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ASSISTANT DEPUTY MINISTER (REVIEW SERVICES)



Reviewed by ADM(RS) in accordance with the *Access to Information Act*. Information UNCLASSIFIED.

Financial Management Controls and Practices

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1259-3-0044 (ADM(RS))

Canada



Acronyms and Abbreviations

ADM(Fin)/CFO	Assistant Deputy Minister (Finance)/Chief Financial Officer
ADM(RS)	Assistant Deputy Minister (Review Services)
CA	Canadian Army
DND/CAF	Department of National Defence/Canadian Armed Forces
FAA	<i>Financial Administration Act</i>
FAM	Financial Administration Manual
FI	Financial Officer
FM	Financial Management
FY	Fiscal Year
ICFR	Internal Control over Financial Reporting
L1	Level one
OPI	Office of Primary Interest
QAR	Quality Assurance Review
RCAF	Royal Canadian Air Force
RCN	Royal Canadian Navy
RDAO	Regional Departmental Accounting Office
RMC	Royal Military College



Statement of Conformance

The findings and conclusions contained in this report are based on sufficient and appropriate evidence gathered in accordance with procedures that meet the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The advisory engagement thus conforms to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as supported by the results of the quality assurance and improvement program. The opinions expressed in this report are based on conditions as they existed at the time of the advisory engagement and apply only to the consulted entity.



Background

- From 2015 to 2018, the Assistant Deputy Minister (Review Services) (ADM(RS)) completed a series of internal audits on the financial management controls and practices within the environmental commands of the Canadian Armed Forces (CAF).
 - These audits examined key areas of the financial management framework within the Royal Canadian Air Force¹ (RCAF), the Royal Canadian Navy² (RCN) and the Canadian Army³ (CA).
 - Findings and recommendations from these audits were focused on issues within the responsibility of the specific organizations examined. For a summary of the results of these audits refer to Annex B—Prior Audit Findings and Annex C—Prior Audit Recommendations.
- Opportunities exist for the Assistant Deputy Minister (Finance)/Chief Financial Officer (ADM(Fin)/CFO), as the functional authority for financial management, to address common findings on a more comprehensive departmental basis.
- This summary report was included in the departmental Risk-based Internal Audit Plan for fiscal years (FY) 2018/19 to 2020/21.
- Audit work was completed in June 2019. Management Actions Plans (MAP) were subsequently developed and approved in December 2020.

¹ Canada. National Defence. *Audit of the Financial Management Framework: Royal Canadian Air Force*. Ottawa, 2015.

² Canada. National Defence. *Audit of the Financial Management Controls and Practices of the Royal Canadian Navy*. Ottawa, 2016.

³ Canada. National Defence. *Audit of the Financial Management Controls and Practices of the Canadian Army*. Ottawa, 2018.



Objectives, Approach and Scope

The objectives of this summary report are as follows:

Objective 1	To summarize the results of prior audits of financial management controls and practices within the RCAF (2015), RCN (2016) and CA (2018).
Approach	Review prior audits, including audit reports, audit working papers and briefing material. Identify key common findings and notable practices.
Scope	Audit results identified within the audits of financial management controls and practices of the RCAF, RCN and CA.
Objective 2	To identify key considerations and next steps for ADM(Fin)/CFO, as the functional authority for financial management within the Department.
Approach	Consult with key stakeholders to consider prior audit findings, contributing factors and departmental context for financial management. Interview key personnel involved in departmental financial management and examine key initiatives being undertaken by ADM(Fin)/CFO that address the systemic issues identified in the prior audits.
Scope	Current and proposed departmental initiatives related to financial management controls and practices.

Audit work was completed in June 2019

Table 1. Objectives, Approach and Scope. This table outlines the two objectives of this report, with corresponding approach and scope.



