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Canada

Horizontal Internal Audit of Financial Forecasting in Large and Small Departments

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Horizontal Internal Audit of Financial Forecasting in Large and Small Departments

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Office of the Comptroller General

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Executive Summary

The objective of this audit was to assess whether departments are forecasting financial information appropriately to inform decision making. To achieve this objective, the audit assessed departments' forecasting processes and their compliance with related requirements in the [Policy on Financial Resource Management, Information and Reporting](#) and the [Policy on Financial Management Governance](#).

Why This Is Important

Canadians expect the federal government to manage public funds well by effectively planning, budgeting and making decisions on the allocation, reallocation and use of financial resources based on reliable information and sound analysis of that information.

¹ To this end, the Treasury Board of Canada Secretariat (the Secretariat) has instituted policies such as the *Policy on Financial Resource Management, Information and Reporting* and the *Policy on Financial Management Governance*. Strong in-year forecasting processes are essential to achieve the objectives of these policies.

The importance of effective forecasting has also increased in an environment of shrinking departmental resources where funds need to be reallocated in a timely manner during the year in order to address budget pressures and emerging priorities.

Key Findings

Most departments ² had adequate accountability structures in place and had established clear roles and responsibilities to support in-year financial forecasting. Opportunities exist, however, to strengthen accountability for more accurate forecasting and for documenting the approvals obtained and/or required as part of the process.

In general, decision making in the departments assessed was informed by the results of sound in-year forecasting processes reinforced by adequate guidance and support from the corporate finance function. Ensuring that forecasting processes are documented adequately would further promote consistency and prevent the loss of corporate knowledge.

The level of accuracy and timeliness of forecasts varied depending on the size of the department and the period being forecasted.

To support the financial forecasting process, departments had tools in place (such as reporting templates and spreadsheets) and had ensured that stakeholders were being provided with adequate training.

The majority of departments assessed had adequate procedures in place to ensure consistent monitoring and reporting on the administration of the requirements under the *Policy on Financial Management Governance* and *Policy on Financial Resource Management, Information and Reporting*.

The Secretariat was found to have adequate procedures in place through its administration of the *Policy on Financial Resource Management, Information and Reporting* and the *Policy on Financial Management Governance* to ensure that government organizations receive the support and guidance needed to effectively forecast.

Conclusion

Overall, departments had implemented forecasting processes that comply with the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*. As a result, departments were forecasting financial information to inform decision making.

Conformance with Professional Standards

This audit engagement conforms with the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

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Background

The Horizontal Internal Audit of Financial Forecasting in Large and Small Departments was identified and approved in the Office of the Comptroller General's (OCG's) Three-Year Risk-Based Internal Audit Plan 2012–15.

Financial forecasting was highly ranked as an audit priority by those consulted as part of the OCG's three-year risk-based audit planning process. Consultations indicated that in

an environment of shrinking departmental resources, identifying lapses and reallocating budgets have increased in importance to allow departments to meet their priorities.

As outlined in the [Financial Administration Act](#), the deputy head is assigned the role of accounting officer and is ultimately accountable for the management of the department's resources. To support the deputy head, the chief financial officer (CFO) is delegated the responsibility of developing an appropriate financial management process. This process is embedded in the Departmental Resource Allocation Process, which typically includes the following activities:

- Priority setting;
- Operational planning;
- Budgeting;
- Management and control (including the forecasting process); and
- Reporting.

The forecasting process is a key contributor to effective and efficient resource management. Financial forecasting is the process by which departments plan and prepare for the future. It is the process of directing and allocating financial resources to meet strategic goals and objectives while considering risk management, and it assists departments in identifying their asset requirements and needs for funding. Forecasting often relies on knowledge of past relationships and existing historical information, combined with internal and external indicators, to plan for future financial needs.

