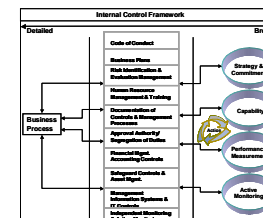


Environment Canada Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



Environment Canada

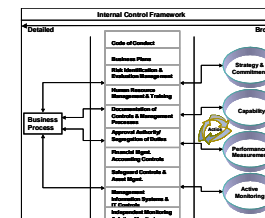
Financial Management Roles and Responsibilities in Relation to the Internal Control Framework (ICF)

Complementary Departmental Policy Document to:

- **Guidance for Deputy Ministers** - a Framework of Expectations for DM's
<http://www.pco-bcp.gc.ca/default.asp?>
- **Management Accountability Framework (MAF)** – Guidance on Control
http://www.tbs-sct.gc.ca/maf-crg/index_e.asp

Final Draft - Version 2c
February 17, 2003
(Updated to July 2003)

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



Financial Management Roles and Responsibilities in Relation to the Internal Control Framework (ICF)

Final Draft - February 2003

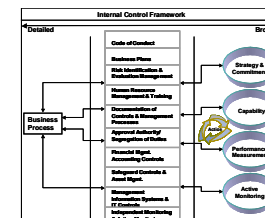
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(Updated to July 2003)

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EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



1 Financial Management Roles and Responsibilities - Introduction

This governance instrument identifies the financial management roles and responsibilities in relation to the Internal Control Framework (ICF) ¹. This document has been structured to reflect specific responsibilities relative to the three main components of the ICF, being:

- the Control Environment;
- Organizational and Procedural Controls; and
- Internal Controls at the Business Process level.

The financial management roles and responsibilities have been designed to provide guidance to the executive and managers respecting their financial management accountabilities relative to the ICF, and is intended for all departmental staff members, especially those with budgetary responsibilities.

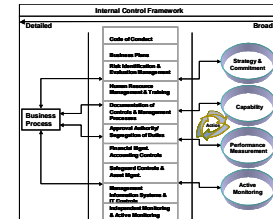
This document is to be used by managers and applied to all transactions that have a financial impact within the department. Financial management responsibilities are linked directly with the departmental ICF at all three levels which identifies tasks, roles and responsibilities as applied to financial management accountabilities. It is noted that these responsibilities are strictly related to financial management and budgetary responsibilities, and do not include the broader roles and responsibilities identified in human resource standards related for example to: leadership of human resources; job content knowledge application; or communications. For purposes of this document, **Financial Managers** refer to personnel dedicated to financial tasks, and who report directly or functionally to the Director General, Corporate Finance. **Program Managers** refer to Managers at all levels within Environment Canada, in Regions and Business Lines, and include personnel assigned with financial duties.

With particular reference to **Program Managers**, the Executive Management Board (EMB) approved the matrix structure to describe a key component of the Management Framework for the department. In this form of leadership, EMB articulated that there are three forms of leadership; horizontal, functional, and vertical.

Horizontal and functional leaderships provide the context in which vertical leadership is exercised.

¹ Internal Control Framework - Final version 1c as at March 2002 - Environment Canada

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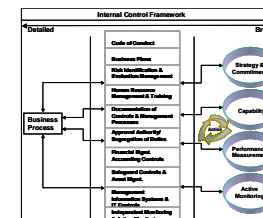
For purposes of financial management roles and responsibilities, it is instructive to recognize that *Program Managers* fall into three distinct forms of leadership, consistent with the three dimensional matrix management framework.

Since leadership / management is about authority, responsibility and accountability, financial management responsibilities need to be consistently applied within the departmental matrix management framework and within the context of financial management roles and responsibilities for:

- **Authority** – is the power to make certain decisions and/or perform certain tasks within defined limits.
- **Responsibility** – is the duty to perform certain tasks
- **Accountability** – is the obligation to answer for the performance of responsibilities. To be held accountable, an individual must be provided with the authority, the resources and responsibility for a task, output or result.

Authority and responsibility can be delegated, but accountability cannot.

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2 Financial Management - Key Principles

Financial management is the responsibility of everyone in the organization. In carrying out their duties, all managers are responsible for considering the financial implications of their actions and for managing their resources in a cost-effective way. All accountable managers have the responsibility to manage Appropriated resources with prudence, probity and due regard to economy, efficiency and effectiveness.

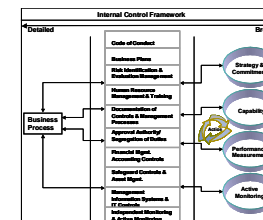
Financial management is an integral component of what **Financial and Program Managers** do in delivering programs and services and exercising stewardship over the resources entrusted to them. It also means that the department has a system of internal controls over assets, liabilities, revenues and expenditures to protect against fraud, financial negligence, violation of financial rules or principles and losses of assets, as articulated in the ICF.

In accordance with the Office of the Auditor General of Canada (OAG), the following principles of Financial Management represent the fundamental underpinnings of sound financial management roles and responsibilities:

- **Risk management and control.** It is an essential role and responsibility of managers to identify the risks they face and that they utilize a control framework designed to manage and control those risks. An essential part of risk management and control is an environment that communicates the purpose, values and ethics of the organization;
- **Information.** It is an essential role and responsibility of managers to establish procedures to manage and protect the integrity of departmental information and to produce, on a timely basis, the type of information needed to conduct their business and account for their responsibilities. This element includes management of information systems and financial and non-financial (operational and program) performance information; and
- **Management of resources.** It is an essential role and responsibility of managers to focus on managing and directing the organization's human, technical, physical and financial resources economically and efficiently to achieve corporate objectives. This includes strategic planning, analysis and support for decisions.

Financial Management roles and responsibilities work in concert with other important components of the department's management framework and governance structure, and these essential components of financial management integrate with all other elements of sound management and modern comptrollership.

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3 Integration of Financial Roles and Responsibilities with Modern Management

ICF related financial management roles and responsibilities have been designed to provide the Deputy Minister (DM) and the Senior Financial Officer (SFO) with assurance that a system of internal controls and accountabilities is in place to support the effective and efficient utilization of Parliamentary Appropriated resources.

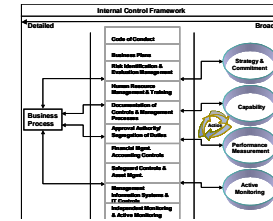
An essential responsibility of the DM and SFO is to confirm, in the annual Statement of Management Responsibility, that management is accountable for the preparation and disclosure of departmental financial statements, and to provide assurance that a system of internal controls is in place for the reliable stewardship of Parliamentary Appropriated resources in accordance with the Financial Administration Act (FAA).

