Canada Border Services Agency
Agence des services frontaliers du Canada

Audit of Budgeting and Forecasting

PROTECTION • SERVICE • INTEGRITY

Canada

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1.0 Introduction

1. Canadians rely on the programs and services that the Canada Border Service Agency (CBSA or the Agency) provides. The delivery of these programs and services depend on how effectively the Agency can plan, budget and forecast.
2. CBSA manages operational and capital funding of approximately $2 billion annually. A cycle of budgeting and forecasting activities is conducted throughout each fiscal year in order to manage allocated funding, meet priorities and deliver results to Canadians.
3. Key stakeholders[1] throughout the Agency involved in budgeting and forecasting processes include:
    - Chief Financial Officer
    - Planning and Resource Management Directorate (PRMD)
    - Financial Management Advisors (FMAs)
    - Cost Center Managers (CCMs)
    - Financial and Investment Management Committee (FIMC)
4. In 2019, the Agency implemented a Functional Management Model (FMM), which resulted in changes to how it manages its operations. Under the FMM, the creation of separate business lines[2] has resulted in major changes to the development of budgets and the conduct of forecasting by the three business lines and, by extension, the regions and enabling branches. Regions rely on business lines for funding delegation and priority setting. Enabling branches also receive some of their funding from business lines, who are the leads on various projects and initiatives.
5. Historically, the Agency operated under the two-year appropriation model, whereby unused funding at the end of a fiscal year was available to be used the following year. However, effective 2021-22, the Agency transitioned to a one-year appropriation model. Under this model, the Agency is only entitled to carry forward[3] up to 5% of its Vote 1 (operating budget)[4] and 20% of its Vote 5 (capital budget).[5]
6. To significantly mature its financial management posture, the Agency has taken many important steps in the last few years to improve its processes, such as refining integrated business planning and increasing governance and oversight of budgets and forecasting.

[1] Refer to Appendix B for more details.
[2] The Agency's business line branches are Travellers, Commercial & Trade, and Immigration & Enforcement.
[3] Carry forwards are eligible unspent funding, which can be brought forward to the following year.
[4] Operating (Vote 1): Amount approved for the fiscal year for the Department to spend on salary and operating expenditures.
[5] Capital (Vote 5): Amount approved for the fiscal year for the Department to spend on capital purchases or for the construction of assets.

To prepare for the one-year appropriation, additional action was also taken to actively mitigate the risk of lapsed funding.

7. Budgeting and Forecasting (B&F) has been examined in the past in various review and audit engagements[6], which found that there were opportunities to further improve B&F processes.

2.0 Significance of the audit

Current state

8. Under the previous two-year appropriation model, the Agency had $288.5 million in carry-forward amount in 2019-20,[7] and $345.5 million in carry-forward amount in 2020-21.[8]

9. Had the Agency been subject to the carry-forward thresholds of the one-year appropriation, the Agency would have required a successful re-profiling strategy or risked lapsing significant portions of its carry-forward amount at year-end ($146 million in FY2019-20 and $219 million in FY2020-21).

Transition to a one-year appropriation model

10. The transition to the one-year appropriation gives the Agency less financial flexibility than in past years, by reducing the ability to carry-forward unspent budget. This can impact the Agency's ability to deliver on its priorities, fulfill its mandate and meet its operational demands. It also requires additional oversight and intervention to anticipate and adjust for variances before year-end.

11. In order to fulfill the Agency mandate and deliver on priorities, effective financial management is required. Lapses can mean less money is available to deliver services related to border management and enforcement to ensure the public safety of Canadians.

12. Additionally, lapsed funding at year-end may hinder the Agency's ability to request additional funding in the future fiscal years. Persistent lapses may result in Treasury Board Secretariat of Canada (TBS) not approving formal re-profile[9] requests or new funding requests for programs or initiatives.