There are a number of annual activities that departments perform in order to conduct a detailed internal departmental budget and forecast review against approved authorities for the fiscal year. Throughout the process, plans and forecasts are typically developed and rolled up at various levels within the organization. Forecasts are then aggregated, reviewed, challenged and finally approved. 3

As the year progresses, in-year activities are performed such as the preparation of integrated year-to-date reviews and forecasting packages, resulting in the identification of specific steps required to meet organizational mandates. These steps may include the development of risk mitigation strategies for forecasted deficits, updates to plans and internal budget reallocations. They may also satisfy external requests for changes to departmental funding based on new initiatives. This process typically occurs on a quarterly basis, but the frequency varies depending on the size and the corporate environment of the organization. 4

The Secretariat established the *Policy on Financial Management Governance* to strengthen public sector stewardship through the clarification of roles and responsibilities for financial management governance across departments. It lays the foundation of the

governance frameworks in place for financial management, from deputy head oversight to the supporting role of the CFO and corporate finance's leadership function. [5](#)

The *Policy on Financial Resource Management, Information and Reporting* supports the management of public funds through effective planning, budgeting, monitoring and reporting. It further details deputy head accountability over forecasting-related activities, including financial planning and the related timely reallocation of resources resulting from the sound analysis of reliable information. [6](#)

Audit Objective and Scope

The objective of this audit was to assess whether departments are forecasting financial information appropriately to inform decision making. To achieve this objective, the audit assessed departments' forecasting processes and their compliance with related requirements in the *Policy on Financial Resource Management, Information and Reporting* and the *Policy on Financial Management Governance*.

The scope of this audit included the suite of policies, directives and processes that were in place during the fiscal year ending March 31, 2013, to support departmental efforts to effectively forecast and comply with the related requirements of the *Policy on Financial Resource Management, Information and Reporting* and the *Policy on Financial Management Governance*. In addition to the policy requirements, the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review* was used as a baseline for assessing the effectiveness of forecasting processes in departments. Albeit still in draft form, the guideline details the recommended activities to be executed by departments when conducting forecasting process.

The audit examined departments' forecasting processes with a particular emphasis on in-year activities that support analysis, decisions, timeliness and accuracy of results. The scope included forecasting of expenditures, spendable revenues (the base for expenditures in some organizations), capital assets and grants and contributions. The scope excluded non-standard in-year forecasting activities, notably forecasting for transfer payments to provincial governments and non-spendable revenues, as well as the processes for preparation of budgets and financial reports for the purpose of external reporting.

This audit did not examine compliance with requirements under the [Policy on Investment Planning](#). Although this policy is important for budgeting and planning, it goes beyond the audit's intended scope. This audit also did not look at compliance with the requirements

under the *Policy on Management, Resources and Results Structures*, as this policy was recently the subject of a horizontal internal audit in large and small departments.

Eight large departments (LDs) and seven small departments (SDs) were assessed during this audit. Departments were selected based on a risk assessment and a self-identification exercise. In addition, the Secretariat was also included as part of the audit because of its role in providing policy and functional guidance to departments.

[Appendix A](#) provides a list of departments examined.

[Appendix B](#) provides a list of the lines of enquiry and related audit criteria used to achieve the audit objective.

Detailed Findings and Recommendations

Finding 1: Accountability and Oversight

The *Policy on Financial Management Governance* outlines the general roles and responsibilities for the stewardship, management and oversight of public resources. ⁷ The *Policy on Financial Resource Management, Information and Reporting* and the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review* provide further requirements and guidance to support effective planning, budgeting, monitoring and reporting in government. ⁸ A strong governance structure for financial forecasting helps increase all stakeholders' awareness and understanding of their roles, responsibilities and accountabilities for both financial management and stewardship of public resources.

The audit examined the extent to which departments have established clear accountability, oversight, roles and responsibilities to support effective financial forecasting.

Clear accountability and oversight of forecasts by senior management were generally in place. However, the maintenance of documentation supporting the oversight exercised was not consistent across departments.

Based on policy requirements and guidance, oversight is discharged when forecasts have been reviewed and validated by senior departmental managers, the CEO and the deputy head. ⁹

In most departments, the forecasts prepared by managers are reviewed, challenged and consolidated at the departmental-level by corporate finance staff. The consolidated

forecasts are in turn periodically reviewed, at a minimum on a quarterly basis, and validated by senior departmental managers, the CFO and the deputy head during Executive Committee meetings.