The financial management roles and responsibilities have also been designed to support Environment Canada's modern management and active monitoring initiatives, and include an Assessment Mechanism to help managers perform their duties. Managers at all levels have a financial management responsibility and a duty to account for their performance in this regard. With these mechanisms in place, the DM and SFO can then ascertain the level of compliance and determine the appropriate levels of assurance regarding their overall financial management responsibilities under the FAA.

Financial management roles and responsibilities also support the EC Financial Directives Manual, EC Financial Signing Authorities instrument, and the TBS Financial Officers Standard, which ensures that this document will remain relevant and consistent with EC and TBS standards on an evergreen basis. The development of these responsibilities was also based upon research and best practices as recommended by national and international standard setting bodies ².

² Several standards represent a body of knowledge for FMR&R for Financial and Program Managers, including: • TBS Financial Officers Standard - 2000 • Financial Administration Act (FAA) • EC FIS Policies • TBS Comptrollership Policies • TBS Policy on Active Monitoring - 2001 • TBS Integrated Risk Management Framework - 2001 • OAG Financial Management Capability Model (FMCM) - 1999 • TBS Modernization of Comptrollership initiative • EC Financial Directives Manual and Financial Signing Authorities - as updated to 2002 • EC Guide on Financial Management Accountability Framework -1995.

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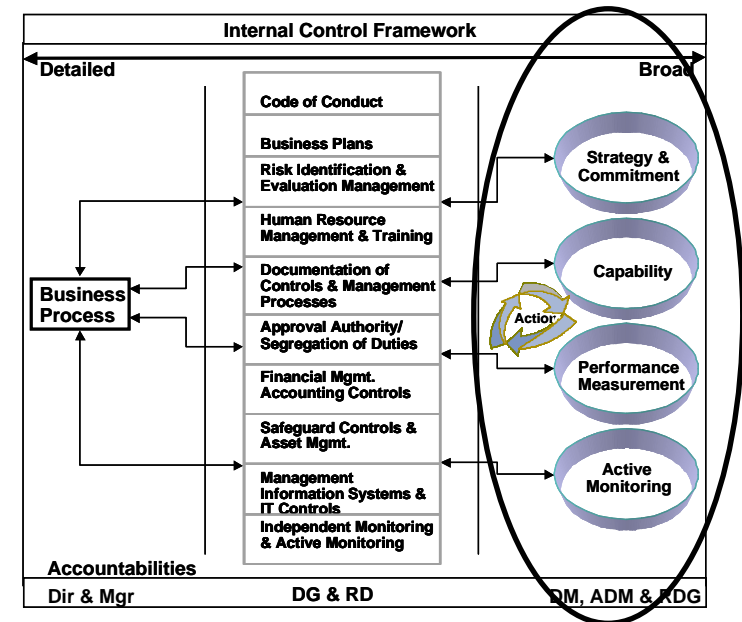
4 Control Environment Level of the ICF - DM, SFO, ADM's & RDG's

Utilizing a broad perspective, the Control Environment establishes the organizational climate for ensuring that effective controls are developed and implemented to assist management in the achievement of the organization's objectives.

Since control comprises all the elements of an organization, (including its resources, systems, processes, culture, structure and tasks), the control framework thus supports people in the achievement of the organization's objectives. Therefore, control is effective through action, to the extent that it provides reasonable assurance that the organization will achieve its objectives reliably.

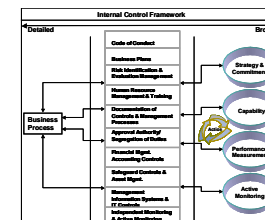
Financial management roles and responsibilities at the Control Environment level are critical for an effective internal control system, which sets out the roles, responsibilities, accountabilities and supporting systems of controls for executive management, senior management and all other personnel.

Executive management should define the process to be adopted for its review of the effectiveness of internal control. This should encompass both the scope and frequency of the reports it reviews during the year, and also the process for its annual assessment, such that it will be provided with sound, appropriately documented, support for its statement on internal control in the organization's Annual Report and Public Accounts.



A review of the effectiveness of internal control is an essential part of the executive management control accountabilities and responsibilities, where: executive management will need to form its own view on effectiveness after careful enquiry based on the information and assurances provided to it; and **Senior management** is accountable to the executive for monitoring the system of IC and for providing assurance that it has done so.

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



The **DM, SFO and the Executive** (DM, ADM's and RDG's) have the following ICF financial management roles and responsibilities to ensure that that system of sound financial management and controls are in place in the department:

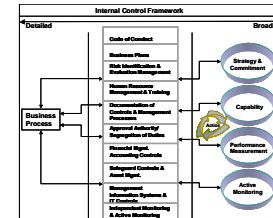
Strategy & Commitment – Roles and Responsibilities:

- understand the major risks run by the organization, set acceptable levels for these risks and ensure that senior management takes the steps necessary to identify, measure, monitor and control these risks;
- assess the effectiveness of the related system of internal control in managing the significant risks, having regard to any significant failings or weaknesses in internal control that have been reported;
- consider whether necessary actions are being taken promptly to remedy any significant failings or weaknesses;
- consider whether the findings indicate a need for more extensive monitoring of the system of internal control; &
- ensure effective channels of communication exist to ensure that all personnel fully understand and adhere to policies and procedures affecting their duties and responsibilities, and that other relevant information is reaching the appropriate personnel.

Capability – Roles and Responsibilities:

- ensure that an appropriate control structure is established, with control activities defined at the Business Line level;
- ensure that mechanisms are established for: top level reviews; appropriate activity controls for different Business Lines and Directorates; physical controls; checking for compliance with financial management regulations and follow-up on non-compliance; a system of approvals and authorizations; and, a system of verification and reconciliation;
- ensure an assessment mechanism is in place to cover all risks facing the organization (including financial risk, operational risk, asset and liability management risk, legal risk and reputational risk); and
- ensure that internal controls are revised to appropriately address any new or previously uncontrolled risks.

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Performance Management – Roles and Responsibilities:

- ensure that there is adequate and comprehensive internal operational, financial, and compliance information, as well as external information about events and conditions that are relevant to decision making. Information should be reliable, timely, accessible, and provided in a consistent format;
- ensure that appropriate segregation of duties are in place and that personnel are not assigned conflicting responsibilities. Areas of potential conflicts of interest should be identified, minimized, and subject to careful, independent monitoring; and
- ensure that reliable information systems are in place that cover all significant activities of the organization. These management information systems, must be secure, monitored independently and supported by adequate contingency arrangements.