Key Common Findings from Prior Audits

- Financial management includes finance-related activities undertaken to ensure sound and prudent use of public funds in an effective, efficient and economical manner.⁴ Financial management controls and practices include an organization's system of internal controls, its financial management workforce, and its governance, oversight and risk management practices.
- The prior audits examined core areas of the financial management framework.
 - Included: governance, risk management, oversight, expenditure management, revenue management, contracting practices, delegation of authorities
 - Not included: budget management, salaries and wages
- The audits examined a variety of transactions and organizations.
 - Examples: local procurement, standing offers, travel and hospitality, professional services, acquisition cards
- Overall findings from the prior audits fell into three general areas:
 1. **Internal controls**
 2. **Monitoring and oversight**
 3. **Training and guidance**

⁴ Canada. Treasury Board of Canada. *Policy on Financial Management*. Ottawa, 2017.



Key Common Findings from Prior Audits – Internal Controls

- Internal controls over financial management are a set of measures and activities that provide reasonable assurance of the effectiveness and efficiency of the financial management activities of the Department.⁵
- While internal controls were in place, some common weaknesses were observed in areas across the organizations audited.

Generally Operating Effectively

- Management of payments (*Financial Administration Act* (FAA) section 33)
- Account verification (FAA section 34)
- Revenue management
- Segregation of duties
- Payables at year-end
- Financial coding

Areas for Improvement

- Expenditure initiation and commitment control (FAA section 32)
- Contracting authorities, documentation and payments
- Delegation of authorities – limits and timing
- Payment credit card reconciliations
- Supporting documents

Table 2. Internal Controls. This table outlines the strengths and weaknesses observed in internal controls.

- Findings on expenditure management were generally consistent with the results of the Department's post-payment verifications.
- Results were not related to a specific type of transaction or area.
- There was no evidence of misuse or misappropriation of public funds.

⁵Ibid.



Key Common Findings from Prior Audits – Monitoring and Oversight

- Monitoring and oversight activities provide assurance that an organization is compliant with policies and is operating efficiently and effectively.
- Monitoring and oversight structures over financial management controls were in place. However, activities such as post-payment verifications, inspections and expenditure management reviews were not being conducted or fully leveraged to identify systemic issues and root causes.

Post-Payment Verification

- Review of transactions by Regional Departmental Accounting Offices (RDAO)
- Includes a sample of medium and low-risk vendor payments, acquisition card transactions and creditor initiated interdepartmental settlement transactions

Expenditure Management Review

- Review of processes within a Responsibility Centre manager organization by RDAO
- Includes organizations selected based on identified risks and trends

Staff Inspection Visits/Staff Assistance Visits

- Other chain of command visits to promote or assess compliance in subordinate organizations

Table 3. Examples of monitoring and oversight activities. This table outlines three examples of monitoring and oversight activities.



Key Common Findings from Prior Audits – Training and Guidance

- Training and guidance is needed to provide managers and financial management personnel with the knowledge, competencies and resources needed to carry out their responsibilities. This is of particular importance considering the turnover of personnel.
- Financial management personnel may occupy similar positions and carry out similar functions while being employed as a civilian employee, military officer or non-commissioned member. Training for each group had a different focus and did not consider their particular needs given their varied education and experience.
- Responsibility Centre managers are allocated budgets and have spending authority and certification authority under the FAA for these budgets. To deliver a consistent knowledge base for all signing authority holders, required training was provided at the government or departmental levels. As financial procedures tended to be locally established, and the financial management backgrounds of managers varied, this training did not always provide the practical instructions needed to carry out their responsibilities.
- Sources of financial policies and guidance varied between government, departmental and local levels, and were not always clear or accessible.
- The lack of standard procedures further contributed to inconsistent application of financial processes.



Notable Practices from Prior Audits

Organization	Notable Practices
RCAF	An on-the-job financial management training package for military officers in key financial management positions was offered. In addition, Wing comptrollers had developed and provided training and guidance regarding the practical application of relevant policies to local personnel. This was to supplement government or departmental training.
RCN	Monitoring and oversight processes were formally documented and included appropriate reporting and follow-up practices to ensure the correction of deficiencies identified.
CA	A reporting schedule was used to manage the financial management reporting process for organizations involved in financial management to enable them to plan accordingly to meet timelines for key deliverables.

