



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Canada

Treasury Board Secretariat Government Wide Review of Year-End Spending

Published: 2002-00-06

© Her Majesty the Queen in Right of Canada,
represented by the President of the Treasury Board, 2002

Published by Treasury Board of Canada, Secretariat
90 Elgin, Ottawa, Ontario, K1A 0R5, Canada

Catalogue Number: BT66-34/1995E-PDF
ISBN: 978-0-660-25309-1

This document is available on the Government of Canada website, Canada.ca

This document is available in alternative formats upon request.

Aussi offert en français sous le titre : Secrétariat du Conseil du Trésor Examen pangouvernemental des dépenses de fin d'exercice

Audit Results

The Secretary of the Treasury Board requested Deputy Heads of departments to take measures at the 1994-95 year-end to prevent the occurrence of what was perceived to be traditionally high levels of year-end spending. As well, the Secretary requested that an action plan to implement the 5% carry-forward provision of operating budgets be put in place and that an internal audit of actual 1994-95 year-end discretionary spending be undertaken. This report summarizes the results of the internal audit conducted in response to this request.

Control Framework for Year-End Spending

The control framework in place over year-end spending was appropriate. On receipt of the letter, the Executive Director, Informatics and Financial Services Directorate, communicated the need for year-end spending restraint to senior management. Additionally, senior management was provided with advice on year-end spending as and when required and financial transactions were monitored by the Financial Services Division.

Compliance with Financial Administration Act (FAA)

Based on our testing, we determined that transactions processed complied with the requirements of the Financial Administration Act.

Value for Money (VFM)

Based on our testing, we determined that public funds and resources were managed with due regard for value-for-money. While there was a large portion of expenditures in the last quarter of the fiscal year, our tests disclosed that these expenditures were not made based on decisions to incur expenditures at year-end, but were part of the Secretariat's annual planning process.

5% Carry Forward Provision

Based on our discussion with the Director, Financial Services, the 5 % carry-forward amount is managed at the corporate level and it is our understanding that this practice will continue in the future.

In a separate management letter to the Director, Financial Services Division, we are communicating matters noted during the course of this audit which do not warrant inclusion in this audit report.

A. Introduction

On January 23, 1995, the Secretary of the Treasury Board wrote to the Heads of Departments and Agencies to request that they:

- initiate an action plan to ensure line managers are given greater control over the use of funds carried forward (i.e., carry-forward provision of 5%);
- review actual 1994/95 year-end spending;
- report back to the Secretary of the Treasury Board on the action plan and the findings of the year-end audit by the end of June 1995.

B. Audit Objective and Scope

The objective of the year-end audit was to determine whether the year-end spending complied with the provisions of the FAA and whether value-for-money was obtained in expenditures decisions. In addition, the implementation status of the 5% carry-forward provision was to be reviewed.

The audit scope included discretionary expenditures from February 1 to March 31, 1995, including year-end closing transactions and Payables at Year-End (PAYE). Our review focused on the operating and capital expenditures.

C. Audit Approach

Control Framework for Year-End Spending

Our review was conducted in two phases. In the first phase, we evaluated the framework in place to control expenditures and assessed the additional measures implemented by the Financial Services Division. We also looked for any unusual year-end spending pattern by conducting a trend analysis by standard object.

Compliance with Financial Administration Act (FAA) and Value for Money (VFM)

In the second phase, we carried out tests of financial transactions to ascertain that value for money was received on year-end transactions and determined compliance with the FAA. We sought assurance that payments reflected the receipt of goods and the performance of services up to the end of March 1995. As part of our testing, we examined supporting documentation and interviewed managers and administrative staff.

Value for money audit seeks to provide assurances that due regard for value for money has been demonstrated. The term "Value for Money" means the economical, efficient and effective management of public funds and resources. In testing the transactions, we used the following criteria:

- The expenditure should be consistent with the normal expenditure pattern and within an approved plan.
- The purchased resources should maximize a current management objective or minimize future costs.
- The expenditure should meet a defined program need (i.e., it is necessary).
- The timing of the expenditure should be related to the delivery of services and the need.
- Expenditures for unforeseen events should be judged on its own merits.
- Advance payments should be exceptional, and the rationale documented.