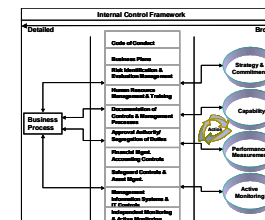
Active Monitoring – Roles and Responsibilities:

- ensure that key risks are monitored on an ongoing basis as part of the daily activities of the organization, as well as periodic evaluations by the Business Lines, Directorates and internal audit;
- ensure that there is an effective and comprehensive internal audit of the internal control system carried out by operationally independent, appropriately trained and competent staff. The internal audit function, as part of the monitoring of the system of internal controls, should report directly to Executive management; and
- ensure that internal control deficiencies, whether identified by Business Line, Directorate, internal audit, or other personnel, are reported in a timely manner to the appropriate management level and addressed promptly.

It is important to note that the Clerk of the Privy Council and the Secretary of the Treasury Board recently issued guidance on accountability and control, including:

- **Guidance for Deputy Ministers** - a framework of expectations for DM's - <http://www.pco-bcp.gc.ca/default.asp?>
- **Management Accountability Framework (MAF)** – http://www.tbs-sct.gc.ca/maf-crg/index_e.asp

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5 Organizational and Procedural Control Level of the ICF - DG's & RD's

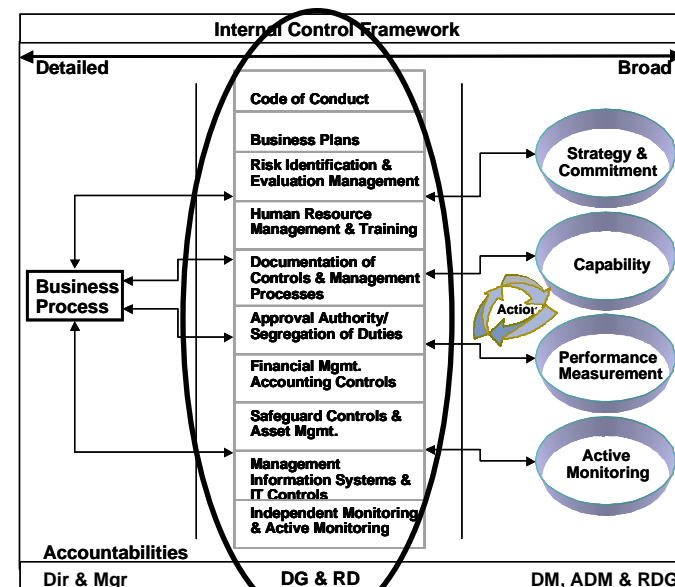
A key management responsibility is the breadth, scope and effectiveness of the department's organizational and procedural controls, without which the stability and soundness of the department would be at risk.

Organizational and Procedural Controls are required to support the internal control environment to ensure that:

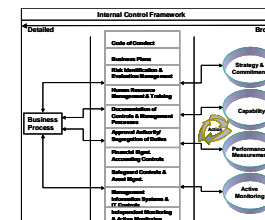
- mechanisms and arrangements are in place to identify internal and external risks to which the organization is exposed;
- appropriate and effective internal controls are developed and implemented to soundly and prudently manage these risks; and
- reliable and comprehensive systems and business processes are in place to appropriately monitor the effectiveness of these controls.

Although the DM is ultimately accountable for the institution's organizational and procedural controls, it is senior management, through **RDG's, DG's, and RD's** who ensure:

- the integrity of IC's is maintained by setting an operational tone of respect for the priority and integrity of the IC's in the department;
- the control consciousness of individuals who develop, administer and monitor the controls; and
- an effective management team is established that:
 - bears specific responsibility for the development and implementation of particular organizational and procedural controls;
 - is aware of their responsibilities;
 - discharges these responsibilities in a pro-active diligent manner;
 - is accountable to the Executive and DM regarding the performance of these responsibilities; and
 - meets regularly to review their responsibilities and performance with respect to controls.



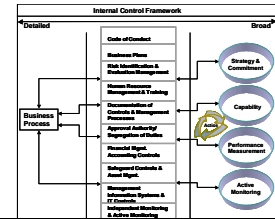
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Listed below is the table of Organizational and Procedural Control roles and responsibilities for Financial and Program Managers at the **RDG, DG, and RD levels**. The chart below depicts the roles and responsibilities for ensuring that **Organizational Controls** are in place and operational.

| Organizational Controls | Management Roles and Responsibilities (RDG's, DG's, and RD's) |
|--|--|
| <ul style="list-style-type: none"> Code of Conduct | <p>At a minimum, a comprehensive code of conduct requires:</p> <ul style="list-style-type: none"> establishing prudent and appropriate rules governing the proper business conduct and ethical behaviour of the organization and its Executive, management and employees with respect to: complying with applicable legislation, regulations and rules in jurisdictions where the organization operates; respecting the privacy of client and organizational information; and transactions with related parties of the organization and other situations involving potential conflicts of interest; and implementing an effective mechanism to ensure that Executive, management and employees understand and adhere to the code of conduct. |
| <ul style="list-style-type: none"> Business Plans | <p>At a minimum, a comprehensive business plan requires:</p> <ul style="list-style-type: none"> outlining the organization's current financial and strategic positioning in the government; identifying the organization's business objectives, including the core businesses or services; developing short- and long-term strategies for achieving these objectives, including identifying potential risks to which the organization is exposed and assessing the key resources required to enable the organization to achieve these objectives; and establishing financial and other indicators against which the organization's performance may be measured and assessed. <p>In order to develop a business plan effectively, there must be a formal process that:</p> <ul style="list-style-type: none"> clearly allocates planning-related tasks and appropriate successive levels of plan approval within the organization; and ensures that the conclusions, recommendations, projections and assumptions set out in the plan are supported by adequate and appropriate information, scrutiny and analysis. |
| <ul style="list-style-type: none"> Risk Identification and Evaluation Management | <p>At a minimum, the organization needs to have in place an effective and appropriate reporting requirement or other method for:</p> <ul style="list-style-type: none"> identifying and evaluating, on an on-going basis, the significant risks to which the organization is exposed and their potential impact on the organization; ensuring that appropriate and effective organizational and procedural controls are developed and implemented to prudently manage and control these risks; regularly reviewing the organization's organizational and procedural controls implemented to manage and control risks to ensure that circumstances for which these controls originally were designed continue to apply and that they continue to be appropriate and effective; |

