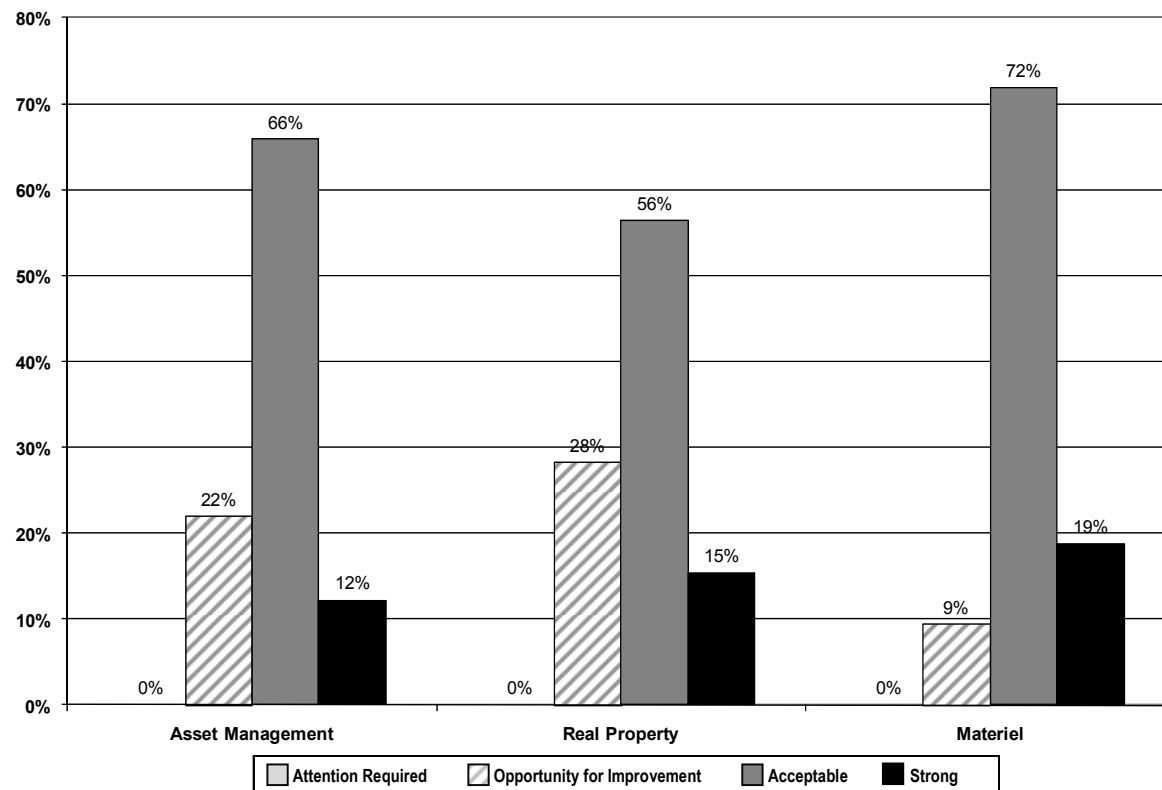
The Federal Contaminated Sites Inventory (FCSI) is a publicly available database containing information on known and suspected federal contaminated sites under the custodianship of departments, agencies and consolidated Crown corporations (approximately 20,000 sites recorded). The *Reporting Standard on Real Property* also requires an annual data certification. In 2009–2010, 91 per cent (20 of 22) of reporting organizations successfully obtained their FCSI certification.

Cost-shared funding to facilitate the assessment and remediation of these sites is available to custodians under the \$3.5-billion, 15-year Federal Contaminated Sites Action Plan (FCSAP), which was established in 2005. Access to FCSAP funding has increased the number of federal contaminated sites under active remediation from 135 in 2005–2006 to 640 in 2009–2010, and allowed 172 remediation projects to be completed in the first four years of the program. By March 31, 2010, investments in site investigation through FCSAP resulted in the partial or complete assessment of 60 per cent of the sites listed in the FCSI.

**Figure 10. Overall MAF Asset Management AoM Ratings From Round IV to Round VII (LDAs and SDAs)**



**Figure 11. MAF Round VII (2009–10) Asset Management and Its Lines of Evidence Ratings (LDAs and SDAs)\***



\* LDAs: large departments and agencies (26)  
SDAs: small departments and agencies (11)

## Procurement, materiel management and real property communities

The procurement, materiel management and real property communities, which comprise over 16,000 functional specialists across the federal government, is also facing specific challenges. The sheer complexity and scale of government procurement, materiel management and real property, combined with projected high rates of attrition, mean that capacity building is needed to ensure its sustainability over the longer term.