13. Given opportunities for improvement raised by previous audit and reviews,[10] and the transition to the one-year appropriation, it is critical the Agency identifies and addresses issues that might hinder its ability to accurately, efficiently and effectively plan, budget, and

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[6] Refer to Appendix C for more details.
[7] 2019-2020 Departmental Results Report: https://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/dpr-rmr/2019-2020/report-rapport-eng.html
[8] 2020-2021 Departmental Results Report: https://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/dpr-rmr/2020-2021/report-rapport-eng.html
[9] A re-profile is when the Agency would seek approval from the Treasury Board to move funds to a future fiscal year if it deems the funds will be unspent during the current fiscal year
[10] Refer to Appendix C for more details

forecast, so as to reduce potential lapses. Effective planning, budgeting and forecasting performed by branches and regions is critical in supporting decision-making and the achievement of Agency's strategic priorities and outcomes.

14. The Audit objective is to assess the adequacy and effectiveness of the B&F activities performed by branches and regions to prevent material over or underspending.

15. The audit scope and criteria can be found in Appendix A.

3.0 Statement of conformance

16. This audit engagement conforms to related Treasury Board's *Policy* and *Directive on Internal Audit* and the Institute of Internal Auditors' (IIA) *International Professional Practices Framework* (IPPF). Sufficient and appropriate evidence was gathered through various procedures to provide an audit level of assurance. The Agency's internal audit function is independent, and internal auditors performed their work with objectivity as defined by the IIA's International Standards for the Professional Practice of Internal Auditing.

4.0 Audit opinion

17. The Agency has a B&F process in place with defined roles and responsibilities and management oversight. However, the Agency may still be at risk of lapsing funding under the one-year appropriation model given root causes related to budget delegation, costing, systems and coding issues, and support from enabling services. Although increased oversight of forecasts, implemented to support the transition to the one-year appropriation, may help manage variances, addressing their root causes will better position the Agency to manage its financial risks and achieve its objectives.

5.0 Key findings

18. Roles and responsibilities are defined within various emails and call letters issued as part of the B&F process throughout the year. These roles and responsibilities are understood and executed.

19. The established B&F process is clearly documented within the B&F internal control framework. From the samples reviewed, we confirmed that both the existing and newly established[11] B&F processes are being consistently followed.

20. Within branches and regions, budget delegation is not completed with sufficient detail, resulting in challenges in developing reasonable forecasts. For the cost centres we

[11] Newly established B&F processes include those related to Integrated Business Planning and increased monitoring and oversight (to manage the one-year appropriation risks).

reviewed, key stakeholders expressed uncertainty regarding the amount of funding, when it will be delegated, and how it will be used.

21. Costing templates are not completed with sufficient detail to facilitate effective budget allocation. Some relevant stakeholders are not proactively consulted or identified during the planning phase to provide input on initial costing submissions.
22. Coding and systems issues impact the quality of the data that is relied on for budget and forecast development, increasing the potential for variances.
23. There has been a lack of consistent communication and consultation between the enabling services and CCMs on expectations and capacity to deliver on planned spending, however recent process and system changes may lead to future improvements.

6.0 Summary of recommendations

24. Budgets should be delegated to the divisional level in a clear and timely manner so that CCMs are clear on the amount, timing and purpose of the funding they can expect to receive.
25. Requirements for the coding of expenditures, including employee time, should be clearly communicated, monitored quarterly, and errors fixed promptly so that resulting data can better inform in-year forecasts and future budget allocation.
26. Pay system issues should be prioritized and addressed to improve the reliability and timely availability of accurate financial information related to salary expenditures in support of forecasting activities.

7.0 Management response

Overall the Vice-President, Finance and Corporate Management Branch (FCMB) agrees with all three recommendations of the internal audit engagement and will continue to invest in strengthening the discipline of budget delegation and financial forecasting within the CBSA. With the change to a true annual appropriation, more rigour is needed in the development of timely and accurate forecasting. As salary is a large piece of the spending of the Agency, the Human Resources Branch is taking a key leadership role in advancing processes, systems and guidance to address the pay administration related issues raised in the audit. The Agency, led by the FCMB (the functional authority), will further mature the budgeting and forecasting discipline by developing and strengthening the financial management advisors' roles and functions within the CBSA.