Table 4. Notable Practices from Prior Audits. This table outlines the notable practices for prior audits of the three environments.



Key Considerations for ADM(Fin)/CFO

Consultations and analyses were conducted with key stakeholders to identify possible root causes of key findings from the prior audits:

- Effective training and guidance are not available to all personnel.
- Financial policies and procedures are not clear and thus, difficult to access.
- Financial responsibilities are assigned to personnel with varied backgrounds.
- Monitoring activities (post-payment verifications, staff inspection visits/staff assistance visits and expenditure management reviews) are not being fully leveraged to identify and remediate systemic issues.



Figure 1. Possible Root Causes of prior findings. This figure shows a visual image of the key considerations for ADM(Fin)/CFO based on prior audit findings.



Key ADM(Fin)/CFO Initiatives

A number of initiatives are underway or planned by ADM(Fin)/CFO that relate to the financial management issues identified through the prior audits, including:

Initiative	Intended Outcome
<p>To professionalize the function, a Financial Services Administrator trade was created within the Military Occupational Structure in 2016. Further, a Governance Framework was released in February 2019 which includes the description of the role of the Regional Senior Financial Services Administrator. This role is responsible for developing the training plan, managing postings, and strategizing career paths for the Financial Services Administrators in the region.</p>	<p>The Financial Services Administrator occupation was created from the Resource Management Support Clerk occupation to establish more specific training, experience and qualification standards for non-commissioned members. The intent is to support the professionalization of financial personnel and ensure the development of key skills and competencies.</p>
<p>The Corporate Departmental Accounting Office delivered targeted training at various sites in FY 2018/19 based on post-payment verification results. Further enhancements to provide additional site-specific, customized training is planned in FY 2019/20.</p>	<p>Targeted training by ADM(Fin)/CFO is intended to address specific risk areas identified in the course of monitoring activities.</p>
<p>The Corporate Departmental Accounting Office is reviewing the post-payment verification process. The review includes the definition of error codes, sampling methodology, confidence level and results and error calculation methodologies, and is expected to be completed by April 1, 2020.</p>	<p>The post-payment verification process is being reviewed to improve the assurance provided from this key monitoring control. The review will ensure comparability and reliability of information to inform decision making, enable the identification of key risks and allow for the delivery of targeted training.</p>
<p>The transformation of departmental financial policies and procedures was initiated in 2018 to streamline and simplify financial processes and guidance.</p>	<p>ADM(Fin)/CFO will review its policy suite to address identified risk areas, and develop associated procedures to ensure greater consistency of business processes.</p>

Table 5. ADM(Fin)/CFO Initiatives. This table outlines the initiatives from the prior audits as well as the intended outcome.



Recommendations

1. It is recommended that ADM(Fin)/CFO standardize and enhance internal financial training for all newly appointed Responsibility Centre managers which would include clear and practical guidance on their accountabilities, responsibilities and authorities.
2. It is recommended that ADM(Fin)/CFO, in collaboration with other Level 1s (L1), improve the suite of monitoring activities as follows:
 - a) Continue the review of the post-payment verification process to ensure its timely execution; and
 - b) Assess the effectiveness and efficiency of other monitoring activities and implement changes, if required, to enhance the value added to the Department.
3. It is recommended that ADM(Fin)/CFO work with other L1s to periodically identify and address gaps in training, knowledge and experience of all civilian and military personnel who perform financial management functions, taking into consideration the diverse needs of this community and the risk areas identified as a result of monitoring activities.
4. It is recommended that ADM(Fin)/CFO take the lead in departmental efforts to pursue the transformation and development of standardized policies and procedures.

Annex A—Management Action Plan includes the management response to the ADM(RS) recommendations in this report.