A diagnostic was conducted in 2008–2009 with more than 70 interviews, ranging from assistant deputy ministers to senior-level specialists, and with staff during 20 cross-country discussion groups involving over 30 departments. The result was the creation of a new governance structure and a new five-year Capacity Building Strategy. The priority areas correspond to those identified by the Clerk of the Privy Council in the context of public service renewal, and initiatives are underway through interdepartmental committees. Examples are branding and collective recruitment, an enhanced Certification Program for the Federal Government Procurement and

---

Materiel Management Community, a repository of work descriptions, and a demographic study of real property communities.

A demographic study was undertaken of the Purchasing and Supply (PG) occupational group, and the real property component of the standard for competencies for federal government procurement, materiel management and real property communities was developed. These are only two of the many tools that form the foundation for professional development and capacity building for all three communities. In addition, 2008–2009 saw the first 7 graduates of the new certification program launched in 2006, followed by 10 more graduates in 2009–2010. Enrolment has also increased, with 98 new participants in 2008–2009 and 77 in 2009–2010. Required training and the professional development curriculum for functional specialists offered by the Canada School of Public Service resulted in 18,733 participants attending 1,103 course offerings, split almost evenly between community members in the National Capital Region and the six regional offices.

---

## Looking Forward

### The strategic environment

A number of environmental factors will shape OCG's work throughout 2011–2012.

Although there have been signs of an economic recovery, global economic instability is expected to continue. While keeping strong economic and fiscal policies and actions in place, the government has pledged to restore Canada's fiscal balance, in part by freezing departmental operating budgets and reviewing departmental spending and efficiency.

The economic situation has also sharpened parliamentary attention on the government's management and reporting of public sector resources, necessitating the provision of more timely and more comprehensive financial information to Parliament and to Canadians. Efforts to improve departmental and government-wide financial reporting will be instrumental in this regard.

The comptrollership function will also be expected to continue to make direct and significant contributions to several government initiatives that address a range of management and related issues. Although significant progress has been made in contributing to policy renewal and the Web of Rules Action Plan in recent years, a few key policies pertaining to the management of assets and acquired services remain to be finalized and approved by the Treasury Board. In addition, over the next few years, the comptrollership function across the government will have to implement the results of the government's administrative services and strategic and operating reviews.

The government has also committed to continuing its public service renewal program. The OCG has strongly supported these efforts over the past few years through its recruitment, community development and leadership activities in the financial management, internal audit and procurement, real property and materiel management communities. As these communities mature, continued efforts in these areas will be crucial to continued ongoing success. Although much progress has been made in building the capacity and expertise needed to prudently manage public resources, more work is required to consolidate these gains to ensure durable and sustainable communities. More and better-trained officers are needed, and the professionalization of these functions is not yet complete. Moreover, additional effort will be required to ensure that the government has sufficient numbers of trained CFOs, CAEs and other senior officials to support deputy heads in these increasingly important functions.

There are also a number of risks that will shape our activities in the coming year. Most notably, sustainability risks and other weaknesses among several critical information systems and technology platforms across the federal government could undermine the quality and timeliness of financial information available to decision makers. Moreover, there is an ongoing risk that departments may not have the required capacity and resources to fully implement some or all of the revised financial management and internal audit policies. There are also signals that departments are experiencing “fatigue” with the management agenda. This, coupled with spending restraint, poses a risk that departments could scale back on investments in these areas.

## Priorities for action

In the coming years, the comptrollership function will have to build on the significant progress made to date. The different policy areas and their communities are at different stages of maturity, with each having a unique set of priorities. Table 3 summarizes key priorities for the areas of internal audit, financial management, and assets and acquired services.