8.0 Audit findings

Activities and processes in the branch and regions

27. Well-defined and communicated processes support Cost Centre Managers in executing their responsibilities related to budget development and adjustment, as well as forecast maintenance and delivery. They also guide the oversight and monitoring of the Agency's on-going financial position. We assessed whether clear B&F processes are defined and followed.
28. In general, B&F processes are clearly documented in the B&F internal control framework. The framework was assessed by the Agency's internal control group in 2020 and recommendations were made to improve some of the B&F processes. Despite the recommendations, this audit identified similar issues indicating that improvements are still required.
29. The Planning and Resource Management Directorate (PRMD), in their role as the functional lead of budgeting and forecasting, provide guidance on various elements of the B&F process. Examples of this process guidance include quarterly email reminders and instructions issued to CCMs for key elements of the B&F process, as well as updating and maintaining financial guidance for the Integrated Business Planning process.
30. To manage the transition to a one-year appropriation, new processes were implemented in FY2021-22. One example includes the additional frequency of executive oversight over forecasts. The B&F control framework was updated as of early 2020, and does not yet document these new elements of the process.
31. For the most part, we found that the processes, including newly established elements, were being consistently followed in the samples we reviewed.
32. Cost centre managers have developed their own sub-processes to meet the demands of the agency-wide processes, in collaboration with their FMAs as well as Branch Planning Management Unit/ Resource Management Unit (BPMU/RMUs) where available in their branch or region. For example, while each branch and region delivers a Financial Situation Report on a quarterly basis, they each had unique processes to gather, consolidate and analyze the results to develop the financial situation report.
33. For the most part, processes were defined, understood and adhered to, which reduces the risk of potential budget and forecast variances.

Roles and responsibilities

34. The audit focused on whether the roles and responsibilities of key stakeholders were defined and understood.
35. Roles and responsibilities were often defined in various emails and call letters issued as part of the B&F process throughout the year. For example, PRMD issues quarterly financial forecasting emails to Vice-Presidents (VPs) and Regional Director Generals (RDGs), which outline the roles and responsibilities for CCMs related to forecasting processes that they are expected to conduct that quarter. The emails also include

information on supplementary guidance to support CCMs in the delivery of their responsibilities.

36. We found roles and responsibilities documented for various stakeholders across the Agency. These stakeholders include:
    - Cost Centre Managers (CCMs) – accountable for identifying funding and resource requirements to feed the development of budgets and inform in-year forecasting activities, as well as recording expenditures as incurred by their cost centres.
    - Financial Management Advisors (FMAs) – support CCMs in conducting and reporting on their financial management responsibilities, including contributions to budget and maintenance of forecasts. Additionally, FMAs and regional finance and resource management units also provide on-going challenge function to support CCMs B&F activities.
    - Enabling Services – Agency functions that provide internal services to CCMs, facilitating the delivery of planned expenditures (staffing, procurement, information technology (IT), etc.).
    - Additional stakeholders and their roles are included in Appendix B.
37. In general, our sample of stakeholders interviewed demonstrated they understood and were carrying out their respective B&F roles and responsibilities.
38. For the most part, roles and responsibilities were well defined and assisted key B&F stakeholders to understand and execute what was expected of them.

Variance root causes

39. The audit sampled 10 cost centers to better understand and identify root causes of budget and forecast variances. These root causes resulted from factors that are both within and outside of the Agency's control.
40. Factors outside of Agency's control – Unexpected events are inherent to the B&F process and may impact activities that drive costs (hours of overtime, number of removals, expected detention days, etc.). During the scope period, the impact of unexpected events on estimates and assumptions (COVID-19, etc.) was identified by CCMs as one of the main root causes of variances.
41. Factor's within the Agency's control – Several root causes within the Agency's control were identified by the CCMs, these include:
    - budget delegation
    - costing templates
    - coding and systems issues
    - support from enabling services

42. In addition to contributing to budget and forecast variances, these root causes impede the challenge function. FMAs and regional finance and resource management units, who are responsible for exercising the challenge function at various stages of the B&F processes to support CCMs, rely on the integrity and accuracy of the data, information and assumptions used to inform the budgets and forecasts. For example, where expenditures are miscoded or not coded with sufficient accuracy, the data used in conducting the challenge function is unreliable, limiting the conclusions and advice that can be provided.
43. Addressing these root causes should help minimize variances and may allow for a more robust challenge function.
44. The variance root cause findings are covered in more detail in the next sections.

