
REVIEW
DIRECTORATE

DIRECTION GÉNÉRALE
DE L'EXAMEN

FINANCIAL INFORMATION STRATEGY
IMPLEMENTATION REVIEW #2
IN-DEPTH AUDIT
OF HIGH RISK AREAS
PROJECT NUMBER 65147
FINAL REPORT
JANUARY 2002



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1.0 EXECUTIVE SUMMARY

Since its approval by Treasury Board in 1995, the Financial Information Strategy (FIS) has become the cornerstone of modern comptrollership in departments and agencies. It is also a prime element in the government's new management framework, as set out in the document "*Results for Canadians: A Management Framework for the Government of Canada*".

Our in-depth audit of high risk areas is the second audit of FIS. The audit was conducted at the Department of Fisheries and Oceans (DFO) Headquarters and in the Laurentian and Central and Arctic Regional Offices. The field work was conducted between February and April 2001

The purpose of the in-depth audit of high risk areas was to provide independent, timely and meaningful feedback to the Department on issues and concerns that might impact on the success of the FIS implementation, and to verify the integrity of measures implemented. The focus of this audit was on capital assets which had been identified as a high risk area in the FIS Implementation Review #1. Other key elements such as policies and procedures, training, chart of accounts, reconciliation processes, reporting, change management and funding which are required for FIS implementation have also been reviewed.

Each of these areas is discussed in detail in the Observations and Recommendations section of the report. It should be noted that the review team conducted several briefing sessions to provide information and obtain feedback on findings and recommendations. Therefore, most of the issues and recommendations contained in the report are known to key personnel who will be responsible for addressing them. We also acknowledge that certain issues and recommendations contained in the report have already been addressed prior to the release of the final version. This progress is reflected in the Management Action Plan, Section 4.

DFO has successfully implemented the infrastructure required to support the Financial Information Strategy. However, this important milestone is not the end, it is just the beginning. Fiscal year 2001-2002 will be a transition period with much work still to be done in areas such as reporting, training, policies and procedures before DFO can utilise the full potential of the new information.

SUMMARY OF FINDINGS AND CONCLUSIONS

Capital Assets – the Department has devoted considerable effort to the identification and valuation of capital assets which were required under FIS in order to establish the proper opening balances for capital assets as of April 1, 2001. Based on our examination of a random sample of moveable and real property assets in the Laurentian and Central and Arctic Regions, we identified a number of issues which should be addressed to ensure the integrity and accuracy of capital asset information which will be presented in the Department's financial statements.

For example, standards for the documentation of asset values need to be established. Adequate support documentation should be seen as part of the Department's ongoing role as a custodian of its assets. Directives are required for contingent liabilities (i.e.; restoration of property to its original condition), out of service assets and capitalizable costs. Clarification needs to be provided on how to account for assets transferred from other government departments and on what constitutes the "date of acquisition"

of an asset. Establish a quality assurance process to verify the accuracy and integrity of moveable assets in ABACUS. While a quality assurance process was in place to monitor and control the identification and valuation of real property assets this process should be formally documented

Other Key Elements Required for FIS Readiness - The department has accomplished and/or initiated a number of activities in relation to other key elements required for FIS readiness such as: policies and procedures; training; chart of accounts; reconciliation processes; reporting; change management; system enhancements; interface dependencies; and funding which are essential in achieving the total FIS vision. While significant progress has been made in relation to each of these elements, we believe the following issues need to be addressed in order to facilitate the implementation of FIS:

- identify an individual who will be accountable and responsible for the ongoing update of policies and procedures during the FIS transition period;
- assess the effectiveness of training provided and determine how training deficiencies / gaps will be addressed;
- update financial reconciliation procedures in light of the new FIS reconciliation requirements;
- assess the impact of the new reconciliation requirements on resources;
- establish a process for the preparation and review of the Department's mandatory financial statements;
- determine who will be responsible for ensuring external audit readiness;
- develop a plan indicating how internal financial reports will be updated as a result of FIS; and
- develop a change management plan indicating how the change management strategy will be applied.

We believe it will be important for DFO to address these issues in order for the Deputy Head and the Senior Financial Officer to be in a position whereby they can attest to the integrity and objectivity of DFO's financial statements and other financial information.

2.0 INTRODUCTION

In November 1995, Treasury Board Secretariat (TBS) approved an “aide mémoire” concerning an updated Financial Information Strategy (FIS) for the Government of Canada. Subsequently, TBS endorsed FIS as a government priority and approved the strategy’s objectives, scope and implementation approach. The accrual accounting approach, which forms part of the accounting requirements of FIS, was supported as a government priority in the 1995 Budget.

2.1 Background

The Department of Fisheries and Oceans (DFO) has successfully implemented the infrastructure required to support the Government-wide Financial Information Strategy. The purpose of the FIS initiative is to establish a model of accounting and financial records within the Government of Canada that conforms with Generally Accepted Accounting Principles (GAAP) as currently practised in the private sector. Some of the expected benefits to be achieved through the implementation of FIS are:

- improved management information for decision making purposes;
- improved cost information;
- ability to benchmark with outside clients and stakeholders; and a
- modern accounting and financial management environment.