Table 3. Key Priorities

Area	Internal Audit	Financial Management	Assets and Acquired Services
Policy	<p>Revise the <i>Policy on Internal Audit</i> to respond to results of the evaluation (June 2011).</p> <p>Develop guidance for internal auditors in respect of their role vis-à-vis internal control over financial reporting.</p>	<p>Standards and guidance:</p> <ul style="list-style-type: none"> <li>• Support CFO sign-off/attestation role.</li> <li>• Guidance on user fee management.</li> <li>• Improve efficiencies in the financial legislative framework.</li> <li>• Implement the <i>Directive on the Management of Expenditures on Travel, Hospitality and Conferences</i>.</li> <li>• Standardize financial business processes and common financial information.</li> </ul> <p>Develop a performance measurement framework for the financial management policy suite.</p>	<p>Renew the <i>Policy on Decision Making in Limiting Contractor Liability in Crown Procurement Contracts</i>.</p> <p>Amend the <i>Policy on Management of Real Property</i> to transition to capacity-based transaction approval limits.</p> <p>Renew the <i>Procurement Review Policy</i>.</p> <p>Amend the <i>Government Contracts Regulations</i>.</p>

Area	Internal Audit	Financial Management	Assets and Acquired Services
Operations	<p>Undertake core control audits in small departments and agencies in the areas of human resources, financial management, contracting, travel and hospitality, and payroll.</p> <p>Perform horizontal audits in small and large departments and agencies (SDAs and LDAs) to address areas of government-wide risk, including governance (for SDAs), common services (for LDAs) and information management (for SDAs and LDAs).</p> <p>Improve internal audit intelligence through analysis of audit-related information, and identify best practices.</p>	<p>Make financial information more open.</p> <p>Reduce reporting burden by eliminating duplication in the Public Accounts of Canada.</p> <p>Improve departmental knowledge of accounting and reporting requirements.</p> <p>Complete implementation of the <i>Policy on Internal Control</i>.</p>	<p>Implement the Federal Contaminated Sites Action Plan (Phase II).</p> <p>Implement the <i>Policy on Managing Procurement</i> and the two related directives.</p> <p>Implement the <i>Policy on Investment Planning</i> and the <i>Policy on the Management of Projects</i>.</p>
	<p>Revise core training courses and delivery mechanisms for departmental audit committees.</p> <p>With the Institute of Internal Auditors and the Canada School of Public Service, develop new learning delivery models for internal audit training.</p> <p>Support succession planning for departmental audit committees and update the terms and conditions of appointment.</p> <p>Support increased professionalism in internal audit, including setting requirements for certification for chief audit executives (CAEs).</p> <p>With the Office of the Chief Human Resources Officer, research the establishment of Internal Auditor classification, group or stream.</p> <p>Support talent management for CAEs and internal auditors, including core competencies, training, and promotion and retention from entry to the CAE level.</p>	<p>Support the development of future chief financial officers through talent and community management and by addressing competency gaps.</p> <p>Advance the community-based program on capacity within the financial management community.</p>	<p>Enhance the Certification Program for the Federal Government Procurement and Materiel Management Community.</p> <p>Develop Level 2 assessments for the Certification Program for the Federal Government Procurement and Materiel Management Community.</p> <p>Conduct a mandated five-year review of the Canadian General Standards Board's Standard for Competencies of the procurement, materiel management and real property communities.</p>



---

## Priorities of the Office of the Comptroller General

### Internal audit

#### **Implement the response to the evaluation of the *Policy on Internal Audit***

The evaluation's objective has been to examine four main issues: the policy's relevance, achievement of expected outcomes, cost-effectiveness, and design and implementation. The final report of the evaluation was presented to the Treasury Board of Canada Secretariat Evaluation Committee in March 2011 and was approved by the Secretary. It will be reported to the Treasury Board in fall 2011. The Management Response and Action Plan that is based on the recommendations of the evaluation, will form the core of the policy renewal process, along with the results of the Office of the Auditor General's Audit of Internal Audit (June 2011) and a number of residual issues from the review of the policy in 2009. The renewal process will involve research, policy analysis and options development—internal to the Secretariat and government-wide consultations—and will result in a Treasury Board submission proposing amendments to the *Policy on Internal Audit* in the fourth quarter of fiscal year 2011–12. The amendments to the policy, once approved, will be followed by an implementation process of approximately 12 months that will include internal audit community engagement through implementation workshops, and the amendment and development of guidance documents from the OCG Internal Audit Reference Centre and engagement of the broader Government of Canada community on the role and potential contributions of internal audit. Amendments to the *Policy on Internal Audit* as a result of the evaluation will support government priorities, federal responsibilities and the Web of Rules Action Plan, and will further develop risk management practices across government.