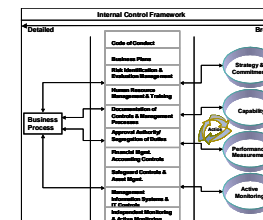
EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



| Organizational Controls | Management Roles and Responsibilities (RDG's, DG's, and RD's) |
|---|---|
| | <ul style="list-style-type: none"> ensuring that effective and appropriate procedures are in place for planning, authorizing and commencing new types of business activities, evaluating the risks involved, and establishing the necessary organizational and procedural controls - including the setting of sound and prudent exposure limits and risk management policies; and ensuring that the overall risk profile of the organization is sound and prudent. |
| <ul style="list-style-type: none"> Human Resource Management and Training | <p>At a minimum, the elements of a human resource program need to include:</p> <ul style="list-style-type: none"> the development and implementation of long-range human resource plans to ensure that the organization has enough experienced and skilled personnel to carry out its business activities in a prudent manner, including: <ul style="list-style-type: none"> a recruitment strategy; a program for training and developing employees; selection criteria designed to ensure that personnel have skills commensurate with their responsibilities; a plan for management succession; the development and regular review of compensation programs to ensure, among other things, that the organization is not engaged in risk-increasing compensation policies; and regular personnel evaluating and review. |

Procedural Controls are detailed in the section below.

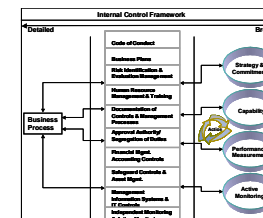
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The chart below depicts the management roles and responsibilities for ensuring that **Procedural Controls** are in place and operational.

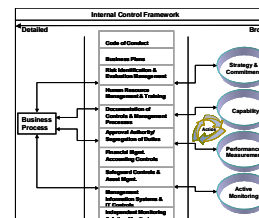
| Procedural Controls | Management Roles and Responsibilities (RDG's, DG's, and RD's) |
|---|--|
| <ul style="list-style-type: none"> Approval Authority / Segregation of Duties | <p><i>The delegation of authority</i> needs to be clearly documented, and at a minimum, must specify:</p> <ul style="list-style-type: none"> the absolute and/or incremental general or specific authority being delegated; the units, individuals, positions or committees to whom authority is being delegated; the authority of recipients to further delegate authority; any restrictions placed on the use of the delegated authority. <p>The extent to which authority is delegated will vary among personnel according to a number of factors including:</p> <ul style="list-style-type: none"> the types of risks being assessed; and the experience of the organization's managers. <p><i>Segregation of Duties</i> Effective controls respecting the segregation of duties ensure that there exists a clear and distinct separation of duties between those persons who:</p> <ul style="list-style-type: none"> authorize, supervise, initiate or execute transactions; and record and account for transactions. |
| <ul style="list-style-type: none"> Documentation of Controls and Management Processes | <p>Documenting the institution's organizational and procedural controls:</p> <ul style="list-style-type: none"> provides the necessary guidance to individuals responsible for the organization's policies, procedures and controls; and assists in ensuring that the controls used are authorized, adequate and current. Documentation should be in written or electronic media form and describe each key organizational and procedural control in detail |
| <ul style="list-style-type: none"> Financial Management Accounting Controls | <p>The organization needs to establish and maintain sufficient appropriate controls over the accounting and other record-keeping process with respect to both balance sheet assets and liabilities, including estate, agencies, to reasonably ensure:</p> <ul style="list-style-type: none"> the completeness of accounting information; the accuracy of all amounts reported; timeliness in the reporting of transactions/business activity; the validity of transactions; and the proper maintenance of records. |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



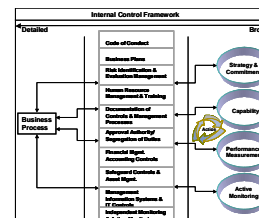
| Procedural Controls | Management Roles and Responsibilities (RDG's, DG's, and RD's) |
|--|---|
| <ul style="list-style-type: none"> Safeguard Controls and Asset Management | <p>Although no internal control structure can completely prevent errors, illegal acts or fraudulent activities, the organization still needs to:</p> <ul style="list-style-type: none"> identify areas of its operations which are susceptible to these risks; and ensure that sufficient and effective preventive and detective control mechanisms are in place to safeguard the assets of the institution and its clients. <p>The nature and extent of controls necessary depends on:</p> <ul style="list-style-type: none"> the value of the asset or assets in question; their qualities of portability and negotiability; how easily loss or misappropriation can be concealed; and the repercussions of loss or misappropriation on the organization's financial position, operations and reputation. <ul style="list-style-type: none"> Appropriate and effective safeguards ensure that: <ul style="list-style-type: none"> procedures exist for the safekeeping and protection of the organization's assets and those of its customers or other parties held in physical custody or on a book-based system of the organization or authorized depository; and effective procedures exist for limiting access to the organization's accounting and other records of assets and liabilities to authorized personnel. develop and implement sound and conservative valuation policies and procedures to: <ul style="list-style-type: none"> regularly monitor, review and quantify the quality and value of its assets and liabilities (both on- and off-balance sheet) based on the risk of loss (including contingent losses) in the conduct of its business that will, or is expected to, be incurred; value these items by making and recording prudent provisions or other appropriate adjustments against these assets and liabilities in order to conform with the organization's valuation policies, regulations & accounting standards. At a minimum, an effective comprehensive management information system needs to ensure that relevant, accurate and timely information is reported to appropriate persons within the organization to enable the organization to: <ul style="list-style-type: none"> identify, quantify, assess and monitor its business activities, exposure to risk, financial position and performance and take effective decisions related thereto; and monitor the effectiveness of, and compliance with, its organizational and procedural controls and report any exceptions related thereto. Comprehensive information technology security controls require the development and implementation of appropriate and effective: |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



| Procedural Controls | Management Roles and Responsibilities (RDG's, DG's, and RD's) |
|---|---|
| | <p><i>Systems access security controls</i> need to ensure:</p> <ul style="list-style-type: none"> the integrity of the hardware, software and data; that physical access to systems hardware, software and data is restricted to authorized persons, and that security devices and logical systems access sufficiently minimize the risk of unauthorized access to systems programs and data. <p><i>Business interruption controls</i> need to ensure that:</p> <ul style="list-style-type: none"> the organization has adequate systems backup and recovery procedures and standby processes in case of an interruption, destruction or other loss of systems facilities, data files, hardware, software and documentation; and these business interruption arrangements are periodically reviewed and tested. |
| <ul style="list-style-type: none"> Management Information Systems and IT Controls | <p>The organization needs to ensure that:</p> <ul style="list-style-type: none"> the institution's information technology strategy is consistent with its business plan and strategies; systems hardware and software satisfy this strategy; systems are appropriately tested before they are implemented; and operational and procedural controls are developed and implemented to ensure that: changes to systems hardware, software and data are properly authorized, tested, and implemented; and the system is appropriately documented, including a record of systems changes. <p>At appropriate stages of information technology development, consideration needs to be given to promoting the involvement of an independent inspection/audit function to ensure that the proper degree of controls has been included as part of the design process.</p> |
| <ul style="list-style-type: none"> Independent Monitoring and Active Monitoring | <ul style="list-style-type: none"> The need to establish and maintain a system of independent inspection/audit is distinct from the requirement to establish and maintain internal controls over day-to-day transactions and operations. The independent inspection/audit function does not have primary responsibility for establishing or maintaining IC's. Rather, independent inspectors/auditors evaluate the effectiveness of these controls and thus contribute to their ongoing effectiveness. In this way, an independent inspection/audit function forms an integral part of the organizational internal control environment. Although independent inspections/audits are usually performed within the organization using an internal inspection or audit department, the department may have this function carried out by outside organizations such as a central agency, the OAG, or external auditors. Independent inspection/audit assessments should be presented to the Executive on a timely basis for review, but at least |