Conclusion

Prior audits of the RCAF, RCN and CA found that financial management practices and controls were largely operating effectively. While key risk areas assessed were generally well managed, some weaknesses were identified in specific internal control areas, monitoring and oversight processes, and training and guidance.

Challenges in financial management are compounded by the size and complexity of the Department. The decentralized organizational structure as well as the turnover and rotational assignment of personnel further add to the difficulty of ensuring that personnel with financial accountabilities, responsibilities and authorities have the understanding and competencies needed.

As the functional authority for financial management, there are opportunities for ADM(Fin)/CFO to address systemic issues on a broader departmental basis.

Several initiatives are already planned or underway to improve the professionalization of the financial management community, to review the effectiveness of monitoring and oversight activities, and to better apply the results of these activities to enhance the training and guidance available to financial personnel and to Responsibility Centre managers.

To maintain an effective financial management framework, the Department will need to dedicate efforts and resources to these areas.



Annex A—Management Action Plan

ADM(RS) Recommendation

1. It is recommended that ADM(Fin)/CFO standardize and enhance internal financial training for all newly appointed Responsibility Centre managers, which would include clear and practical guidance on their accountabilities, responsibilities and authorities.

Management Action

Agree with Recommendation #1 - ADM(Fin) will standardize training for all newly appointed Responsibility Centre Managers across the department by optimizing and standardizing DND's Responsibility Centre managers' training guidance found on ADM(Fin)'s intranet site no later than Q3 of FY 2021/22. ADM(Fin) will also introduce an evergreening approach to promote and provide practical guidance to Responsibility Centre managers on their accountabilities, responsibilities, and authorities. A SharePoint site will be used as a communication tool, which will be updated in real-time and a minimum of twice a year.

Milestone 1 (FY 2019/20): ADM(Fin) will promote and provide practical guidance to Responsibility Centre managers on their accountabilities, responsibilities and authorities through an evergreen SharePoint site. The SharePoint site will be reviewed on a continuous basis (in real-time) and at a minimum of twice a year.

•Completed – although this objective will be performed by ADM(Fin) on a continuous basis, the SharePoint site has been implemented in FY 2019/20. ADM(Fin)'s SharePoint site is now available to all Responsibility Centre managers across the department where the information shared is being reviewed in real-time and a minimum of twice a year.

Milestone 2 (FY 2020/21): ADM(Fin) will promote and provide practical guidance to Responsibility Centre managers on their accountabilities, responsibilities, and authorities through an evergreen SharePoint site. The SharePoint site will be reviewed on a continuous basis and a minimum of twice a year.

•As part of this year's review, ADM(Fin) will publish key information pro-actively on its SharePoint site by adding useful links such as links to training information, forms, policy, processes and procedures. This objective will be completed by Q4 of FY 2020/21.

Milestone 3 (FY 2021/22 and beyond): ADM(Fin) will optimize and standardize the format of all training for Responsibility Centre Managers by updating and clearly identifying their respective accountabilities, responsibilities, and authorities.

•The new training guidance will be published on ADM(Fin)'s Intranet site no later than Q3 FY 2021/22.

OPI: ADM(Fin)/CFO

Target Date: Q3 FY 2021/22



Annex A—Management Action Plan

ADM(RS) Recommendation

2. It is recommended that ADM(Fin)/CFO, in collaboration with other L1s, improve the suite of monitoring activities as follows:
- Continue the review of the post-payment verification process to ensure its timely execution; and
 - Assess the effectiveness and efficiency of other monitoring activities and implement changes, if required, to enhance the value added to the Department.

Management Action

Agree with Recommendation #2a - ADM(Fin)/CFO, in collaboration with other L1s, will improve the timely execution of post-payment verifications through the following methods:

- Follow-up correspondence with RDAOs to encourage completion of post-payment verification compliance.
- QAR visits to improve efficiency, effectiveness and reliability of post-payment verifications.

Milestone 1 (FY 2019/20): Send follow-up correspondence to RDAOs when post-payment verification transactions remain un-reviewed after quarterly deadline.