Budget delegation

45. It is important that budgets are delegated in a timely and detailed manner to support CCMs in planning, forecasting and spending resources in order to achieve priorities.
46. Each fiscal year, branches and regions are provided with a 3-year notional budget. Updates to the budget are communicated each quarter through the Quarterly Budget Delegation Letter, summarized by branches and regions at the VP/RDG level.
47. The quarterly budget delegation letter and other guidance materials highlight the responsibility for the functional leads or accountable Office of Primary Interest (OPIs) to allocate the budget or initiate budget transfers in a timely manner.
48. Further delegation to the specific cost centre level for spending must be made within each branch or project to mobilize the specific resources to deliver on priorities.
49. At the cost centre level, some CCMs and FMAs identified there is uncertainty around the amount or timing of the funding to be delegated to their level and/or the expectations on what it is meant to be used for.
50. This was evident not only in all regions sampled (as they are dependent on business lines for funding delegation and priority setting), but also amongst supporting functions (i.e. Information, Science and Technology Branch) as they rely on detailed allocation to effectively delegate funding to deliver on the various initiatives which they support.
51. Regions and branches highlighted delays in receiving project funding (asylum/irregular migration, etc.) and uncertainty of the amount to be transferred to them, which resulted in delays with hiring, procurement and planned work.
52. CCMs also highlighted concerns with a lack of clarity on when to use A-base[12] or B-base[13] funding. PRMD have raised this issue at governance meetings, including the tendency of

[12] A-base – Permanent and on-going funding received by the Agency to conduct its program activities, and does not sunset, which includes ongoing project funding once Gate 7 has been completed.
[13] B-base – Temporary funding received by the Agency for a specific project/initiative that is managed through a special purpose allotment. This funding has a sunset timeframe attached.

cost centres to prioritize A-base spending before B-base spending, despite perpetual shortages of A-base and surpluses of B-base assigned for a given fiscal year.

53. Due to this lack of detail in communicating specifics, such as amount, timing and purpose broken down to their level, CCMs have expressed challenges with developing and delivering on forecasts.

54. A lack of timely or detailed budget delegation at the appropriate level may impede the ability of cost centres to plan, forecast and spend resources effectively. Sufficiently detailed budget delegation, communicated down to the cost centre level will allow cost centres to integrate delegated funding within their forecasts, and plan activities and resources accordingly, decreasing the potential for variances.

Recommendation 1: The VP, FCMB, should revise the Quarterly Budget Delegation process to require VPs and RDGs to delegate branch/regional in-year and multi-year budgets down to the cost centre level in a timely manner, the completion of which should be validated by FMAs within the branch/region.

Management response: The VP, Finance and Corporate Management Branch (FCMB), agrees with this recommendation, as it is consistent with internal assessments. More specifically, the Planning and Resource Management Directorate (PRMD) recognizes the particular cost centre manager (CCM) concerns raised in delegating budgets from offices of primary interest (OPI) to offices of collateral interest (OCI) for temporary funding – projects and initiatives. Current business process is being reviewed to identify opportunities for improvement and in consultation with stakeholders, an action plan will be established.

Completion date: April 2025

Costing

55. Costing input from all relevant stakeholders is needed to support the development of accurate budgets and to inform future budget delegation.

56. OPIs develop the initial project/initiative costing, which is reviewed and approved by the oversight body (TBS, FIMC, etc.). The approved costing informs budget development which provides the basis for forecasting and monitoring actual costs against estimates. Subsequent costing adjustments must be re-submitted for approval to the oversight body.

57. The Quarterly Budget Delegation Letter issued by PRMD states that OPIs are responsible for the distribution of funding to the Office of Collateral Interest (OCIs), which is based on the costing template[14] for the TBS approved submission or an internally funded initiative, as well as any subsequent re-profile requests.

[14] Costing template refers to the formal costing submission that accompanies the formal request for approval of a new initiative. This costing template, once approved, serves as the basis for the future budget allocation throughout the lifespan of that initiative.