#### **Looking Ahead: The Future of Internal Audit**

The 2006 *Policy on Internal Audit* fundamentally changed the governance framework of the Government of Canada. It recognized the designation of deputy ministers as accounting officers, within the framework of ministerial responsibility, and established two key structures to assist deputy ministers in discharging this responsibility: an internal audit function and an independent departmental audit committee that has a majority of external members. The policy also requires internal audit to provide a report to the deputy head that addresses the state of the governance, risk management and controls processes in the organization.

But the world does not stand still. Recent trends in both the public and private sectors demonstrate that auditors will increasingly be asked to provide assurance that departments are doing what they are supposed to be doing; support decision making and improvement through independent assessment of programs, policies and operations; and identify trends and emerging challenges. Most internal audit organizations have embraced these concepts and are providing a valuable service to their department. In addition, internal audit must continue to work toward having a risk-based focus rather than a control-based focus. This requires auditors to have a strong knowledge of the operations of a department.

---

The future will also demand an increased emphasis on auditing standards and an evaluation of their effectiveness and contribution to the improvement of governance and risk management processes—this will demand more of auditors. To do this, internal auditors must move beyond cyclical auditing and adopt a continuous, comprehensive approach to audit and risk assessment. Auditors must have a broad spectrum of competencies that extend beyond knowledge of auditing standards and practices to a solid understanding of the operations, risks and challenges of the department. Further, they must maximize their use of technology, moving from cyclic audits every few years to real-time assessments of emerging risks and testing of key controls. This calls for a continued investment in the internal audit function in order to provide a sufficient pool of highly skilled audit professionals who are capable of producing quality products and services.

The Office of the Comptroller General will continue to support and encourage the professionalization of the internal audit community and the ability to audit smarter, thus strengthening the internal audit community and making it more efficient and effective. However, we must be cognizant of the fact that the internal audit profession is evolving: standards are changing, demand for audit services is increasing, and the operating environment is becoming more complex. The Office of the Comptroller General understands these challenges and is conducting an evaluation of the continued relevancy of the *Policy on Internal Audit*. It is also developing the skills and competencies necessary to ensure it can continue to serve the internal audit community and, through this community, the government and the people of Canada.

### **Core control audits in small departments and agencies**

As a result of the most recent Risk-Based Audit Plan for Small Departments and Agencies, the need for audits in individual SDAs on core controls was identified. These will be done on a five-year rotational basis, resulting in about 12 core control audits per year. The objective of these audits is to ensure that core controls over administration in financial management, contracting, travel and hospitality, and human resources are effective and result in compliance with corresponding legislation, policies and directives.

### **Horizontal audits in large and small departments and agencies**

As a result of the most recent Risk-Based Horizontal Audit Plans for Large Departments and Agencies (LDAs) and for Small Departments and Agencies (SDAs), the strategic and operational environment across all LDAs and SDAs was systematically examined. The resulting internal audit plans identified horizontal audits that focus on common risks or systemic issues that need to be addressed government-wide. Horizontal audits will be conducted in LDAs and SDAs based on the level of risk in the departments and agencies related to specific audit objectives. The objectives of these audits will include identifying and sharing best practices, and improving governance, risk management and control processes.

---

### **Audit intelligence**

Audit intelligence is an area where significant growth and importance is anticipated. We have access to vast amounts of information: a multitude of audit plans and reports, CAE and Departmental and Agency Audit Committee (DAAC) reports, external studies, and information gained from our monitoring and liaison activities. The objective of this activity is to ensure that processes are in place to efficiently and effectively collect, analyze and disseminate information that is critical to the internal audit function. As a result, audit intelligence will be a key focus in the coming years, helping to understand the issues and provide better guidance and support to the internal audit community, the OCG and the Treasury Board of Canada Secretariat.

### **Guidance on audit's role with respect to the assessment of internal controls**

As a result of the requirements of the *Policy on Internal Control*, there is a need to provide guidance to internal auditors on their role pertaining to the assessment of internal controls. The objective of this guidance will be to ensure that internal audit is providing adequate support to the deputy head with respect to the adequacy and effectiveness of the internal control framework.

### **Departmental and Agency Audit Committee appointments and engagement**

The objective of this ongoing activity is to support the appointment, tenure management and engagement of external DAAC members. It also includes providing advice and tools to assist departments in supporting their DAACs. In addition, options for the external delivery of the DAAC core body of knowledge and ways to streamline the appointment process will be explored.