Although most departments clearly demonstrated senior management's accountability for the review and validation of forecasts through formal sign-offs, this was not the case in some departments. Where exceptions were noted, the audit found no supporting documentation to evidence the approvals obtained and/or required as part of the forecasting process. Some of the SDs did not document their oversight of forecasts, given their size and flat organizational structure.

Maintaining adequate supporting documentation evidencing the review and validation of forecasts is important to demonstrate that public funds are managed with due diligence. Doing so also solidifies the accountability of senior management and provides evidence of decisions for reference purposes.

Most departments had established clear roles and responsibilities for the corporate finance function with respect to the forecasting process.

Clear accountability structures exist when departments define objectives, roles and responsibilities regarding forecasting and communicate these to all stakeholders involved in the process.

In most departments, the roles and responsibilities of the corporate finance function were clearly defined and properly communicated, including being assigned to support specific branches in the organization and enabling the forecasting process from its initiation to delivery of the final consolidated forecast to executive level committees.

Some departments had established forecasting accuracy objectives.

The existence of performance measures related to forecasting accuracy objectives can contribute to improved forecasting.

Some departments had clearly defined and communicated forecasting objectives to responsibility centre managers by including specific accuracy targets in their performance agreements. Although, this practice went beyond the Secretariat's policy requirements and guidance, it ensured that managers were clearly held accountable for forecasting accurately and releasing excess funds on a timely basis during the year.

By adopting measures that promote sound financial management, including forecasting accuracy targets, managers with financial decision-making responsibilities are more clearly held accountable for their forecasts. This reduces the risk of inaccurate or untimely

financial projections and gives the opportunity to reallocate financial resources in a timely manner to relieve budget pressures and address emerging priorities during the year.

Overall, departments established clear accountability, roles and responsibilities to support effective financial forecasting.

There is an opportunity for some departments to improve supporting documentation evidencing senior management oversight of forecasts.

In most departments, there is an opportunity to establish forecasting accuracy targets to enable effective management of financial resources within the department.

Recommendations:

1. Departments should maintain appropriate supporting documentation evidencing the review and validation of forecasts by senior management.
2. Departments should consider defining and communicating forecasting objectives, and adopting measures that further promote accountability and sound financial management.

Finding 2: Financial Forecasting Process

The *Policy on Financial Resource Management, Information and Reporting* establishes requirements to ensure the timely allocation of funds throughout the fiscal year, [10](#) as well as requirements to ensure that managers involved in the forecasting process are provided with reliable and timely information that supports accountability and effective decision making relative to budget monitoring. [11](#)

A strong forecasting process, as detailed in the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*, increases the likelihood of achieving departmental objectives within approved authorities by providing accurate and timely information to inform decision making. It also supports departments in complying with the *Financial Administration Act*, other Government of Canada legislation, policy instruments and government-wide procedures. [12](#)

The audit assessed whether financial forecasting processes were in place and had been implemented to inform decision making in departments. As a basis for its assessment, the audit used the process recommended in the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*.

Departments had forecasting processes in place and had generally provided adequate guidance and support to enable managers to develop forecasts; however, the procedures to be performed throughout the forecasting processes were not always documented.

Standard processes and procedures should be in place and documented to support the preparation of departmental forecasts. The corporate finance function of departments should also provide guidance to responsibility centre managers consistent with the activities recommended in the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*.

All departments assessed had a standard process in place to prepare in-year forecasts, and their processes covered all the activities recommended in the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*. In most departments, the support provided by corporate finance throughout the departmental process covered all areas recommended in the guideline, and the responsibility centre managers who were interviewed were generally satisfied with this support.

Some departments were documenting their current forecasting process and making it readily accessible to all employees. In some SDs, the process was not being documented, given their small size and flat organizational structure.

Documenting the departmental forecasting process contributes to preventing the loss of corporate knowledge in the event that key employees leave the organization. This is particularly relevant for SDs, where the financial corporate knowledge is often held by only a few individuals. Having documented processes in both LDs and SDs further clarifies the process to managers and other stakeholders, thereby promoting clarity and consistency across the department.

Departments were carrying out forecasting practices to provide timely and accurate financial information for decision making at both the departmental and the responsibility centre level.