58. Budget delegation to relevant project stakeholders is based on initial costing templates, which are not completed with sufficient detail (to whom funding should be allocated, at what level, what amount, etc.).
59. For example, the Dynamic Risking project sample stated that amounts included in the costing templates did not include sufficient detail on how the amount was derived (i.e. estimates used), to who and how it is intended to be allocated among implicated stakeholders. This lack of detail impedes their ability to spend accordingly.
60. CCMs expressed that the dynamic nature of a project and associated costs is a contributor to budget and forecast variances. This often occurs because funding is delegated based on the approved project costing, which may no longer be reflective of current realities.
61. For example, the Guns & Gangs approved project funding included budget for the purchase of equipment. However, when the time came to purchase the equipment, the supplier no longer had the capacity to produce the quantity that was needed, which resulted in a variance.
62. In general, some relevant stakeholders feel that they are not proactively consulted or identified during the planning phase to provide input on initial costing submissions.
63. For example, Information, Science and Technology Branch highlighted that their spending needs are not accurately reflected in various initiative costing due to lack of consultation. This leads to challenges with spending in alignment with expectations, resulting in variances.
64. Without clear and sufficiently detailed project budgets, CCMs may not be able to deliver on committed priorities, increasing the potential for lapsed funding or significant adjustment (i.e. formal re-profile requests).
65. We did not assess the costing process and/or templates given the scope of this audit. While elements of this process have been covered in other projects and reviews (refer to Appendix C), management should consider a more in-depth review of costing processes and templates.

Coding and systems issues

66. Relevant and quality information is the basis for making reasonable estimates and assumptions as well as for effective decision making, resulting in reasonable budgets and forecasts.
67. For the purposes of developing and monitoring forecasts, data on actual expenditures is pulled from the Corporate Administrative System (CAS), Salary, and Operations and Maintenance (O&M). CAS data and salary information that is processed in Phoenix feeds financial data and reports, which influence plans and forecasts.
68. As they occur, expenditures should be coded to the appropriate cost centre, work breakdown structure (WBS), and general ledger (GL). If expenditures, including time spent

completing work, are not accurately coded, CCMs may experience variances because their budgeting and forecasting estimates will be based on unreliable/inaccurate data.

69. To develop their forecasts, cost centres must base estimates and assumptions on available data. This data is not always reliable due to inconsistences and inaccuracies resulting from system issues and the way data is coded.

Salary system

70. FMAs and CCMs reported that data from the salary systems (CAS and Phoenix) does not always capture actual expenditures accurately or in a timely manner. This results in unreliable data being used for forecasts.
71. Issues raised during the audit include reconciling actual pay data between CAS and Phoenix, system errors and year-end adjustments.
72. Given that salary accounts for approximately 70% of the total expenditures in a year, challenges in forecasting due to system issues have the potential to lead to significant variances.
73. Pay system issues have been continuously highlighted in other reports over the last several years (refer to Appendix C). However, they are yet to be sufficiently addressed, continuing to impact the integrity of the financial information in the systems used for decision-making and reporting purposes.

Recommendation 2: The VP, FCMB, should work with the VP, HRB, to prioritize and deliver solutions to address pay system and reconciliation issues, and/or implement mitigating measures to improve the reliability and timeliness of related financial data.

Management response: Agreed. The VP, Finance and Corporate Management Branch (FCMB) will work with the VP, Human Resources Branch (HRB) to identify the root causes and develop a plan to improve the reliability and timeliness of salary expenditures data.

Completion date: October 2023

Coding

74. The coding of expenditures, which is used to generate actual costs (including salary and O&M spending) is performed inconsistently throughout the Agency.
75. We identified concerns related to coding in the sample of cost centers reviewed (coding done to wrong general ledger account or Work Breakdown Structure, project salaries being coded to base rather than project funds, expenses not properly identified and miscoded to the wrong cost centre).
76. Flaws resulting from miscoded expenditures and/or using inaccurate data due to systems issues increases the risk of poor decision-making. Individuals responsible for performing a challenge function, such as FMAs, are performing their work using data that is not always

accurate. Addressing these root causes should help minimize variances and may allow for a more robust challenge function.

