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Canada

Public Security and Anti-Terrorism Initiative: Methodology

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Public Security and Anti-Terrorism Initiative: Methodology

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Purpose of PSAT reporting

In 2003, TBS instituted a reporting framework for all security initiatives that received funding post Budget 2001. This reporting framework, is called the Public Security and Anti-Terrorism initiative (PSAT). PSAT reporting was instituted as a means to monitor implementation and results of public security initiatives following the September 11th, 2001 terrorist attacks. TBS required reports from departments for each year for which new PSAT related funding was allocated to them. The last year for which departments were asked to report was 2008-09.

The templates that departments used to report to TBS included questions on the overall progress of initiatives, specific activities undertaken during the year, risks and challenges, and audit and evaluation. Early reports requested only high level expenditure data. In

subsequent rounds of reporting, additional clarification around how the funds were used was requested from departments.

Reconstruction to address the \$3.1 B difference

The primary function of the PSAT reporting framework was not for financial reporting but to indicate the extent to which implementation was on track.

To address the \$3.1 B variance between the documents allocating funding and the documents reporting on progress noted by the Office of the Auditor General, the Treasury Board Secretariat reconstructed PSAT reporting from a financial perspective, listing relevant PSAT allocations, by initiative, and the associated expenditures, with a focus on understanding or reconciling the reasons for variances between the allocations and expenditures. The Treasury Board Secretariat engaged organizations which received allocations and implemented the initiatives. To the extent that this information was maintained, it would have been done so by these organizations.

Over the time period May 14 – June 5, 2013, the Treasury Board Secretariat asked departmental officials to do the following:

- Review their department's PSAT allocations and the PSAT reports that were submitted to the Treasury Board Secretariat by the accountable DM over the period 2001 – 2009. To assist in this process, the Secretariat provided these documents to the departments for their reference, and
- Search through available paper and system records for information to trace the use of the funds allocated to their department for PSAT to:
 - Validate that the expenditures presented in PSAT reports represent the full expenditure of the department on those PSAT funds between 2001 and 2009;
 - Identify what happened to funds that were not reported as spent on PSAT initiatives.

The Treasury Board Secretariat developed a template for departments to complete for each PSAT initiative, outlining the detail necessary to provide a more complete accounting of the allocated PSAT funds. For each fiscal year for which funding was allocated, the department was asked to highlight the total approval for Treasury Board submissions, any difference between the approval and ultimate allocation, as well as the total expenditure reported by the department in its PSAT report. The difference between the allocation and the expenditure was defined as the variance, and the department was asked to categorize the variance as follows 1 :

Funds lapsed ("Returned to General Revenue"):

the funds could not be spent on the initiative in the fiscal year

Funds reallocated ("Reallocation"):

the funds could not be spent on the initiative in the fiscal year, but were redirected to another initiative with a funding pressure

Funds carried forward to a future year ("Not spent in reporting period (carry forward)"):

the funds could not be spent on the initiative in the fiscal year, but were carried forward to be spent in the following fiscal year

Funds re-profiled ("Not spent in reporting period (reprofile)"):

In the case of capital or grants and contribution funding, funds that could not be spent in the fiscal year were moved to future fiscal years to better align with departmental implementation plans

Additional expenditures not included in the original PSAT report ("Expenditure not included in reporting framework"):

the department noted that expenditures submitted originally in the PSAT report were incomplete, or that reporting on these expenditures was never intended to be a part of the PSAT reporting.

Funds given up as savings for Strategic Review ("Reductions"):

a permanent reduction in the funding allocation was made through the Strategic Review process, and returned to the fiscal framework for reinvestment.

Net transfers ("Transfers to other government organizations"):

funding was transferred to or from another department involved in the implementation of the initiative.

Other:

Any other situation not covered by the other seven categories.

Departmental Chief Financial Officers (CFOs) were asked to sign off on the data provided by departments

Departmental outreach

Throughout the data collection process, the Treasury Board Secretariat held three informal drop-in sessions to provide departments with an opportunity to raise issues or

concerns, and to obtain clarification. Thirteen departments took advantage of this venue, while others connected by phone to TBS contact to obtain answers to their questions. Some common issues were identified as a result of departmental outreach, including:

Handling of Employee Benefit Plans (EBP) and PWGSC Accommodation Charges:

While original allocations of PSAT funds included amounts for EBP and accommodation, some departments did not include these expenditures in their original PSAT reporting. In the case of accommodation, for instance, these funds were held centrally by PWGSC and the implementing department was not the department that actually incurred the expenditure of accommodation. Departments were instructed to include expenditures for Employee Benefit Plans and accommodation under the category “Additional expenditures not included in original report”, and clearly indicate the amounts related to Employee Benefit Plans and the amounts related to Accommodation as part of their explanation of the variance.