To support effective forecasting, the corporate finance function is expected to implement departmental processes consistent with those recommended in the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*, in order to deliver accurate forecasts in a timely manner. These processes include the following activities:

- Initiating the forecasting exercise;
- Consolidating, reviewing and challenging the results of forecasts; and
- Reviewing and executing budget reallocations.

Similarly, responsibility centre managers should carry out activities consistent with their departmental processes and those recommended in the guideline. These activities include:

- Reviewing year-to-date (YTD) expenditures;
- Reviewing commitments;
- Updating YTD expenditures and commitments;
- Comparing YTD expenditures with the approved budget and prior year results;
- Identifying and explaining significant variances;
- Identifying and validating operating forecast pressures, surpluses and risks; and
- Revising forecasts.

In the majority of departments assessed, the audit found that employees involved in the forecasting process carried out forecasting-related activities consistent with those recommended in the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*.

During the review of the corporate finance activities performed, it was noted that, to maximize use of available funds, some departments were maintaining a list of additional pre-approved priority projects to be funded as part of their forecasting process.

The level of accuracy and timeliness of forecasts varied depending on the size of the department and the period being forecasted.

Data on the accuracy and timeliness of forecasts was gathered during the audit. For the eight LDs and seven SDs examined, it was noted that SDs had more accurate forecasts than LDs and generally took less time to deliver forecasts to senior management. In addition, it was noted that although the timeliness of the forecasts did not vary widely between quarters, the third quarter forecasts were generally more accurate than those from the second quarter.

Highlights of findings

Large Departments

- For the second quarter forecasting exercise, it took an average of 35 days for LDs to present forecasts to senior management, with a range of 16 days to 52 days. These forecasts had an average accuracy of within 6 per cent of year-end expenditures and ranged from 1 per cent to 16 per cent.
- For the third quarter forecasting exercise, it took an average of 40 days for LDs to present forecasts to senior management, with a range of 17 days to 59

days. These forecasts had an average accuracy of within 3 per cent of year-end expenditures and ranged from 0 per cent to 8 per cent.

Small Departments

- For the second quarter forecasting exercise, it took an average of 21 days for SDs to present forecasts to senior management, with a range of 3 days to 46 days. These forecasts had an average accuracy of within 4 per cent of year-end expenditures and ranged from 0 per cent to 15 per cent.
- For the third quarter forecasting exercise, it took an average of 21 days for SDs to present forecasts to senior management, with a range of 3 days to 53 days. These forecasts had an average accuracy of within 1 per cent of year-end expenditures and ranged from 0 per cent to 2 per cent.

Overall, departments inform decision making with the results of sound in-year forecasting processes reinforced by adequate guidance and support.

A good practice included the adoption of a departmental list of additional pre-approved priority projects to be funded as part of the forecasting process.

There is an opportunity for some departments to document their forecasting processes and make them available to responsibility centre managers.

Recommendation:

3. Departments should document their forecasting processes and ensure availability to responsibility centre managers.

Finding 3: Tools and Training

The *Policy on Financial Management Governance* identifies requirements for departments to maintain their financial management capabilities and their capacity to meet departmental needs and the needs of the government. 13

The audit examined the extent to which departments have established tools and training to support financial forecasting activities.

All departments assessed had established tools and training to support the financial forecasting process.

For responsibility centre managers to produce timely and accurate forecasts, appropriate tools and training are needed to facilitate financial forecasting activities.

The audit found that all departments had established tools to assist responsibility centre managers in developing their forecasts. Corporate finance staff generally used an enterprise resource planning system to extract the relevant year-to-date financial data. This data was forwarded to managers, together with standard forecasting templates (either Excel or system-based spreadsheets). Typically, managers were using this package to develop their own forecasts, which were in turn reviewed and then consolidated at the departmental-level by the corporate finance function using similar spreadsheets.

Most departments were using a combination of tools requiring manual intervention. Some departments had fully integrated the forecasting process within the departmental enterprise resource planning system, in an attempt to avoid the use of separate tools and reduce the risk of error, as well as increase the efficiency of the process.