Start Date: September 1, 2019 End Date: March 30, 2020 Frequency: 4 times per year (as required)

Accomplishments:

Reminder emails sent: September 13, 2019 and January 10, 2020; reminder emails had intended effect as RDAOs completed review of outstanding transactions in response to email.

Conduct QAR visits to RDAO sites. Start Date: July 1, 2019 End Date: March 30, 2020 Frequency: 3 times per year

Halifax July 17, 2019; Kingston November 27, 2019. Third visit to Esquimalt in March 2020 was postponed due to COVID-19 concerns. QAR assessment of the post-payment verification process for Halifax and Kingston RDAO were completed (on July 17, 2019 and November 27, 2019, respectively) and the results were briefed to RDAO compliance staff in person allowing them to more efficiently and accurately complete the post-payment verification reviews. Due to COVID-19 concerns, subsequent trips were cancelled and the RDAO briefs were transformed so that it could be presented to RDAO compliance staff virtually/remotely.

Delta training was also provided to RDAO staff onsite to improve standardized application of error codes across DND/CAF, and to ensure its timely execution.



Annex A—Management Action Plan

ADM(RS) Recommendation

Management Action

Recommendation #2a (continued)

Milestone 2 (FY 2020/21): Send follow-up correspondence to RDAOs when post-payment verification transactions remain un-reviewed after quarterly deadline.

Start Date: April 1, 2020 End Date: March 30, 2021 Frequency: 4 times per year (as required)

Impact of COVID-19: April 20, 2020, ADM(Fin) provided extension for RDAO post-payment verification returns for Q3 and Q4 due to COVID-19. As such, no reminder emails were sent to RDAOs.

Conduct QAR visits to RDAO sites. Start Date: April 1, 2020 End Date: March 30, 2021 Frequency: 4 times per year

Accomplishments:

Because of COVID-19 restrictions, QAR onsite briefings and training scheduled in 2020 had to be cancelled and, instead, Corporate Departmental Accounting Office developed a virtual QAR which was delivered to Esquimalt in Q3 (November 6, 2020). A QAR brief is scheduled with Comox in Q4 (December 11, 2020) with other QAR briefs planned for Q4 in Valcartier and Borden (subject to change due to COVID-19 restrictions).

Milestone 3 (FY 2021/22 and beyond): Send follow-up correspondence to RDAOs when post-payment verification transactions remain un-reviewed after quarterly deadline.

Start Date: April 1, 2021 End Date: Ongoing Frequency: 4 times per year (as required)

Conduct QAR visits to RDAO sites. Start Date: April 1, 2021 End date: Ongoing Frequency: 4 times per year

Locations to be determined each year based on data provided by post-payment verifications and assessed by Corporate Departmental Accounting Office.

OPI: ADM(Fin)/CFO

Target Date: March 31, 2022 (then ongoing)



Annex A—Management Action Plan

ADM(RS) Recommendation

2. It is recommended that ADM(Fin)/CFO, in collaboration with other L1s, improve the suite of monitoring activities as follows:

- a) Continue the review of the post-payment verification process to ensure its timely execution; and
- b) Assess the effectiveness and efficiency of other monitoring activities and implement changes, if required, to enhance the value added to the Department.

Management Action

Agree with Recommendation #2b - ADM(Fin), in collaboration with other L1s, assesses the effectiveness and efficiency of financial monitoring activities when deemed to be part of the Department's system of Internal Control over Financial Reporting (ICFR) and recommends changes to monitoring activities by the L1s, if required, to enhance the value added to the Department on a continual basis as part of ADM(Fin)'s ICFR work plan.

Milestone 1 (FY 2019/20): As part of ADM(Fin)'s ICFR work plan, reports have been issued related to the stock verification visit program, the military pay Quality Assurance program, the civilian pay Quality Assurance program, and the post-payment verification program.