Programs transferred as a result of machinery changes:

Over the time period of PSAT reporting, there were numerous machinery changes. These included the creation of Public Safety Canada and the creation of the Canada Border Services Agency, which resulted in certain allocations for PSAT programming being transferred to the new departments from another organization. Departments were instructed to consult with other departments to determine which department would report on the initiative for which year, to ensure that there is a report for each year for which funds were allocated. Machinery changes added complexity to the process, as funding transfers between entities were not solely based on an initiative by initiative assessment, as the PSAT reporting was structured to do.

Use of the term “lapse”:

In some instances, Departments reported lapses, but while the funding for an initiative had lapsed the monies were not returned to the fiscal framework. In those instances, they were actually re-profiled, carried forward or re-allocated.

Review of departmental data

The templates provided by departments were reviewed for completeness and internal consistency. Information from the templates was also compared to expenditure management information, resurrecting a legacy system which included information from the 2001–09 time period, to assess the reasonableness of:

Funding amounts:

the \$12.9 billion in funding noted in the PSAT reporting framework was compared with amounts recorded in expenditure management systems as briefed into reference levels, and the funding amounts reported on the templates were compared to the PSAT database records;

Carry forwards:

amounts reported on the templates as carried forward were compared to departmental carry forward amounts in the expenditure management systems for 2002–03 to 2006–07 and, for 2007–08 and 2008–09, the amounts listed in Section 11 of Volume III of the Public Accounts of Canada; and

Lapses:

lapses for PSAT initiatives were compared to lapses of voted amounts reported in Volume II of the Public Accounts of Canada.

The information from departments involved in significant machinery of government changes, particularly those affected by the December 2003 restructuring, were checked to ensure that financial information was neither missed nor double-counted.

As well, the attestations were reviewed for qualifications and caveats that would have a material impact on the confidence of the overall findings. Overall, departments were confident in the information provided. In addition, departments had different understandings of what some of the categorizations meant, i.e. lapse was meant to refer to lapse of funds that were returned to the fiscal framework, if amounts were subsequently carried forward or re-profiled that was a different categorization. If an organization interpreted lapse as referring to the funding for the specific initiative, but not returning to the fiscal framework, the Secretariat re-categorized this amount as reallocation, carry forward, re-profile or other depending on information available.

Where organizations indicated a lower level of confidence in their information, the Secretariat reviewed related material over the time period, noting a lower level of confidence in instances where there is only indirect evidence to support categorization or lack of formal documentation. In other instances, where there was a strong likelihood of amounts being unreported (i.e. organizations did not lapse the monies, so they were spent; and organizations had opportunities/practice of identifying funds that were re-allocated and did not).

Quality assessment

Upon completion of the exercise, TBS circulated material to all organizations. In a few instances, organizations provided some clarifications resulting in minor adjustments to the draft summary report thereby increasing the confidence level as to the information presented in the reconstruction and reconciliation exercise.

Statement of completeness

This exercise was not a financial audit, but a reconstruction and reconciliation exercise. The process, overall, was robust. Generally speaking departments were confident in the material provided, with some caveats given the passage of time and where detailed information was not available. The Secretariat did review, challenge and make changes to information provided by departments based on other information available to the Secretariat. The Secretariat has reasonable confidence in the summary information, and has noted where there are lower levels of confidence.

Independent review

The Secretariat engaged an independent third party (Ernst & Young) to validate the reasonability of the methodology used to carry out the PSAT reconstruction exercise. The review found that: "... the methodology was reasonable in meeting the stated objectives of identifying and clarifying \$3.1 billion of previously 'non-reported' expenditures within the expectations of the original PSAT reporting."

Annex A

Instructions for completing the Departmental Assessment of PSAT Allocations and Expenditures

Please complete one template for each initiative for which your department reported.

1. Under **"Allocations as per TB submission"**, insert the total value of funding received by your department for each relevant fiscal year.
2. Under **"Total Expenditures Reported in PSAT Reports"**, insert the total expenditure reported in your department's PSAT Report to TBS for that year.
3. The variance between the two figures will auto-calculate.
4. The next part of the spreadsheet provides you with the opportunity to **explain the variance under a variety of options**.

- Lapsed
- Reallocated
- Carried Forward
- Reprofiled
- Additional expenditures not reported in PSAT report
- Strategic Review Reduction
- Other

Note that amounts reprofiled or carried into a subsequent fiscal year, or reallocated to another initiative, should be reflected in the variance table as **positive numbers**, as they help to explain a positive variance between the allocated and spent amounts (i.e. allocations higher than expenditures).