Recommendation 3: The VP, FCMB, should ensure that accountable VPs and RDGs in collaboration with their respective FMAs:

a) communicate coding requirements early on
b) review actual expenditures quarterly and validate that actuals are coded appropriately (the correct base, Work Breakdown Structure, etc.)
c) correct coding errors in a timely manner

Management response: The VP, Finance and Corporate Management Branch (FCMB), agrees with this recommendation, and will start a wide consultation with VPs and RDGs to ensure that coding expectations are communicated and understood in a timely manner and, as a result, the need for coding changes is reduced and needed changes are done on a quarterly basis instead of at fiscal year-end. Current business processes for both salary and O&M will have to be reviewed and will need to identify opportunities for improvements in consultation with stakeholders. This recommendation is closely related to Recommendation 2. The results in addressing Recommendation 2 will have a direct impact on this recommendation as the systems processes, inputting decisions and errors all impact the accuracy of data.

Completion date: October 2023

Support from enabling services

77. Cost centres rely on enabling services to support them in delivering on planned expenditures, including planned staffing and planned O&M. Enabling services include functions such as staffing, procurement, and IT.

78. Collaboration and communication between cost centres and enabling services is essential to adapt service delivery to changes in plans and priorities and prevent large variances.

79. Staffing is one of the key services that drives spending of salary dollars, which accounts for an average of 70% of the Agency’s total spend each year. Other enabling services including procurement, IT, accommodations, etc. contribute to the remaining 30%, attributable to O&M. The following chart compares salary and O&M budgeted expenditures and actual spent for the last two fiscal years.

Total expenditures (in millions)

		Budget	Actual
FY2019-20	O&M	646	582
	Salary	1516	1310
FY2020-21	O&M	821	607
	Salary	1496	1375

80. CCMs develop staffing, procurement and IT plans as part of the forecasting process based on the initial budget they receive annually, updated to include any supplementary funding received in-year.
81. During interviews conducted in the planning and examination phase, all cost centres sampled identified delays with executing on planned staffing and/or procurement, and have historically contributed to budget and/or forecast variances. As such the audit focused on staffing and procurement as two of the major enabling services that impact budgets and forecasts.
82. Communication between the enabling services and CCMs on expectations and capacity to deliver is an area where all stakeholders wanted to see improvement.
83. CCMs and FMAs acknowledged an improvement in their interactions and collaboration with HRB with regards to clearer expectations, timelines and feedback on planned staffing requests.
84. In FY2021-22, Staffing implemented a new “HR-Finance” (HR-FIN) Integrated Exercise, which promotes consultations between the HRB, FMAs and CCMs on planned HR activities, including analysis of planned staffing in the salary forecasting tool. This exercise aimed to allow HRB to identify concerns with staffing plans (capacity to deliver, timelines, etc.) so that CCMs can update forecasts and plan accordingly.
85. No service standards or timelines for the completion of staffing or procurement actions were in place during FY2019-20 or FY2020-21. Service standards would allow CCMs to more accurately estimate costs when developing their plans and forecasts.
86. During FY2021-22, Staffing developed a new tool for CCMs to support their salary forecasting activities. This tool includes an appendix, which outlines timelines for specific classification and staffing actions to guide CCMs in forecasting planned staffing with reasonable timelines.
87. At the end of 2021, procurement launched SAP Ariba, a new system intended to provide clients with an automated process designed to make procurement faster and easier.
88. As many of these new processes and tools were implemented during the conduct of the audit, we were not able to assess the extent to which they will mitigate the risks to budget and forecast variances.

89. Communication and collaboration between CCMs and enabling services is critical to effectively use resources to achieve objectives. It is important that enabling services clearly articulate any constraints around their service delivery (expected timelines, capacity limitations, etc.) so that CCMs can align plans accordingly. More time is needed to realize the benefits of the newly implemented staffing and procurement solutions on budget and forecast management.

Appendix A – About the audit

Audit objective and scope

The audit objective was to assess the adequacy and effectiveness of the budgeting and forecasting activities performed by branches and regions to prevent material over or underspending.

The audit scope covered April 2019 to October 2021.