Sample Population

The total 1994-95 discretionary expenditures amounted to \$13,896,101. Table 1 shows expenditures trend for Goods and Services by quarter for the fiscal year 1994-1995. Chart 1 compares expenditures by quarter for the fiscal-years, 1994-1995 and 1993-1994.

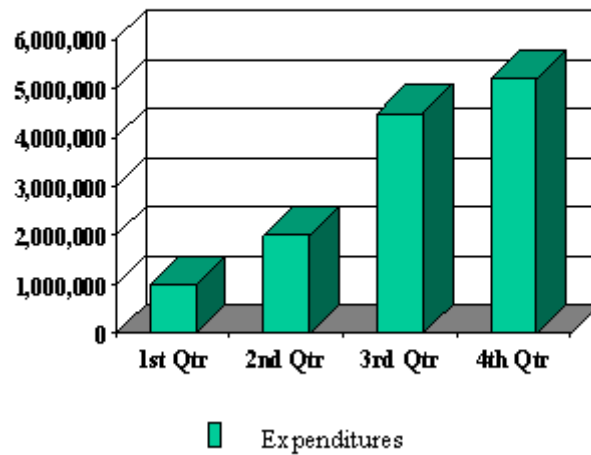
Table 1
Annual Discretionary O&M and Capital Expenditures
1994-1995

First Quarter	Second Quarter	Third Quarter	Fourth Quarter	4th Qtr % on Total
\$1,315,043	\$2,161,920	\$4,633,366	\$5,785,772	\$13,896,101
9.5%	15.6%	33.3%	41.6%	100.0%

Source: Treasury Board Secretariat Reporting System, as of May 2, 1995 and PWGSC Financial Statement, series 42000.

Chart 1

Goods and Services
Expenditures for the Fiscal Year 1994-95



Goods and Services
Expenditures for the Fiscal Year 1993-94

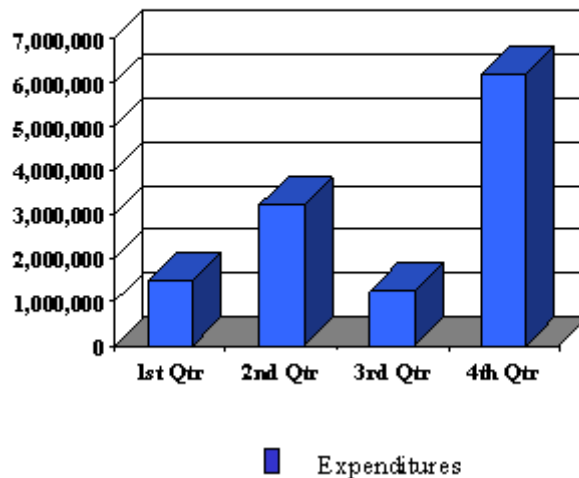


Table II shows expenditures for Goods and Services, by Standard Object, for the first three quarters of the fiscal year 1994-95 compared with the last quarter of the fiscal year. As seen in Table II, the main source of expenditures in the 4th quarter related to Professional and Special Services (Standard Object 04). Therefore, in the selection of our transactions for review, we focussed our testing on this area.

Table II
Expenditures by Standard Objects and Quarters
1994-1995

Standard Object	Quarters	First 3 Quarters	4th Qtr	Total

02	Transportation/Communications	\$1,225,886	\$551,122	\$1,777,008
03	Information	576,885	965,249	1,542,134
04	Professional/Special Services	5,279,148	3,653,973	8,933,121
05	Rentals	96,030	49,159	145,189
06	Purchased Repairs/Maintenance	59,311	36,782	96,093
07	Utilities, Materials and Supplies	384,194	352,585	736,779
09	Acquisition of Machinery/Equipment	488,875	176,902	665,777
	Total	\$8,110,332	\$5,785,772	\$13,896,101

Selection of Transactions for Audit

We selected 51 transactions for review with a total value of \$3.9 millions (57.5% of the value of the sample population). Among these transactions, there were 15 transactions over \$10,000, for a total value of \$333,644 and 12 payments for Professional and Special Services (Standard Object 04) with a total value of \$1,864,860. The remaining 24 transactions were selected in a random basis.