### **Internal audit capacity building and community development**

There is an ongoing requirement to support the overall development and professionalization of the internal audit function. The OCG secured funding until March 2012 to develop an internal audit human resources framework; however, additional work will be required to implement this framework. The aim is to support and enable a self-sufficient, quality internal audit function.

---

## **Financial management**

Development of standards and guidance documents:

### **Support CFO sign-off/attestation role**

With the approval of the *Policy on Financial Management Governance* and the implementation of the chief financial officer (CFO) model, there are increased expectations of the finance function in departments. The first involves the CFO and his or her staff providing supporting financial analysis to the designers of new proposals. The second involves being in a position to challenge the assertions of the designers and offering independent advice to the deputy head when required. As implementation of these new financial management policies proceeds, the OCG is assessing the need for detailed guidance related to CFO sign-off requirements, including those for Memoranda to Cabinet and Treasury Board submissions. This will be done through completing research, analysis and consultations; developing options; and selecting the most appropriate policy instrument to address needs.

### **Initiate the development of guidance on user fee management**

In spring 2009, the 10th Report of the Public Accounts Committee recommended that Treasury Board of Canada Secretariat develop and issue a new comprehensive policy on the management of user fees. As a result, the government responded that the Secretariat would conduct a review of the existing policy and guidance on user fee management by April 2010. That initiative was completed on time. The Secretariat and the OCG also committed to initiate the development of guidance directed to departments and agencies on user fee management. This new guidance will seek to clarify responsibilities and establish mandatory requirements in the following key financial management areas: costing, service standards, consultation with stakeholders, fee level analysis, fees by contract, and regular review of these practices and reporting. In order to initiate the development of guidance and complete this phase of policy development by the end of fiscal year 2011–2012, the following four sub-activities will be undertaken: 1) analyze the rescinded policy and guidance in light of current context, 2) analyze options and drafting of potential requirements for future guidance on user fee management, 3) align guidance with the *User Fees Act* and other relevant existing policies, and 4) recommend appropriate policy instruments for guidance on user fee management.

### **Improve efficiencies in the financial legislative framework**

The OCG will seek amendments to the *Financial Administration Act* to give statutory authority for departments to provide internal support services to other departments, or collaborate with one another to provide such services, in order to increase internal efficiencies and reduce duplication across departments. Legislative authority to provide these services would also create a legal basis for charging for the services. Re-spending of revenues would be authorized through existing net voting arrangements.

---

### **Implement the *Directive on the Management of Expenditures on Travel, Hospitality and Conferences***

As a next step to the 2009 and 2010 budget caps on travel, hospitality and conferences, the OCG developed a new *Directive on the Management of Expenditures on Travel, Hospitality and Conferences*, effective January 1, 2011. This directive emphasizes the importance of managing these activities in a way that demonstrates value for money and uses the most economical options to minimize costs wherever possible. It also strengthens accountabilities by introducing a new reporting regime to annually disclose departmental expenditures in these areas. As the directive is being implemented, the OCG is providing policy interpretation assistance to departments and is developing templates and guidelines for the first wave of departmental reports in fall 2011.

### **Standardize financial business processes and common financial information**

This initiative will enable the implementation of the guidelines for the top 10 financial management business processes and create straw models and standards on common financial information through initiatives such as working groups, directing sessions, information bulletins, sample reports and frequently asked questions to guide departments with the new policy requirements.

The current *Policy on Electronic Authorization and Authentication*, in place since 1994, is restrictive and costly to implement and operate. As a result, it has not been widely implemented in government, and departments are missing opportunities to increase efficiencies by minimizing paper-based systems and optimizing the use of approval processes in an electronic environment. To address this, the OCG has developed a new directive that will provide departments with more flexibility to better leverage the new technology while ensuring there are effective controls in place aligned with the risks they aim to mitigate. To assist departments in assessing risks and establishing effective systems of internal controls in support of electronic authorization and authentication of financial transactions, the OCG is developing guidance with the Chief Information Officer Branch. It is expected that the new directive be approved for implementation in 2011–2012.

### **Develop a performance measurement framework for the financial management policy suite**

With the completion of the renewal of the Treasury Board financial management policies, the OCG's efforts shifted progressively from policy development to implementation and performance monitoring. Over the next two fiscal years, a performance measurement framework will be formalized to assist the OCG and departments in assessing how well this new policy suite is achieving its objectives and expected results. Results from such an assessment will inform the

---

government on the performance achieved, support continuous improvement, and guide the adjustments that may be needed.