The audit examined:

- Processes related to B&F performed by branches and regions through their directorates and project OPIs/OCIs, including the maintenance of the budget and forecast throughout the year.
  - This included identifying potential lapses or overspending in a timely manner and taking action to re-allocate funds and submit re-profiling requests;
  - Oversight of budget estimates and assumptions as well as periodic forecasts by branches or regions and FCMB; and
  - RCMs submitting timely information to enabling functions (Human Resources, Procurement, IT, etc.) and receiving timely support from them to meet budgeted commitments.
- Timely communication between all key stakeholders including internal and/or external stakeholders, as required for the development of budgets and forecasts.
- Analyzed branches, regions and/or projects with lapses and/or over spending from fiscal years 2019-20, 2020-21.
- Reviewed activities performed between the period April 1, 2021 to October 30, 2021 to support the transition to the one year appropriation model.

Given the work undertaken over the last several years related to B&F, the scope excluded the following work done by FCMB as the functional lead of B&F at the Agency:

- Development of tools and templates by RMD.
- Elements of the process managed by FCMB (ARLU, notional budget, call letters, roll-up of branch and regional Financial Situation Reports for committee, etc.).
- Integrated Business Planning processes beyond the development of the initial budget.

Due to limitations surrounding the COVID-19 pandemic, there was no planned travel during this audit. However, various branches and regions were contacted for interviews and/or documentation.

Risk assessment

A preliminary risk assessment was conducted to identify areas of highest risk and to prioritize the areas of focus for the audit. This assessment was based on interviews with key stakeholders, review of relevant documentation, and walkthroughs of the budget allocation and forecasting processes and systems. As a result of this assessment, the following key risks related to the B&F were identified and used to develop the audit objective, scope and criteria:

- B&F processes may not be implemented and executed to effectively and efficiently manage financial resources;
- Responsibility Centre and Project Managers may not receive timely support from enabling functions to meet their budgeted commitments (i.e. Human Resources, procurement, IT);
- Communication may not occur promptly and transparently with internal stakeholders to support effective development of budgets and timely and accurate forecasting activities;
- Branch and regional budgets and forecasts (including base and project funding) may be developed based on unrealistic assumptions and estimates, and without sufficient verification or challenge to determine their reasonableness; and
- Responsibility Centre Managers may not have adapted processes required to adjust to the one year appropriation model or may not be flexible in the development of their budgets and forecasts to ensure success in meeting the Agency's financial objectives.

Approach and methodology

The examination phase of this audit was performed using the following approach:

- Review of documentation related to the B&F processes;
- Interviews with various individuals involved in B&F processes in the branches and regions;
- Walkthroughs of B&F systems and sub-processes;
- Analytical procedures and analysis of data from the Agency's B&F systems; and
- Testing a sample[15] of regional and branch budgets and forecasts, including base and project funding to assess whether key elements of the process were followed and to understand the root cause of budget and forecast variances.

Audit criteria

The following lines of enquiry and audit criteria were developed in alignment with the *Committee of Sponsoring Organizations of the Treadway Commission* (COSO) Principles of Effective Internal Control and also to take into consideration elements of the Treasury Board's *Policy on Financial Management.*

Line of enquiry 1: B&F activities in the branches and regions

Audit criteria:

[15] The internal audit team selected cost centers by analyzing budget variances and forecast variances and identifying those who were, in a surplus variance position, in a deficit variance position; or were on-par.

- 1.1 Branches and regions develop annual budgets in adherence to established processes.
- 1.2 Branches and regions use valid and accurate information to develop and manage forecasts in adherence to established processes.
- 1.3 Branches, regions and enabling services plan and collaborate to effectively manage workload and deliver on budgeted commitments.

Line of enquiry 2: Communication

Audit criteria:

- 2.1 Relevant information is shared on a timely basis amongst key stakeholders to support the development of accurate budgets and forecasts.

Appendix B – Stakeholders

Planning and resource management directorate (PRMD) – Manage and lead the budgetary allocation and forecasting processes within the Agency.

Cost centre managers (CCMs) – Accountable for identifying funding and resource requirements to develop budgets and inform in-year forecasting activities, as well as recording expenditures as they are incurred by their cost centres (includes program, project and initiative leads).

Financial management advisors (FMAs) – Support CCMs in conducting and reporting on their financial management responsibilities, including contributions to budget and maintenance of forecasts. FMAs report to FCMB.