To fully implement FIS, DFO must successfully complete the following key activities:

- a change of the accounting basis from modified accrual to accrual accounting, including the capitalisation of assets;
- the implementation of a new chart of accounts to conform with the requirements of Government-wide reporting;
- the establishment and maintenance of detailed accounting records as part of the departmental financial system;
- the encouragement of the best possible use of new technology; and
- the fostering of a learning environment in which managers have the opportunity to steadily improve their ability to use quality financial information for decision making.

DFO established a FIS implementation team in 1999 to articulate and initiate a strategy for accomplishing this major undertaking. This initiative is under the overall direction of the Assistant Deputy Minister of Corporate Services. Other major participants are the Departmental Management Committee, a Project Leader, Project Manager, Advisory committees, and various implementation teams (see Appendix A). The Commissioner of the Canadian Coast Guard has been appointed as the departmental champion for the FIS initiative, whose primary responsibility is to review progress and provide on-going evaluation over the strategy and the plan. In 1999, a detailed FIS Implementation Plan was developed. The Plan, which was updated in December 2000, describes the major phases and

tasks to be undertaken throughout the financial life cycle of the initiative. A schedule of activities was also developed to focus activities towards meeting the implementation target date of April 1, 2001.

The FIS Readiness Review #1 which was completed in October 2000, assessed the level of risk to be high for the area of capital asset identification and valuation at DFO. The FIS Readiness Review #2 is an examination of this high risk area.

The TBS FIS Accounting Manual describes Capital Assets as tangible or intangible assets that are purchased, constructed, developed or otherwise acquired and:

- are held for use in the production or supply of goods, the delivery of services or to produce program outputs;
- have a useful life extending beyond one fiscal year and are intended to be used on a continuing basis; and
- are not intended for resale in the ordinary course of operations.

For the government, capital assets have the following characteristics:

- beneficial ownership and control clearly rest with the government;
- the asset is used to achieve government objectives; and
- risks and benefits of ownership clearly rest with the government (as is the case of capital leases).

The 1999-2000 replacement value of DFO's moveable asset inventory was \$4.35 billion and real property assets were estimated at \$4.99 billion. (*Source: Asset Verification Project Workshop (held in Quebec City, January 2000).*)

2.2 Objective, Scope and Approach

The objectives of this audit were:

- to assess the accuracy and completeness of information for capital assets;
- to verify compliance with DFO's draft Capital Asset Policy; and
- to obtain the status of other key elements required for FIS implementation.

The scope of the audit encompasses the following:

- identification and valuation of moveable assets;
- identification and valuation of real property assets; and
- review of other key elements essential to FIS readiness namely, policies and procedures, training, chart of accounts; reconciliation processes; system enhancements, interface dependencies, reporting, change management and regional funding.

The scope of the audit encompassed the Laurentian Region, Central and Arctic Region and Headquarters.

The approach consisted of: interviews with personnel from DFO and Public Works and Government Services Canada (Appendix B lists people interviewed); a review and analysis of pertinent documentation; testing of capital assets; and briefings with Regional and Headquarters personnel.

It should be noted that the review team conducted several briefing sessions with accountable Regional and Headquarters managers on issues, findings and recommendations throughout the audit project.

3.0 OBSERVATIONS AND RECOMMENDATIONS

This section presents the results of our in-depth audit of high risk areas regarding the implementation of FIS at DFO.

The observations and recommendations presented in this section relate to the areas included in the scope for this audit. Each area is discussed in detail outlining observations, best practices where applicable and any identified control weaknesses that should be addressed by the department.

3.1 Capital Assets

For government accounting purposes, capital assets generally include all assets treated as capital assets under Canadian Institute of Chartered Accountant's CICA - Public Sector Accounting Board recommendations and generally accepted accounting principles (GAAP) in Canada, having an initial cost of \$10,000 or more.

The cost of property, equipment and other capital assets including betterments is essentially a long-term prepayment of an expense in advance of the use of an asset. As the economic service life of the asset expires, the cost of the asset is systematically allocated to operations as an expense called "amortisation".

The observations and recommendations of our audit of DFO's capital assets are presented in the following text. The audit results are presented separately for moveable and real property assets which represent two distinct types of assets at DFO.

3.1.1 Moveable Assets

Moveable assets represent one type of capital asset at DFO. As a general rule, moveable assets are defined as items that can be moved and used by themselves (i.e. stand alone assets). Examples of moveable assets at DFO include vehicles, trailers, vessels, microscopes, mainframes, portable generators, radar consoles, photocopiers, buoys, and portable air conditioners.

The 1999-2000 replacement value of DFO's moveable asset inventory was \$4.35 billion. (*Source: Asset Verification Project Workshop (held in Quebec City, January 2000).*)

Our audit concluded that considerable effort has been directed towards the identification of moveable assets at DFO. For example during the last two years each region has carried out a physical examination of their moveable assets to ensure the completeness of information in the departmental financial system (i.e. ABACUS).