### **Reduce reporting burden by eliminating duplication in the Public Accounts of Canada**

In an effort to reduce the reporting burden currently facing departments, the OCG will review the information currently included in the Public Accounts of Canada. This will identify areas of potential duplication between these accounts and other required disclosure and areas where gathering the information is particularly onerous for departments and the costs of gathering such information may exceed the benefits. Based on the identification of such information, the OCG will research the source of the information requirement and develop action plans to reduce the reporting burden where possible.

### **Improve departmental knowledge of accounting and reporting requirements**

The OCG will enable the departmental implementation of financial accounting reporting requirements by providing advice and initiatives such as information bulletins, example reports and frequently asked questions to guide departments with the new legislative and policy requirements.

In addition, implementation guidance and support will be provided to departments and agencies on the new quarterly financial reporting required under recent amendments to the *Financial Administration Act* and the new *Policy on Financial Resource Management, Information and Reporting*.

#### **Profile: Quarterly Financial Reporting in the Government of Canada**

The timeliness of financial information is integral to good decision making. In the private sector, publicly traded companies have been required to publish quarterly financial reports for several years, and these are considered essential to timely and informed decision making. In an effort to further strengthen federal reporting practices and facilitate more timely parliamentary oversight of departmental expenditures, the government introduced legislation making quarterly financial reporting mandatory for departments, agencies and Crown corporations, starting in April 2011.

The *Policy on Financial Resource Management, Information and Reporting* supports this legislation by establishing a clear policy requirement for quarterly reports and by supporting the requirement with detailed policy instruments. The Treasury Board's Accounting Standards provide the form and content of quarterly reports for departments and agencies. A separate standard has been issued that provides the form and content of the reports for Crown corporations.

The form and content of quarterly reports has been designed to provide useful information to their users. Departmental and agency reports will provide information on how money has been spent over the period and how that spending compares with the plan and with prior periods. Crown corporation reports will provide information similar to that provided by public companies under international reporting standards. All reports will include a discussion of results, risks and significant changes in relation to operations, personnel and programs.

The OCG is enabling the implementation of quarterly reporting through several initiatives, including information sessions to explain the requirements and establishing working groups to develop and

---

disseminate sample reports.
-----------------------------

### **Completing the implementation of the *Policy on Internal Control***

Overseeing and strengthening effectiveness of internal controls is a core priority for the OCG. In doing so, the continued implementation of the *Policy on Internal Control*, in place since April 1, 2009, is foundational to strengthening accountability, transparency and financial management capacities at all levels within departments. A three-year, phased-in approach has been taken to the implementation of this policy, which requires departments to conduct annual risk-based assessments of the effectiveness of their systems of internal controls over financial reporting, and to report publicly on the results and action plan arising from such assessments. Given the importance of the new policy requirements, and the level of effort required from federal organizations, the OCG continues to enable departments and the financial management community by reaffirming policy expectations and providing assistance through policy advice, sharing of best practices, and engagement and communications activities, as well as providing tools and guidelines. The OCG will also continue to monitor departmental progress in implementing the policy and related departmental action plans. In fall 2010, a first group of departments, representing over 90 per cent of the government's budget, made public their assessment results and related action plans covering 2009–2010. Implementation of the policy for the remaining departments (which includes a large portion of small departments and agencies) will be spread over 2010–2011 and 2011–2012.

### **Support the development of future CFOs through talent and community management, and by addressing competency gaps**

Concerns about public service demographics at the senior level and conversations with senior executives indicate a need to further understand perceived issues regarding CFO succession capacity in large and small departments and agencies.

The CFO Suite Succession Planning and Talent Management Strategies Project has been established to work with departments and communities on two fronts: first, to identify immediate pressures and develop workable short-term responses, and second, to explore a business model for sustainable CFO capacity that will propose succession planning and talent management strategies that are right for the Government of Canada, and explore how those strategies will be governed, deployed, managed and resourced over time.

The objective is to be in a position to provide CFO successors and the senior financial management cadre with the learning and development experiences they require to be successful as a senior financial leader, and to provide deputy heads with a solid reserve of senior financial management talent.