Milestone 2 (FY 2020/21): As part of its FY 2020/21 work plan, the Internal Control over Financial Management team will review all open remediation action items to determine if additional monitoring activities will be proposed to process and control owners as a vehicle through which the OPIs can assure themselves that their controls are operating effectively (evergreening approach).

OPI: ADM(Fin)/CFO

Target Date: March 2021 (then ongoing)



Annex A—Management Action Plan

ADM(RS) Recommendation

3. It is recommended that ADM(Fin)/CFO work with other L1s to periodically identify and address gaps in training, knowledge and experience of all civilian and military personnel who perform financial management functions, taking into consideration the diverse needs of this community and the risk areas identified as a result of monitoring activities.

Management Action

Agree with Recommendation #3 - ADM(Fin) will work with other L1s to periodically identify and address gaps in training, knowledge and experience of civilian and military personnel who perform financial management functions, taking into consideration the diverse needs of this community and the risk areas identified as a result of monitoring activities. ADM(Fin) will introduce specific events, namely the annual comptrollers conference and forum, monthly Learn and GO sessions as well as annual site visits to identify and address these gaps.

Milestone 1 (FY 2019/20): ADM(Fin) addresses the training needs of its community in a number of ways, primarily, annual year-end site visits to review operational activities and training new and existing personnel on financial matters. Monthly Learn and GO sessions are available online across the department as well as the annual Comptrollers Conference and Forum. The Annual Comptrollers Conference and Training Forum was held in Ottawa in November 2019 with participants from all across the regions in attendance.

In FY 2019/20, ADM(Fin) completed four site visits to provide targeted financial management training to regional finance professionals as well as five in-person and/or virtual sessions in the NCR. The secondary aim of these sessions and visits was to strengthen relationships with Base and Wing Comptrollers and keep open lines of communication.

Year-end site visits (Halifax, Greenwood, Gagetown, Winnipeg, Edmonton, Esquimalt, Comox, Kingston, Montreal, Petawawa) were also provided on a variety of topics (e.g., payables at year-end) to further solidify the knowledge department-wide on these processes in the Defence Resource Management Information System. These site visits are an annual occurrence geared to strengthen ties and provide in-person/virtual support to finance users at bases and wings.



Annex A—Management Action Plan

ADM(RS) Recommendation

3. It is recommended that ADM(Fin)/CFO work with other L1s to periodically identify and address gaps in training, knowledge and experience of all civilian and military personnel who perform financial management functions, taking into consideration the diverse needs of this community and the risk areas identified as a result of monitoring activities.

Management Action

Recommendation #3 (continued)

Milestone 2 (FY 2020/21): In July 2020, a Financial Officer (FI) Learning Questionnaire was sent to the DND Finance community to seek input on training, knowledge and skill development needs for FY 2020/21. The result of the questionnaire, as well as recommendations from lead ADM(Fin) OPIs, will be used as topics/areas of focus for the virtual Comptrollers Conference and FI Community Training & Development Forum to be held in January 2021. Monthly "Learn and Go" sessions continue to be held on various finance-related topics to strength the community's knowledge and expertise – this is an ongoing monthly activity open to all to enhance knowledge gaps in Finance. A training package on "Procure to Payment Process" is available from Corporate Departmental Accounting Office/RDAOs to Responsibility Centre Managers to address lack of knowledge and experience in financial management, on demand from their respective L1s, as indicated by the quarterly post-payment verification results issued to each L1 Comptroller. ADM(Fin)/CFO has undertaken several initiatives to increase the professionalization of the military finance community including the officer and non-commissioned officer corps. Working with Royal Military College (RMC), a program has been developed to ensure RMC cadets who choose Finance as a specialty have access to the necessary courses that prepare them to write the Chartered Professional Accountant entrance exam upon graduation. For non-commissioned members, an Advanced Certificate in Accounting and Finance is being developed by Chartered Professional Accountants Canada for virtual delivery by RMC. Negotiations with the Office of the Comptroller General have resulted in seats allocated to senior military finance officers on the Senior Executive Advanced Finance and Accounting Program. Each cohort has 4-5 seats protected for military finance officers depending on the need, and the ADM(Fin)/CFO has launched a Performance Management Framework for all L1 Comptrollers that looks to measure and provide feedback to Comptrollers and their respective L1s on Comptroller competencies in the following areas:

- o Understanding the Business
- o Communication and Engagement
- o Timeliness of Reporting
- o Completeness and Accuracy of Reporting



Annex A—Management Action Plan

ADM(RS) Recommendation

3. It is recommended that ADM(Fin)/CFO work with other L1s to periodically identify and address gaps in training, knowledge and experience of all civilian and military personnel who perform financial management functions, taking into consideration the diverse needs of this community and the risk areas identified as a result of monitoring activities.

Management Action

Recommendation #3 (continued)

Milestone 3 (FY 2021/22 and beyond): A virtual Comptrollers Conference and FI Community Training & Development Forum to be held in January 2021.

OPI: ADM(Fin)/CFO

Target Date: January 2021 (then ongoing)



Annex A—Management Action Plan

ADM(RS) Recommendation

4. It is recommended that ADM(Fin)/CFO take the lead in departmental efforts to pursue the transformation and development of standardized policies and procedures.

Management Action

Agree with Recommendation #4 - ADM(Fin) will take the lead in departmental efforts to pursue the transformation and development of standardized financial management policies and procedures. ADM(Fin) will develop a multi-year (3) work plan for updating policies and procedures with the end goal to have all completed by end of FY 2022/23.

Milestone 1 (FY 2019/20):

Financial Policy Transformation: ADM(Fin) continues to develop and transform the financial management (FM) policy suite and related procedures in accordance with a three-year development plan, prioritized on a risk basis. Since October 2018, ADM(Fin)/CFO has issued 12 FAM policies. The remaining FAMs are planned for publication over FYs 2020/21 and 2021/22.

Review and Update of Financial Business Process aligned with our Policy transformation updating and creating standardized operating procedures for commonly used FM activities. This timeline was developed in collaboration with various stakeholders within ADM(Fin) to align with the three-year plan for financial policies and ending in FY 2022/23 (evergreening approach).

Implementation of a standardized solution across the department for Financial Planning and Forecasting initial proof of concept had four L1s (Finance, Defence Intelligence Agency, Army and Air Force) onboarded in November 2019. This project is the development of a standard process and a set of enabling tools on a common platform for in-year financial forecasting and subsequently, the development of a standard portfolio of reports tailored to the needs of various stakeholders. Training is being carried out while onboarding additional users, to ensure that users make the most out of this new standardized process.

Milestone 2 (FY 2020/21):

Financial Policy Transformation: Continued publication of FAMs as per the three-year development plan (evergreening approach).

Continued publication of operating procedures for commonly used FM activities. The following procedures have been completed to date: Losses and Overages of Public Funds or Property; Vendor Master Data Management; High-Risk Vendors; Travel Cards; and Departmental Travel Accounts.

Continued development and onboarding of the standardized solution for Financial Planning and Forecasting as of August 2020 - 25 L1s have been onboarded onto the solution.



Annex A—Management Action Plan

ADM(RS) Recommendation

4. It is recommended that ADM(Fin)/CFO take the lead in departmental efforts to pursue the transformation and development of standardized policies and procedures.

Management Action

Recommendation #4 (continued)

Milestone 3 (FY 2021/22 and beyond):

Financial Policy Transformation: Continued publication of FAMs as per the three-year development plan (evergreening approach).

Continued publication of operating procedures for commonly used FM activities (evergreening approach).

Continued development and onboarding of the standardized solution for Financial Planning and Forecasting, remaining L1s to be onboarded by May 2021.