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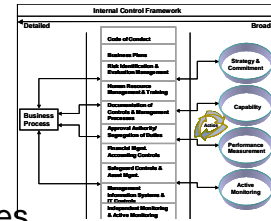
| Procedural Controls | Management Roles and Responsibilities (RDG's, DG's, and RD's) |
|---------------------|---|
| | <p>once a year.</p> <ul style="list-style-type: none"> • The independent inspection/audit function must, at a minimum: • have an appropriate mandate governing its duties and objectives; • be independent of the functions and internal controls that it inspects; • have sufficient resources to achieve this mandate; and • be conducted through a professional inspection/audit program. <ul style="list-style-type: none"> • The responsibility to actively monitor ongoing operations should be set against the policies and guidelines set out in the TBS Policy on Active Monitoring. |

These Financial authorities, although not solely the purview of **RDG's, DG's and RD's**, represent those roles and responsibilities primarily given to both **Financial and Program Managers** to facilitate the processing and recording of financial transactions. These financial management authorities include:

- **Spending Authority:**
 - **Expenditure Initiation Authority** - authority for expenditure initiation based upon the availability of funds;
 - **Commitment Authority** - authority to initiate commitments and identify the availability of funds (FAA section 32);
 - **Contracting Authority** - authority to undertake contracting and bind the department legally;
 - **Authority to Confirm Contract Performance and Price** - authority to exercise contract performance and price, eligibility or entitlement and/or undertake expenditures (FAA section 34);
- **Payment Authority** - authority to exercise final payment (FAA section 33) (primarily the role of EC Finance); and
- **Other Authorities** - authority pertaining to infrequent financial and non-financial transactions.

Authorities and signing authority delegations are the foundations of financial management roles and responsibilities.

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework

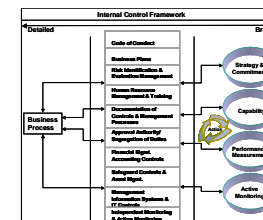


Appendix A to the Financial Management Roles and Responsibilities (separate document) provides Organizational and Procedural Control roles and responsibilities for *Financial and Program Managers* respecting delegated financial authorities.

Financial management roles and responsibilities at the Organizational and Procedural Control level include important Financial Management Authorities as set out broadly in FAA Sections 32, 33, and 34, and more distinctly defined in the EC Delegation of Financial Signing Authorities instrument - outlined in Appendix B.

Appendix B to the Financial Management Roles and Responsibilities (separate document) provides examples of Delegated Authorities and Example Authority Verification Forms.

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



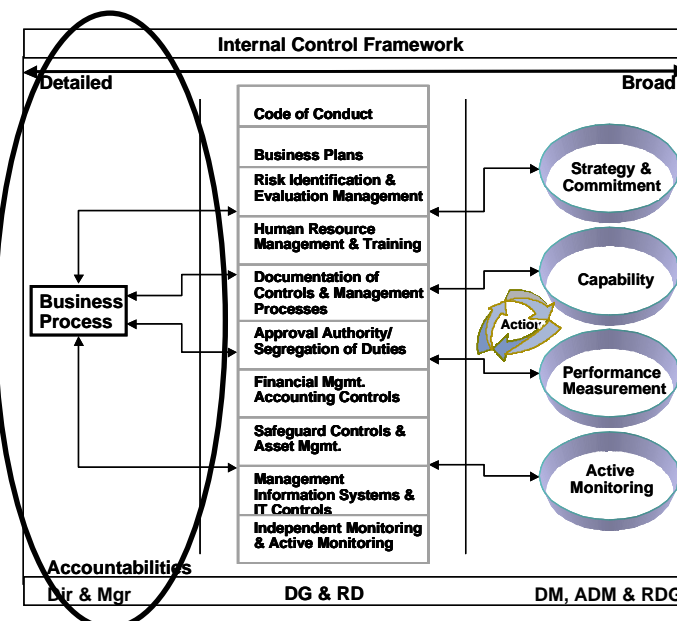
6 Business Process Internal Control Level of the ICF - Dir's & RC Mgrs.

An ICF that provides a stable environment and ensures that control practices are durable and sustainable *must be instituted at the business process level*. Therefore, by linking specific Business Processes with the types of decisions to be made, and being mindful of the associated risks, specific internal controls can be targeted to satisfy the broader objectives of a sound Internal Control Environment.

The application of business processes for internal control purposes has been standardized, so that their use within the departmental ICF can be applied at either the Business Line, Regional, or Organizational levels.

At a Broad ICF level, using the “BluePrint” framework (departmental project to align activities with results by Business Line) provides a standardized approach to the EC Business Line Activity Structures, in relation to results, activities/ sub-activities, and key business processes. At a Detailed ICF level, business process internal controls can be articulated to utilize the standardized approach for corporate and Regional groups, as implemented at the Business Line level, Corporate level and / or Regional levels.

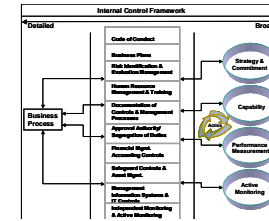
Accountability rests with Directors and RC Managers to ensure that business process internal controls are instituted at the operational levels.



ICF Self-Assessment Checklists have been developed for accountable managers, to support the determination of how effectively business process internal controls have been embedded across the organization. The self-assessment checklists seek to answer two fundamental questions concerning the use of internal controls – *Did we do it?* and *Can we do it better?*

The following summary table sets out the roles and responsibilities of *Financial and Program Managers* in relation to ICF financial management and controls at the business process level - *details are provided in Appendix C and D*.