Branch planning and/or resource management units or regional finance (BPMU / RMU) – Specific units[16] that provide financial and strategic advice and support and report to leads (VPs, RDGs[17]).

Office of primary interest (OPI) or functional lead – Branch and/or RDG specifically assigned with responsibility and accountability to manage and deliver on a project or initiative outcome; also responsible for distributing funding to the OCIs and for monitoring the progress in delivering results.

Office of collateral interest (OCI) – Branch and/or RDG who is implicated in or associated with the performance and/or production of a project/initiative outcome.

Enabling services – Agency functions that provide internal services to CCMs, facilitating the delivery of planned expenditures (staffing, procurement, IT, etc.).

Financial and investment management committee (FIMC) – Executive governance body responsible for providing oversight of the CBSA's financial management, including quarterly review of the Agency's financial situation, which details progress against budgets and forecasts.

[16] The extent to which these units exist or are involved in B&F activities varies across all areas.
[17] Regional Directors Generals are responsible for managing the operational service delivery of the three functional branches within their respective region on behalf of the Vice-Presidents.

Appendix C – Previous audits and reviews

The challenges identified in this report have been raised over the years in other reports and at Agency governance discussions. Since these items remain as on-going risks causing budget and forecast variances, previous corrective actions may not have been sufficient to address the issues. Some of the audits and reviews that highlighted the issues include:

- **Internal Audit and Program Evaluation Directorate's Internal audit of compensation processes and controls (2021):**[18] The audit found that the systems used in the HR-to-Pay process do not always facilitate the end-to-end process without errors. However, the Agency does not own CAS or Phoenix, as such it can only raise concerns to the relevant systems owners, while internally identifying and monitoring discrepancies with the HR data.

- **Assessment of pay administration (2021):** This external assessment identified the following challenges impacting the accuracy of the salary expenditures data within CAS and Phoenix:
    a) data integrity issues
    b) salary system issues, and
    c) lack of an accountable stakeholder responsible for the end-to-end process oversight of pay administration,[19] hindering process integration and coordination to address challenges

- **Internal control's (FCMB) evaluation of the B&F financial control framework (2020):** The evaluation had observations related to the following:
    a) the budget being allocated based on prior year results instead of against current year strategic plans and upcoming operations
    b) insufficiently detailed costing templates with limited understanding and oversight, and
    c) poor salary forecasting related to systems issues

- **Internal Audit and Program Evaluation Directorate's Internal audit of project management (2020):**[20] The audit found the following issues would have an impact on the B&F processes :
    a) there were delays in entering time sheets and incorrect coding of work done
    b) delays in salary reporting

[18] Internal Audit and Program Evaluation Directorate's Internal Audit of Compensation Processes and Controls – https://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/ae-ve/2021/menu-eng.html
[19] Roles and responsibilities are outlined in the Guideline on Financial Management of Pay Administration – https://www.tbs-sct.canada.ca/pol/doc-eng.aspx?id=17065
[20] Audit of Project Management: https://www.cbsa-asfc.gc.ca/agency-agence/reports-rapports/ae-ve/2020/pm-gp-eng.html#s6

c) possible understatement of costs
d) failure to account for project interdependencies, and
e) limited consultation/timely engagement with FMAs and internal service providers

- **Internal Audit and Program Evaluation Directorate's Review of the functional management model (2020):** The review team advised that RDG, Business Line VP and DG roles and responsibilities related to operational and financial decision-making, and management of in-year budget – i.e. allocation/re-allocation processes and authorities – need to be revised.

Appendix D – List of acronyms

B&F	Budgeting and Forecasting
CAS	Corporate Administrative System
CBSA	Canada Border Services Agency
CCM	Cost Center Manager
FCMB	Finance and Corporate Management Branch
FIMC	Financial and Investment Management Committee
FMA	Financial Management Advisor
FY	Fiscal Year
HRB	Human Resources Branch
IT	Information Technology
O&M	Operations and Maintenance
PRMD	Planning and Resource Management Directorate
RDG	Regional Director General
TBS	Treasury Board Secretariat of Canada
VP	Vice-President