---

## **Advance the community-based program on capacity within the financial management community**

The OCG will continue to:

- ▶ Build and develop the capacity of the financial community by revising the Financial Officer Recruitment and Development / Internal Auditor Recruitment and Development (FORD/IARD) campaigns and expanding the Chartered Accountant Student Training (CAST) program to include CA students from the Ordre des comptables agréés du Québec (OCAQ) after approval by the OCAQ of articling in non-traditional CA training offices such as the OCG and aligning them with the requirements of the financial community;
- ▶ Conduct outreach events;
- ▶ Consult with the community;
- ▶ Develop mid-career learning and development programs and aligning them to the “FI to CFO Career Path” and the CFO talent management program;
- ▶ Develop generic statements of qualifications representative of FI levels; and
- ▶ Conduct collective staffing processes.

Efforts will be made to continue to build and develop sustainable learning programs by expanding the development of the core curriculum and strategic series with the Canada School of Public Service, aligning the FI functional competencies with the “FI to CFO Career Path” and developing tools to collect information from both the DCFO and CFO communities. The OCG will continue to build and develop assessment tools by improving financial capacity measurement tools as part of the MAF and by revising community surveys and scans.

## **Assets and acquired services**

### **Review, renew and implement a series of policies related to procurement**

Once the new *Policy on Managing Procurement* and the two accompanying directives have secured Treasury Board approval, efforts will focus on moving forward with various implementation activities, e.g., promulgation of guidance material and outreach. Attention will then be directed to the many other procurement-related policies that have yet to be renewed. The following policies will be reviewed during the next three years: the *Policy on Decision Making in Limiting Contractor Liability in Crown Procurement Contracts* and the *Procurement Review Policy*. In addition, amendments to the *Government Contracts Regulations* will be proposed further to the *Federal Accountability Act* Action Plan.

### **Review and amendment of the policies related to materiel management and real property, as applicable**

The *Policy on Management of Real Property* and the *Policy on Management of Materiel* and their associated five directives and three (out of four) standards will reach the five-year mark of their implementation on October 31, 2011. The sector is planning to conduct a two-phase review



---

of these policies, directives and standards. Once the amendment related to the transition to capacity-based transaction approval limits for real property obtains Treasury Board approval, the *Policy on Management of Real Property* and the *Reporting Standard on Real Property* will also be amended to incorporate these changes.

### **Implement the Federal Contaminated Sites Action Plan—Phase II**

The Federal Contaminated Sites Action Plan (FCSAP) was established in 2005 as an internal-to-government program designed to assist departments in fulfilling their environmental stewardship responsibilities with respect to federal real property by providing funding to assess, manage and remediate federal contaminated sites. The objectives of this \$3.5-billion, 15-year program include reducing the environmental liability and the associated human health and ecological impacts of contaminated sites held by the Crown. FCSAP is coordinated and managed by Environment Canada, with monitoring and oversight provided by the Treasury Board of Canada Secretariat to ensure compliance with Treasury Board policies on the management of real property. Fiscal year 2011–12 will mark the first year of Phase II of the FCSAP program. In preparation for its renewal, program partners have collaborated over the past year to build the framework for FCSAP Phase II to ensure efficient and effective program delivery. The primary focus for 2011 is to obtain policy and funding approval for departments, including for the Secretariat, following the tabling of the federal budget.

### **Complete the phased implementation of the investment planning and management of projects policies across government**

All departments and agencies are required to have investment plans in place by April 1, 2012. Departmental project authority limits are to be based on organizational project management capacity and project complexity and risk. Although all four phases of implementation have now been launched, considerable work remains in transitioning departments to the new policy direction, which includes developing integrated investment plans and Organizational Project Management Capacity Assessments.

### **Implement the five-year capacity-building strategy for the Certification Program for the Federal Government Procurement and Materiel Management Community**

This initiative will focus specifically on assessing and reviewing the Certification Program for the Federal Government Procurement and Materiel Management Community, developing Level 2 of the certification program, conducting a workforce analysis of the federal real property community, and conducting a mandated five-year review of the Canadian General Standards Board standard for competencies of this community.