To exercise delegated authority, managers are required to take training offered by the Canada School of Public Service (CSPS), which includes finance management practices that touch on financial forecasting. In addition, some departments are providing their managers with formal in-house training on forecasting techniques and tools. There is a risk that lack of training may negatively impact the timeliness and accuracy of forecasting; however, the audit noted that where training was less common there was generally increased support by the corporate finance function.

Overall, departments established tools to support effective financial forecasting.

A good practice is that some departments had fully integrated the forecasting tools into the departmental enterprise resource planning system.

In addition to mandatory training provided by the CSPS, in general, departments were providing a combination of training and support to assist their managers.

Finding 4: Monitoring and Reporting

Both the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting* state that deputy heads are responsible for monitoring compliance with these policies through periodic audits and

other reviews to ensure their effective implementation. Deputy heads are also responsible for providing reports and information requested by the Comptroller General of Canada.

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Having a monitoring and reporting framework in place enables departments to detect and address instances of non-compliance with the above-mentioned policies. It also provides departments with the means of examining whether the forecasting processes have been implemented as intended. Departments can use the results of monitoring exercises to learn how to carry out processes more effectively and efficiently.

The audit assessed whether departments had adequate procedures in place to ensure consistent monitoring and reporting of the requirements under these policies.

Most departments fulfilled their monitoring and reporting responsibilities under the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*.

Most departments met their monitoring and reporting responsibilities under the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting* by using various mechanisms such as internal audits, management reviews (e.g., gap analysis) and periodic assessments conducted by their corporate finance function.

Overall, most departments met their monitoring and reporting responsibilities under the Policy on Financial Management Governance and the Policy on Financial Resource Management, Information and Reporting.

Finding 5: Central Agency Guidance

The general governance over financial management covered in the *Policy on Financial Management Governance*, as well as several requirements in the *Policy on Financial Resource Management, Information and Reporting*, are applicable to financial forecasting activities. Under these policies, the Secretariat has responsibilities for monitoring and reporting on compliance and providing recommendations to departments. The Secretariat's responsibilities also include establishing a framework for the review of these policies and supporting directives. The Secretariat also provides support and guidance to government organizations needing assistance with their forecasting activities.

The Secretariat had procedures in place to monitor compliance with aspects of the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*.

The Secretariat monitors compliance with its financial management policies in a variety of ways, including assessments under the Management Accountability Framework (MAF), examinations of Treasury Board submissions, results of audits and evaluations, and reports and special studies by Parliament or its agents. ¹⁵

MAF assessments are used to monitor various aspects of the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting* on an annual basis. In the year prior to the audit period (i.e., 2011–12), the effectiveness of government-wide forecasting activities were specifically assessed through the MAF assessment. The Secretariat plans on assessing forecasting activities in future MAF assessments.

Monitoring and reporting reduces the risk that departments will not comply with the various aspects of the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*, including those that are relevant to forecasting. Central agency monitoring also provides an opportunity for best practices to be identified and shared with departments to improve the overall effectiveness and efficiency of the management of public funds.

The Secretariat had prepared draft guidance to provide departments with support on financial forecasting.

The Secretariat is responsible for providing government-wide functional direction on financial management and stewardship over public resources. ¹⁶ In this regard, the Secretariat is responsible for ensuring that deputy heads take appropriate and timely action to address significant issues over financial management and over financial reporting across government. ¹⁷ The Secretariat must also recommend that corrective action be taken when a department has not complied with the requirements of the *Policy on Financial Management Governance* or the *Policy on Financial Resource Management, Information and Reporting*. ¹⁸

The Secretariat has developed detailed guidance to support departments in preparing their financial forecasts (i.e., the *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*). Such guidance is being integrated in the development of the government-wide enterprise financial solution.

To further provide functional direction, the Secretariat has also collaborated with the CSPS to develop general training on forecasting activities. Additionally, the Secretariat has put in place several working groups to address forecasting issues or concerns raised

by departments. Secretariat analysts were also available to answer questions relating to forecasting from departmental representatives.

Most departmental representatives interviewed in both the LDs and the SDs indicated that they received sufficient support from the Secretariat.

The Secretariat is currently conducting a financial management policy suite renewal that includes the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*.

To ensure that Treasury Board policies remain relevant, the Secretariat is responsible for establishing a framework to ensure that a review of the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*, and their related directives and standards, is initiated on a timely basis.