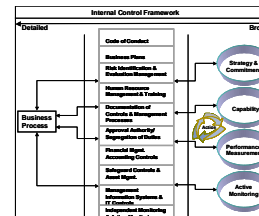
EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



6.1 Roles and Responsibilities of Program Managers in Relation to ICF at the Business Process Level

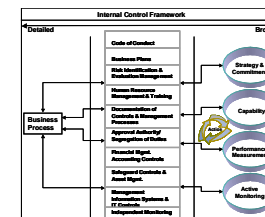
| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Program Managers |
|---|---|
| <ul style="list-style-type: none"> • Resource Allocation and Planning • A documented framework for Financial and Business Planning is in place. • Stakeholders and decision-makers are consulted in setting business plan priorities & proposed results. • Plans are developed for all business lines and service areas on an integrated basis, consistent with strategies, priorities, and planned results. | <ul style="list-style-type: none"> • Resource Allocation and Planning • Conducts strategic, risk and/or contingency planning analyses to advise management of options, the sources and availability of resources for program adjustments. • Plans and develops sectional and systems project budgets. Exercises direct authority and accountability for allocated funds to meet planned program objectives. • Responsibility includes determining requirements, monitoring budgets to ensure funds are spent efficiently, with authority to reallocate funds among project and budget elements. |
| <ul style="list-style-type: none"> • Financial Reporting (External) • External reports are consistent with business line structures, and meet user and decision-maker needs with an objective view of departmental resources. • External reporting requirements are documented. • External reports are prepared in accordance with Departmental and Central Agency requirements and GAAP for the Public Sector. • Financial systems are capable of meeting external reporting requirements in a timely, accurate and efficient manner. | <ul style="list-style-type: none"> • Financial Reporting (External) • Reviews program information to identify and correct errors, gaps or misstatements in strategic, business and operational planning and reporting information. • Assesses and challenges the accuracy and completeness of program financial data. • Assesses compliance with terms and conditions of grants and contributions programs. Recommends, ensures and monitors corrective action to non-compliant agreements. This requires substantial interpretation of regulations, standards and precedents, as well as risk analysis. |
| <ul style="list-style-type: none"> • Financial Management Support, Analysis & Forecasting • Financial management control frameworks and documented procedures exist for the preparation of budgets, forecasts, budget allocations and transfers. • Standardized processes and infrastructure are in place to support decision-makers and personnel to identify and allocate resource requirements efficiently and effectively. • Expenditures and investment opportunities are assessed against Business Cases for planning, decision-making and priority setting. | <ul style="list-style-type: none"> • Financial Management Support, Analysis & Forecasting • Manages operating budget of a program. Reviews financial plans, forecasts and reports on budgets for assigned projects in Directorate/Program functions, and monitors program budgets and expenditures. Has authority to approve additional funds and/or resources, as needed. • Manages an operating budget for a program division/section, with authority to initiate and authorize expenditures (sections 32 and 34 of the FAA) and reallocate resources between budgets. Negotiates and approves the |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



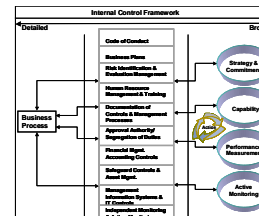
| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Program Managers |
|--|---|
| <ul style="list-style-type: none"> • Appropriate financial and system controls are in place to ensure the integrity of the financial management, and forecasting process. | <ul style="list-style-type: none"> • commitment of funds for contracts and recommends payment for deliverables on services and goods. • Reviews cost-benefit, risk and trend analyses, and prepares forecasts of expenditures for the development of control, or to enable a course of action. • Develops and disseminates financial performance indicators and reports for management of the department to use for decision-making, planning purposes and to monitor the continual improvement of Directorate/Program operations. |
| <ul style="list-style-type: none"> • Accounting • Adequate books and records of financial transactions are maintained for audit trails, and supporting documentation is comprehensive. • The chart of accounts embed organizational structures and desired coding elements for financial management tracking. • Appropriate coding is used for capturing transactions, and accounts are examined on a regular basis. • Internal financial reports are prepared from the supporting systems that meet user needs for managing and decision- making, and the reports are updated to reflect changing information needs. • Sufficient resources and expertise exist for the provision of accounting. | <ul style="list-style-type: none"> • Accounting - Transaction Coding and Approval • Monitors the application of financial policies and business procedures with Program managers and staff, and advises upon non-compliance with legislation and central agency policies. • Monitors the use of delegated financial signing authorities and restricts use, where warranted. • Identifies areas where corrective action is required to ensure that the Program's use of the financial coding structure and system security measures comply with PWGSC and TB standards, guidelines and regulations. • Follows sound fiscal /management accounting, reporting, internal control and pre/post audits methods, procedures and processes within their respective Program, in accordance with the FAA, TB Standards and policies. • Utilizes the delegation of authorities framework to allow for flexibility and accountability. • Reviews the compilation and processes for information required for the preparation of financial statements and reports (commitments, expenditures, free balances, account status) for use by financial officers and Program managers in monitoring the financial status of the Program. |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Program Managers |
|---|--|
| <ul style="list-style-type: none"> • Financial Policy Management and Standards • Financial reporting and accounting policies, procedures, and standards are clearly articulated, documented and understood. • Financial management goals and objectives are articulated for each business line, service, region, or responsibility center. • Decision-makers and personnel have been trained and understand government accounting principles, policies, guidelines, standards, and practices. • Financial management and control frameworks, policies, procedures, and standards are established for all key business processes, and actively promoted by management. • A formal Delegation of Financial Signing Authorities Instrument has been put in place to establish Financial Authorities and limitations. • Regional Financial and accounting policies, procedures and standards have been created where required to supplement policies. | <ul style="list-style-type: none"> • Financial Policy Management and Standards • Integrates financial and non-financial information for Program strategic and operational decision-making; and to use new models for the better understanding of the relationship between the costs and the operational results in the Program. • Utilizes modern comptrollership theories and practices (results information, risk management, control, and ethical practices and values) to develop and put in place controls, and risk management practices. • To integrate financial and non-financial Program information to improve stewardship of Program resources across the organization and accountability. • Understands concepts and techniques in strategic, operational and business planning to provide strategic guidance to managers and functional experts in the development of strategic, operational and business planning frameworks to meet organizational goals and objectives. |
| <ul style="list-style-type: none"> • TB Submissions • TB Submissions are consistent with strategic direction and departmental plans. • A rigorous system of review and approval exists of TB submissions. • Appropriate levels of departmental sign-off for Memoranda to Cabinet (MC's). | <ul style="list-style-type: none"> • TB Submissions • Undertakes the preparation and analysis of Program budgetary submissions and formulates strategies to address changes in resource levels. • Develops and recommends strategic planning information for inclusion in Program plans for central agencies and the department / directorate. |
| <ul style="list-style-type: none"> • Financial Management System Controls • A standardized fin. information technology infrastructure is in place. • Financial and operational enterprise resource planning (ERP) systems are integrated and appropriately support business decisions. • Financial info. technology systems regularly assessed, to ensure appropriate capacity and functionality to support users needs. • Sufficient resources and expertise exist for the provision of sound financial system support and development activities. • Financial Information technology systems are regularly assessed to | <ul style="list-style-type: none"> • Financial Management Systems • Advises upon Program user needs and requirements for the design and development of customized reports for use by Program managers to monitor financial status of programs. • Supports the determination of program user needs and recommends appropriate policies and procedures, changes to systems consistent with TB policy for use by functional experts and managers in upgrading systems. |