---

## Appendix A: The Role of the Office of the Comptroller General and Context Within the Treasury Board of Canada Secretariat

The Office of the Comptroller General (OCG), as part of the Treasury Board of Canada Secretariat, provides oversight and direction to government-wide efforts to improve the stewardship of taxpayers' dollars and government assets. The OCG works to strengthen financial management, internal audit and the management of real property and materiel, investment planning, projects, and procurement throughout the federal public service. It does this by providing functional direction to departments, demonstrating leadership, developing and maintaining policies and practices, nurturing sustainable and professional communities, and helping improve government financial operations. Key activities include the following:

- ▶ **Policy development, advice and leadership:** Developing and advising on financial management, internal audit, real property, materiel management, investment planning, project management and procurement frameworks, policies and guides; developing professional accounting and auditing standards; and ensuring high-calibre internal audit reporting.
- ▶ **Oversight:** Monitoring and assessing departmental performance and compliance with key financial legislation policies and standards, and assessing performance under MAF areas of management: asset management, project management and investment planning, procurement, financial management, and internal audit.
- ▶ **Financial reporting:** Managing the preparation and maintenance of the Public Accounts of Canada, providing analysis and reporting of government-wide financial results, developing and maintaining the Chart of Accounts, providing support on accounting treatment and advice, and signing off on new initiatives.
- ▶ **Procurement advice and support:** Providing advice on issues related to legislation and regulations concerning procurement (such as government contracts regulations), and providing policy advice and support to broader horizontal national objectives (such as green procurement, international trade agreements, industrial regional benefits and intellectual property).
- ▶ **Investment planning and project management advice and support:** Providing advice, guidance, tools and policy interpretation to support departmental investment planning and project management activities, and providing advice and recommendations to Treasury Board regarding the oversight of projects.
- ▶ **Real property:** Providing advice on issues related to legislation and regulations concerning real property acquisitions, providing policy advice and support for sound real property management and managing the central registry of federal real property and federal contaminated sites, co-managing the Federal Contaminated Sites Accelerated Action Plan with Environment Canada, and providing policy advice and support to horizontal programs and initiatives.

- 
- ▶ **Audit operations:** Developing government-wide audit risk profiles, undertaking or leading horizontal audits, and providing forensic and informatics audit advice and assistance.
  - ▶ **Capacity building and community development:** Providing comprehensive human resources strategies and targeted professional development, recruitment, and support for functional communities; undertaking community outreach and engagement; and helping ensure that the government has effective and efficient business processes and financial systems.
  - ▶ **Department and agency audit committees:** Supporting the appointment and tenure of external audit committee members and their learning, development and communities of practices.

---

## Appendix B: Methodology and Data Sources

### Demographic study

The 2010 Demographic Study was undertaken by Statistics Canada on a fee-for-service basis. Using the number of positions identified in the two censuses carried out by the Office of the Comptroller General in 2008 and 2009, Statistics Canada was able to access different human resources databases to identify trends (see the section on human resources in the “Internal Audit” section).

### Management Accountability Framework

As a performance management framework, the purpose of the MAF is to:

- ▶ Clarify management expectations for deputy heads to support them in managing their own organizations;
- ▶ Develop a comprehensive and integrated perspective on management issues and challenges and to guide Treasury Board of Canada Secretariat engagement with organizations; and
- ▶ Determine enterprise-wide trends and systemic issues in order to set priorities and focus efforts to address them.

The most current MAF assessment results used in this report are from 2009–2010 (Round VII of MAF), with MAF results from earlier years also included for comparative purposes.

### **Engagement with chief audit executives and the internal audit community**

CAEs and the internal audit community are engaged throughout the development of the MAF assessment criteria and assessment process to enable an understanding of expectations, assist the Office of the Comptroller General in gaining community perspectives regarding content and process improvements, and promote overall improved management practices. In addition, ongoing monitoring and liaison activities throughout the year that encompass the provision of advice and guidance contribute to the strengthening of the internal audit regime.

### **Purchasing and Supply workforce profile**

In 2009, Statistics Canada’s Centre for Workforce Analysis and Forecasting conducted an in-depth analysis of the Purchasing and Supply (PG) occupational group for the Procurement, Materiel Management and Real Property Community Management Office (PMMRP-CMO). This project was undertaken as an update of a March 2007 report conducted by Canada Public Service Agency.

The analysis was divided into three main parts: strength/demographic profile, mobility trends and projections. The data source originated from the incumbent files of departments and agencies of the core public administration for the period March 2001 to March 2009.

---

A complete profile of the PG community was presented to the respective PMMRP governance committees for feedback. The report included the demographic profile and a breakdown of the data, with detailed descriptions of mobility trends and retirement projections. Statistics Canada's analysis is used as a reference point to support integrated human resources and business planning, including recruitment strategies, for the community.