OPI: ADM(Fin)/CFO

Target Date: May 2021 (then ongoing)



Annex B—Prior Audit Findings

	RCAF – March 2015	RCN – October 2016	CA – June 2018
Overall Assessment	While governance, internal controls and risk management practices are in place, improved financial management guidance and modified reporting structures and relationships are required to increase the effectiveness of the RCAF financial management framework.	While governance, internal controls and risk management practices are in place, improvements to financial management guidance and modifications to monitoring and oversight practices are required to increase the effectiveness of the financial management controls and practices of the RCN.	Financial management controls and practices are effective in some areas at ensuring the integrity of financial management and supporting the resource management process. Training, monitoring and guidance should be improved to better support this process.
Internal Controls	<p><u>Operating effectively:</u></p> <ul style="list-style-type: none"> - management of payments (FAA section 33) - account verification (FAA section 34) - payables at year-end - revenue management - segregation of duties <p><u>Areas for improvement:</u></p> <ul style="list-style-type: none"> - expenditure initiation and control of commitments (FAA section 32) - delegation of authorities - acquisition cards - contracting - supporting documents 	<p><u>Operating effectively:</u></p> <ul style="list-style-type: none"> - management of payments (FAA section 33) - account verification (FAA section 34) - payables at year-end - revenue management - segregation of duties <p><u>Areas for improvement:</u></p> <ul style="list-style-type: none"> - expenditure initiation and control of commitments (FAA section 32) - delegation of authorities - acquisition cards - contracting - supporting documents 	<p><u>Operating effectively:</u></p> <ul style="list-style-type: none"> - management of payments (FAA section 33) - account verification (FAA section 34) - payables at year-end - acquisition cards - revenue management - segregation of duties <p><u>Areas for improvement:</u></p> <ul style="list-style-type: none"> - expenditure initiation and control of commitments (FAA section 32) - delegation of authorities - contracting - supporting documents
Oversight and Risk Management	More independence is required and recommendations should be implemented.	A risk-based approach should be adopted to focus monitoring and oversight efforts and address root causes.	A more consistent approach is required in the frequency and quality of monitoring and oversight activities.

Table B-1. Prior Audit Findings. This table outlines the overall assessment, internal controls and oversight and risk management for the prior audits.



Annex C—Prior Audit Recommendations




RCAF – March 2015	RCN – October 2016	CA – June 2018
<p>Develop consistent financial management guidance for the wings in order to supplement existing corporate guidance and formal departmental training and provide direction on the practical application of roles, responsibilities and authorities for high-risk financial management areas</p> <p>Develop and communicate guidance related to commitment control, specifically for low dollar value transactions, describing how these transactions will be controlled, accounted for and documented.</p> <p>Modify the reporting relationship such that the Resource Analysis and Compliance Services teams at the wings report directly to the Resource Analysis and Compliance Services team at 1 Canadian Air Division to promote the independence of the review function.</p> <p>Develop a framework that requires management to take action on recommendations made by the Resource Analysis and Compliance Services organization and to monitor these actions to increase accountability.</p> <p>Reassign the RDAO role in the Winnipeg region to avoid reporting structure conflicts between the RCAF chain of command and the financial functional authority structure.</p>	<p>Develop consistent financial management training and guidance to be delivered at the Formation level that clarifies roles, responsibilities, authorities and procedures with respect to identified areas.</p> <p>Develop and implement a risk-based approach to monitoring and oversight practices that focuses on improving financial management processes and identifying systemic issues in order to increase the effectiveness of transactional reviews performed.</p>	<p>Develop a more risk-based and consistent approach to financial management training.</p> <p>Conduct a training needs analysis by type of position that is informed by the results of monitoring activities.</p> <p>Implement CA specific financial developmental activities that supplement existing training and monitor their results.</p> <p>Streamline guidance material for ease of comprehension by users.</p> <p>Monitoring activities should be conducted more consistently, be risk-based, and be used to identify areas for remedial action, including improved training or guidance.</p>
<p> Management action plans have been completed.</p>	<p> Management action plans have been completed.</p>	<p> Management action plans have been completed.</p>

Table C-1. Prior Audit Recommendations. This table outlines the audit recommendations from the prior audits.