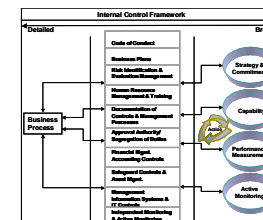
EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Program Managers |
|---|---|
| <p>ensure appropriate capacity and functionality to support users needs.</p> | |
| <ul style="list-style-type: none"> • Asset Management • Sufficient resources and expertise exist for the provision of sound capital asset management services. • Capital asset management policies and procedures are clearly documented and understood and are current with FIS Standards. • Client Service standards for the management of capital assets have been negotiated, documented and put in place. • A standardized capital asset mgmt. information technology infrastructure in place. • Appropriate capital asset systems and procedures are in place to ensure that assets are safeguarded and accurate and reliable information on the management of assets is available to decision-makers. • Appropriate accountabilities have been established and are in place for the provision of full life-cycle management of assets. | <ul style="list-style-type: none"> • Asset Management • Responsible for the operation and maintenance of numerous Program specific capital assets. • Identifies capital investment strategies required to support Program capital asset base and life-cycle management investments. • Manages and safeguards Program capital assets through sound internal control management. • Capital asset management policies and procedures are clearly understood and implemented within the Program. • Client Service standards for the management of capital assets have been negotiated, documented and put in place. • Ensures that a documented procedure for capital asset verification is in place in the Program and is functioning properly. • Duties for Program capital asset management are appropriately segregated and delegated. |

Roles and responsibilities of **Financial Managers** in relation to ICF at the business process level are provided in the following section.

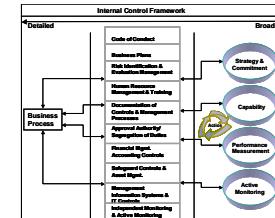
EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



6.2 Roles and Responsibilities of *Financial Managers* in Relation to ICF at the Business Process Level

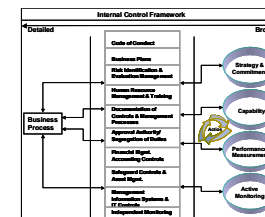
| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Financial Managers |
|--|--|
| <ul style="list-style-type: none"> • Resource Allocation and Planning • A documented framework for Financial and Business Planning is in place. • Stakeholders and decision-makers are consulted in setting business plan priorities & proposed results. • Plans are developed for all business lines and service areas on an integrated basis, consistent with strategies, priorities, and planned results. | <ul style="list-style-type: none"> • Resource Allocation and Planning • Monitors the quality of business planning and performance documents (e.g., ARLU, reports on plans and priorities, departmental performance reports) submitted by client groups • Conducts financial review and challenges TB submissions and departmental investment proposals/ business cases. • Assess new initiatives, including impact and risk analyses, financial feasibility of business proposals on multidisciplinary projects; advises and defends proposals to introduce new or alternative forms of service delivery, cost recovery, technology solutions for approval by departmental executives and central agencies. |
| <ul style="list-style-type: none"> • Financial Reporting (External) • External reports are consistent with business line structures, and meet user and decision-maker needs with an objective view of departmental resources. • External reports are prepared in accordance with Departmental and Central Agency requirements and GAAP for the Public Sector. • Financial systems are capable of meeting external reporting requirements in a timely, accurate and efficient manner. | <ul style="list-style-type: none"> • Financial Reporting (External) • Analyzes and integrates financial and non-financial information into the department's annual planning and reporting documents. • Assesses and challenges the accuracy and completeness of financial data. • Challenges corporate information to identify and correct errors, gaps or misstatements in strategic, business and operational reporting information. Has authority to work with managers and functional experts to make the required changes to ensure that the information is consistent with budget priorities & directions. |
| <ul style="list-style-type: none"> • Financial Management Support, Analysis & Forecasting • Financial management control frameworks and documented procedures exist for the preparation of budgets, forecasts, budget allocations and transfers. • Standardized processes and infrastructure are in place to support decision-makers and personnel to identify and allocate resource requirements efficiently and effectively. • Expenditures and investment opportunities are assessed against | <ul style="list-style-type: none"> • Financial Management Support, Analysis & Forecasting • Verifies the status of commitments and the availability of funds in exercising payment authority pursuant to section 33 of the FAA, for departmental financial transactions, including salary and non-salary payments, journal entries, interdepartmental settlements; exercises final payment authority pursuant to sections 32 and 33 of the FAA, for departmental financial trans. • May manage an operating budget for division/section, with authority to |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