The Secretariat is in the process of evaluating these policies as part of the higher-level policy suite renewal process.

Overall, the Secretariat has procedures in place to monitor elements of the “Policy on Financial Management Governance” and the “Policy on Financial Resource Management, Information and Reporting.”

Overall, the Secretariat has adequate procedures in place to ensure that government organizations receive the support and guidance needed to effectively forecast.

The Secretariat is fulfilling its responsibilities to ensure that policies are reviewed.

Conclusion

Overall, departments have implemented forecasting processes that comply with the *Policy on Financial Management Governance* and the *Policy on Financial Resource Management, Information and Reporting*. As a result, departments were forecasting financial information to inform decision making.

Management Response

The findings and recommendations of this audit were presented to each of the eight large departments and seven small departments included in the scope of the audit, as well as to the Secretariat because of its role as a central agency.

Management has agreed with the findings included in this report and will take action to address all applicable recommendations

Appendix A: Departments Included in the Audit

The following table lists the departments examined in the audit: [19](#)

Department Name and Abbreviation

Large Departments

1. Canada Border Services Agency (CBSA)
2. Canada Revenue Agency (CRA)
3. Canadian Institutes of Health Research (CIHR)
4. Canadian Space Agency (CSA)
5. Department of Justice Canada (JUS)
6. Health Canada (HC)
7. Natural Resources Canada (NRCan)
8. Parks Canada (PC)

Small Departments

1. Atlantic Canada Opportunities Agency (ACOA)
2. Canadian International Trade Tribunal (CITT)
3. Canadian Nuclear Safety Commission (CNSC)
4. Federal Economic Development Agency for Southern Ontario (FedDev Ontario)
5. Public Service Labour Relations Board (PSLRB)
6. RCMP External Review Committee (RCMP ERC)
7. Status of Women Canada (SWC)

Appendix B: Lines of Enquiry and Audit Criteria

The objective of the audit was to assess whether departments are forecasting financial information appropriately to inform decision making. To achieve this objective, the audit assessed the effectiveness of departments' forecasting processes and their compliance

with related requirements in the *Policy on Financial Resource Management, Information and Reporting* and the *Policy on Financial Management Governance*.

The audit criteria are presented below, by audit line of enquiry.

| Lines of Enquiry | Criteria |
|---|---|
| <p>1. Governance</p> <p>Departments have in place clear accountability, roles and responsibilities, and have the tools to support effective financial forecasting.</p> | <p>1.1 Departments have established clear accountability and oversight for the review and approval of financial forecasts by senior management.</p> <p>1.2 Departments have established clear roles and responsibilities for the review and approval of financial forecasts for responsibility centre managers.</p> <p>1.3 Departments have established tools to support the forecasting process.</p> |
| <p>2. Forecasting Process</p> <p>Departments inform decision making with the results of sound in-year forecasting processes reinforced by adequate guidance and support.</p> | <p>2.1 Departments have established guidance (i.e., policies, directives or guides) and provide support to enable the responsibility centres to perform financial forecasts, as well as related activities such as costing.</p> <p>2.2 Departments have effective forecasting practices in place to provide timely and accurate financial information for decision making at the departmental level.</p> <p>2.3 Departments have implemented effective forecasting practices to provide timely and accurate financial information for decision making at the responsibility centre level.</p> |
| <p>3. Monitoring and Reporting</p> | <p>3.1 Deputy heads or their delegates</p> |