Amounts reprofiled or carried into the fiscal year, or reallocated in from another initiative, should be reflected in the variance table as **negative numbers**, as they help to explain a negative variance between the allocated and spent amounts (i.e. expenditures higher than allocations).

The total of all sources of variance should equal the overall variance calculated in the top part of the table.

5. Explanation of Variance: Include in this section an explanation of the reasons for the variance noted. Information that should be included as follows:

- a. If the funds lapsed:
 - Explain the reason for the lapse
- b. If the funds were reallocated:
 - Explain the reason why
 - Confirm whether it was a permanent or temporary reallocation
 - Indicate the program to which it was reallocated and identify whether that program was already subject to PSAT reporting
 - If it was reallocated to a program not subject to PSAT reporting, provide an update on expenditures associated with the reallocated amount.
- c. If the funds were carried forward:
 - Explain why the funds could not have been spent in the relevant fiscal year
 - Confirm the expenditure of the funds in the following year
 - Note that for funds carried forward, the focus should be **on amounts carried forward outside of the PSAT reporting period (after 2008/09)**. Provide an update on expenditures that may have taken place on the program outside of the reporting period in the appropriate column of the template.

d. If funds were reprofiled:

- Explain the reason why
- Note the years to which the funds were reprofiled
- Note that for funds reprofiled, the focus should be **on amounts reprofiled outside of the PSAT reporting period (after 2008/09)**.

Provide an update on expenditures that may have taken place on the program outside of the reporting period in the appropriate column of the template.

e. If there were additional funds expended from the original allocation that were not included in the PSAT report:

- Confirm the additional expenditure amount in the relevant fiscal years

f. If the funds were given up as savings for Strategic Review:

- Identify the relevant year(s)
- Confirm the rationale behind this decision

g. If the variance is due to some other reason, please explain.

6. Initiative Summary

The bottom part of the template provides an overall summary of total PSAT allocations, total PSAT expenditures, and total variance for the initiative. The template has been set up so that these amounts will auto-calculate.

Please include a summary explanation of the total variance between total allocated and total spent.

7. CFO Attestation and Departmental Remarks

Please have the departmental CFO sign and date the templates. Additional comments around the accuracy of the data may be provided in the box “Departmental Remarks”.

PSAT Expenditures Reconciliation Action Plan

Context

A key finding of the Spring Auditor General Report was that of \$12.9B in funding allocated for PSAT and related security initiatives between 2001 and 2009, TBS had expenditure information totaling \$9.8B. Information was not available on the remaining \$3.1B.

TBS has already undertaken efforts to explain the differences between the amounts allocated and the expenditure information received from departments through annual reports. This information will be provided to Departments.

Objective: By June 19th 2013, complete the reconciliation of \$12.9 billion allocated to PSAT initiatives between 2001/02 and 2008/09 with associated expenditures. More specifically, identify and clarify \$3.1 billion of “non-reported” expenditures.

Roles

1. Treasury Board Secretariat

A dedicated team will coordinate, compile and analyse expenditure information provided by departments. The team will produce a final reconciliation report.

2. Departments

- Review department's PSAT allocations and the PSAT reports that were submitted by DMs over the period 2001 – 2009. Documents will be provided by TBS.
- Trace the use of the funds allocated to the department for PSAT with a view to: (see detailed requirements in annex A).
 - Validating that the expenditures presented in PSAT reports represent the full expenditure of the department on those PSAT funds between 2001 and 2009;
 - Identifying what happened to funds that were not spent

Logistics

- TBS will provide a template to complete for each of the PSAT initiatives to provide the details necessary to account for the funds. To assist with this process, TBS will provide each department with a USB key containing the following information:
 - Summary of PSAT allocations
 - Summary of PSAT expenditures
 - PSAT reports submitted by the department between 2003 (covering 2001–02) and 2009
 - An electronic version of the template to be completed with the departmental analysis of each of its PSAT initiatives and instructions for its completion.
- The TBS team will be available on a daily basis to provide clarification.
- As required, drop-in sessions will be scheduled where departmental officials can come by to ask questions and seek clarification on May 17, 24 and 31 from 3 pm to 4 pm. Invitations for these sessions will be sent in advance.
- Templates must be completed and returned to TBS on USB keys **no later than June 5, 2013**, to the attention of:

Gavin Liddy
Assistant Secretary, International Affairs, Security and Justice Sector
Treasury Board Secretariat
140 O'Connor Street, 8th Floor
Ottawa, ON K1A 0R5

Footnotes

1

The categories were renamed in the final report. For ease of reference, the new terms are included here in quotes within parentheses

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