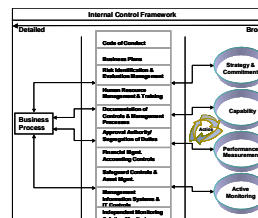
| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Financial Managers |
|---|--|
| <ul style="list-style-type: none"> Business Cases for planning, decision-making and priority setting. Appropriate financial and system controls are in place to ensure the integrity of the financial management, and forecasting process. | <ul style="list-style-type: none"> initiate and authorize expenditures (sections 32 and 34 of the FAA) and reallocate resources between budget elements. Identifies risk implications and associated costs of options; recommends options and strategies to program, operational and functional managers to avoid or minimize risks in various financial strategies. |
| <ul style="list-style-type: none"> Accounting Adequate books and records of financial transactions are maintained for audit trails, and supporting documentation is comprehensive. The chart of accounts embed organizational structures and desired coding elements for financial management tracking. Appropriate coding is used for capturing transactions, and accounts are examined on a regular basis. Internal financial reports are prepared from the supporting systems that meet user needs for managing and decision-making, and the reports are updated to reflect changing information req. Sufficient resources and expertise exist for the provision of accounting. | <ul style="list-style-type: none"> Accounting Monitors the application of financial policies, procedures and systems in consultation with managers and staff, and reports to management non-compliance with legislation (FAA, Appropriations Act), regulations (Cheque Issue Regulations, Deletion of Debts) and central agency policies. Monitors the use of financial signing authorities and restricts their use, where warranted. Monitors access and security of departmental financial information systems, and reports on user violations with respect to the departmental financial system to avoid resulting in over-expenditure errors, erroneous information in the Public Accounts and lack of financial control. Identifies financial control and data integrity issues and recommends corrective action. Monitors occurrences of non-compliance with the FAA, departmental policies, associated Treasury Board as well as Receiver General directives, and Acts, various regulations departmental Chart of Accounts & coding structure, and GAAP. |
| <ul style="list-style-type: none"> Financial Policy Management and Standards Financial reporting and accounting policies, procedures, and standards are clearly articulated, documented and understood. Financial management goals and objectives are articulated for each business line, service, region, or responsibility center. Decision-makers and personnel have been trained and understand government accounting principles, policies, guidelines, standards, and practices. Financial management and control frameworks, policies, procedures, | <ul style="list-style-type: none"> Financial Policy Management and Standards Develops and implements new or updated financial policies, directives, processes, procedures, methodologies, frameworks and performance measurement criteria. Conducts analytical reviews and ad hoc studies using a variety of sources, both financial & non-fin. Provides functional and operational advice, guidance and interpretation on financial policies, issues, best practices and generally accepted accounting principles (GAAP), and proposes action for problem resolution. |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



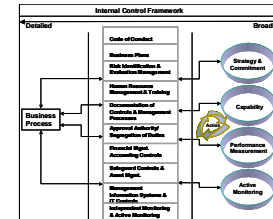
| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Financial Managers |
|--|---|
| <p>and standards are established for all key business processes, and actively promoted by management.</p> <ul style="list-style-type: none"> • A formal Delegation of Financial Signing Authorities Instrument has been put in place to establish Financial Authorities and limitations. • Regional Financial and accounting policies, procedures and standards have been created where required to supplement Departmental policies. | <ul style="list-style-type: none"> • Supports the implementation of modern comptrollership theories and practices (results information, risk management, control and ethical practices and values) to develop and put in place controls, risk management practices, to integrate financial and non-financial information to improve stewardship of resources across the organization and accountability within the dept., government and to Parliament. • Advises on the ICF for financial management required to ensure the integrity of data and systems and the accuracy and completeness of financial information. |
| <ul style="list-style-type: none"> • TB Submissions • TB Submissions are consistent with strategic direction and departmental plans. • A rigorous system of review and approval exists of TB submissions. • Appropriate levels of departmental sign-off for Memoranda to Cabinet (MC's). | <ul style="list-style-type: none"> • TB Submissions • Represents and defends the department's financial interests to senior officials of central agencies and other government departments • Directs the preparation and analysis of departmental budgetary submissions and formulates strategies to address changes in resource levels. • Develops and recommends strategic planning financial information for inclusion in departmental plans for central agencies and Parliament. |
| <ul style="list-style-type: none"> • Financial Management System Controls • A standardized financial information technology infrastructure is in place. • Financial and operational enterprise resource planning (ERP) systems are integrated and appropriately support business decisions. • Financial info. technology systems regularly assessed, to ensure appropriate capacity and functionality to support users needs. • Sufficient resources and expertise exist for the provision of sound financial system support and development activities. • Financial Information technology systems are regularly assessed to ensure appropriate capacity and functionality to support users needs. | <ul style="list-style-type: none"> • Financial Management Systems • Provides user support (e.g., help desk) of the departmental enterprise resource planning system (Oracle) and its linked applications (e.g. procurement and financial reporting); categorizes problems support. • Conducts evaluations, clarifications and interpretations of financial policies, practices and procedures. Identifies user needs and develops, tests and implements financial systems solutions. • Manages the design, development and implementation of new/enhanced financial systems and related procedures. • Analyzes and determines business requirements, functional requirements, acceptance-testing specifications, implementation and process specifications so that private sector systems development suppliers, internal functional experts and consultants can respond to departmental needs and develop new/ enhanced financial systems. |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



| Financial Management Business Process Internal Controls | Financial Management Roles and Responsibilities for Financial Managers |
|---|---|
| <ul style="list-style-type: none"> • Asset Management • Sufficient resources and expertise exist for the provision of sound capital asset management services. • Capital asset management policies and procedures are clearly documented and understood and are current with FIS Standards. • Client Service standards for the management of capital assets have been negotiated, documented and put in place. • A standardized capital asset mgmt. information technology infrastructure in place. • Appropriate capital asset systems and procedures are in place to ensure that assets are safeguarded and accurate and reliable information on the management of assets is available to decision-makers. • Appropriate accountabilities have been established and are in place for the provision of full life-cycle management of assets. | <ul style="list-style-type: none"> • Asset Management • Responsible for the operation and maintenance of hard-to-replace and very expensive ERP financial systems used across the department with interfaces to numerous departmental databases and outside systems. • Safeguards a government issue credit card intended for own use during travel, for acquisition of office equipment. • Operates, maintains and cares for a computer, software, servers and databases, as well as other financial management capital assets and related office equipment and supplies, as well as reference material for performing financial management work, to support departmental financial management systems and control processes • Develops capital asset management policies and procedures consistent with FIS. • A standardized capital asset management information technology infrastructure is in place and maintained with the departmental ERP • Ensures that appropriate capital asset systems and procedures are in place to ensure that assets are safeguarded and accurate and reliable information on the management of assets is available to decision-makers. • Ensures that the department has a sound Long Term Capital Planning (LTCP) process that is integrated with the Report on Plans and Priorities and Main Estimates Processes. |

EC - Financial Management Roles and Responsibilities in Relation to the Internal Control Framework



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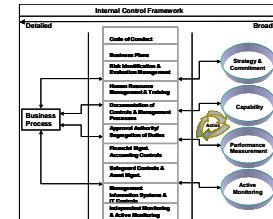
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- TBAS 1.1 - Policy and Principles (1999-09-21).
- TBAS 1.2 - Departmental and Agency Financial Statements (2001-01-02).
- TBS Comptrollership Policies on:
 - Active Monitoring;
 - Chart of Accounts;
 - Comptrollership - Policies on Responsibilities and Organization for Comptrollership;
 - Commitment Control (FAA Section 32);
 - Account Verification (FAA Section 34);
 - Payment Requisitioning and Payment on Due Date (FAA Section 33);
 - Classification and Coding of Financial Transactions in the Central Accounts;
 - Payables at Year-End (PAYE);
 - Statutory Financial Reporting; and
 - Statutory Reporting (Estimates; Public Accounts; Departmental Annual Report; Annual Reviews).

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