| | |
|---|--|
| <p>Departments have adequate procedures in place to ensure consistent monitoring and reporting on the administration of the requirements under the <i>Policy on Financial Resource Management, Information and Reporting</i> and the <i>Policy on Financial Management Governance</i>.</p> | <p>ensure that monitoring of compliance with <i>Policy on Financial Resource Management, Information and Reporting</i> and the <i>Policy on Financial Management Governance</i> is performed.</p> <p>3.2 Deputy heads or their delegates ensure that all of the reporting requirements in the <i>Policy on Financial Resource Management, Information and Reporting</i> and the <i>Policy on Financial Management Governance</i> are respected.</p> |
| <p>4. Central Agency Guidance</p> <p>The Treasury Board of Canada Secretariat (Secretariat) has adequate procedures in place through its administration of the <i>Policy on Financial Resource Management, Information and Reporting</i> and the <i>Policy on Financial Management Governance</i> to ensure that government organizations receive the support and guidance needed to effectively forecast.</p> | <p>4.1 The Secretariat has procedures in place to monitor compliance with aspects of the <i>Policy on Financial Resource Management, Information and Reporting</i> and the <i>Policy on Financial Management Governance</i>.</p> <p>4.2 The Secretariat actively supports departments by providing independent advice.</p> <p>4.3 The Secretariat has established a framework to ensure that a review of the <i>Policy on Financial Resource Management, Information and Reporting</i> and the <i>Policy on Financial Management Governance</i>, and their related directives and standards, is initiated on a timely basis.</p> |

Appendix C: References

Policies

- [Policy on Financial Management Governance](#)
- [Policy on Financial Resource Management, Information and Reporting](#)

Guidance

- *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*

Appendix D: Recommendations by Department and Risk Ranking

The full names of the departments are provided in [Appendix A](#). The following table presents the departments to which the audit recommendations apply and assigns risk rankings of high, medium or low to each recommendation. The determination of risk rankings was based on the relative priorities of the recommendations and the extent to which the recommendations indicate non-compliance with Treasury Board policies.

| Recommendations | Departments To Which This Recommendation Applies | Priority Level |
|---|--|----------------|
| 1. Departments should maintain appropriate supporting documentation evidencing the review and validation of forecasts by senior management. | PC, RCMP, ERC, SWC | High |
| 2. Departments should consider defining and communicating forecasting objectives, and adopting measures that further promote accountability and sound financial management. | CBSA, CIHR, PC, ACOA, CNSC, PSLRB, RCMP, ERC, SWC | Medium |
| 3. Departments should document their forecasting processes and ensure availability to responsibility centre managers. | CIHR, CSA, JUS, NRCan, PC, CITT, CNSC, FedDev Ontario, PSLRB, RCMP, ERC, SWC | High |

Footnotes

1

Policy on Financial Resource Management, Information and Reporting, subsection 3.1.

- 2 For the purpose of this report, the term “departments” includes large and small departments given that findings were generally similar for both. A distinction is made between large and small departments when necessary.
- 3 *Guideline on the Common Financial Management Business Process 1.1: Manage Planning and Budgeting*, Executive Summary.
- 4 *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*, Executive Summary.
- 5 *Policy on Financial Management Governance*, subsections 4.1 and 5.4.
- 6 *Policy on Financial Resource Management, Information and Reporting*, subsection 5.1.
- 7 *Policy on Financial Management Governance*, subsection 4.1.
- 8 *Policy on Financial Resource Management, Information and Reporting*, sections 5.1 and 6.
- 9 *Policy on Financial Management Governance*, subsections 5.1 and 5.4; *Policy on Financial Resource Management, Information and Reporting*, subsections 6.1 and 6.3; and *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*, subsection 2.6.
- 10 *Policy on Financial Resource Management, Information and Reporting*, subsection 6.2.
- 11 *Policy on Financial Resource Management, Information and Reporting*, subsection 6.5.
- 12 *Guideline on the Common Financial Management Business Process 1.2: Manage Forecasting and Budget Review*, Executive Summary.
- 13 *Policy on Financial Management Governance*, subsection 5.1.3.
- 14 *Policy on Financial Management Governance*, subsection 6.1.1 and *Policy on Financial Resource Management, Information and Reporting*, subsection 7.1.

[15](#)

Policy on Financial Management Governance, subsection 6.2 and *Policy on Financial Resource Management, Information and Reporting*, subsection 7.2

[16](#)

Policy on Financial Management Governance, subsection 5.3.

[17](#)

Policy on Financial Resource Management, Information and Reporting, subsection 7.2.

[18](#)

Policy on Financial Management Governance, subsection 7.1 and *Policy on Financial Resource Management, Information and Reporting*, subsection 8.1.

[19](#)

Although the Treasury Board of Canada Secretariat was included in the audit, only its role in providing policy and functional guidance to departments was examined.

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