Our audit of moveable assets involved the following:

- the description of the approach followed by the Laurentian and Central and Arctic Regions to identify and value moveable assets;
- the selection, from ABACUS, of a random sample of 132 items (valued at approximately \$16 million) in the Laurentian and Central and Arctic Regions, to verify compliance to DFO's FIS policies and procedures for moveable assets and the accuracy of information recorded or to be recorded in ABACUS; and
- an additional 89 assets were selected for each Region and traced back to ABACUS (i.e., floor to book test).

Based on our audit of the process followed and the verification of our samples of moveable assets we noted the following:

- the historical cost of moveable assets for approximately 75% of our sample items were not properly supported (i.e. invoices for moveable assets had not been tracked down and there were no permanent files to support the historical cost of moveable assets as of April 1, 2001);
- in cases where we were able to track down invoices for moveable assets, the date of purchase or the amount recorded in ABACUS did not always match the amount on the invoice;
- there were instances where moveable assets were not recorded in ABACUS;
- there were no clear directives regarding regional assets that are controlled by Headquarters (i.e. buoys, larger boats, assets purchased for national projects etc.);
- there were no directives regarding the valuation of assets transferred from other government departments;
- there were no clear directives concerning what constitutes the "date of acquisition" of an asset (i.e. invoice date, packing slip date, date asset was put in service, etc.);
- there were no controls to ensure the Asset Module in ABACUS was systematically updated when an asset was purchased; and
- there were instances where the Goods and Services Tax (GST) had been added to the cost of moveable assets.

We also noted that there was no formal action plan developed to guide the Regions in the valuation of moveable assets and that there was uncertainty concerning the need to gather supporting documentation regarding the value of assets. The impact of FIS on existing document retention procedures and asset management procedures has yet to be addressed.

Finally, we noted that there was no quality assurance process established to monitor and control the identification and valuation of moveable assets.

We believe it will be important for DFO to address these issues in order to help ensure the integrity and accuracy of moveable asset information which will be presented in DFO's financial statements.

It should be noted that there was concern expressed amongst some asset managers relating to the audit sample that was used to validate capital assets recorded in ABACUS. These managers were of the opinion that the sample contained a significant amount of asset records that were outside of the National Archive's six-year record retention period and consequently resulted in a large percentage of assets where the historical costs were not sufficiently supported with documentation. In contrast, these same managers believed that the number of assets with insufficient documentation would have been much lower if the sample only contained asset records within the six-year record retention period.

While our sample did include asset records outside the National Archive retention period, some form of support documentation should have been available to substantiate the historical cost of these assets in ABACUS. This practice was stipulated in the draft departmental policy on "Accounting for Capital Assets", and further emphasized in a memorandum that was written by the Director, Accounting, Materiel and Administrative Services dated April 9, 2001.

Recommendations:

3.1.1.1 It is recommended that the FIS Implementation Committee for the Capitalisation of Assets:

- *document the approach followed at DFO for the identification and valuation of moveable assets;*
- *establish a quality assurance process to verify the accuracy and integrity of moveable assets in ABACUS;*
- *provide clarification regarding Headquarters responsibilities for the control of certain moveable assets that are located in the regions (this recommendation also applies to real property assets that would be controlled by Headquarters);*
- *provide clarifications regarding the value of moveable assets that are transferred from other government departments; and*
- *provide clarification concerning what constitutes the "date of acquisition" of an asset (this recommendation also applies to real property assets).*

3.1.1.2 It is recommended that the Director General, Finance and Administration update existing document retention procedures and asset management procedures in light of FIS (this recommendation also applies to real property assets).

3.1.2 Real Property Assets

Real property assets represent the second type of capital assets at DFO. As a general rule, real property assets are defined as items that are fixed to the ground or fixed to a building. Examples of real property assets at DFO include land, buildings, lighthouse lanterns fixed to a building, building heating systems, public announcement systems integrated to a facility, site trailers used as school rooms, non-portable generators that are coupled to facilities, radio antennas, central air conditioners, docks, and wharves.

The 1999-2000 replacement value of DFO's real property assets was \$4.99 billion. (*Source: Asset Verification Project Workshop (held in Quebec City, January 2000).*)

In order to facilitate the establishment of gross and net book values for real property assets, DFO purchased the services of PWGSC - Chief Appraiser who has developed a "Book Value Calculator" (BVC) that allows departments to easily determine reasonably accurate estimates of book values.

The BVC is essentially an "Access" database program that is designed to use available data to estimate the gross and net book values of land and buildings (or infrastructures); remaining life for amortisation; and the effective year built (to support systems that must calculate Net Book Value rather than accept it as an input item). The BVC is based on the following rationale:

An asset (building or infrastructure item) will have a current remaining life or observed condition based on a pattern of betterments and chronological age. Conversely, with a record of the original or recent construction cost and the current condition or remaining life it is possible to determine reasonably accurate Gross and Net Book Values that reflect the original costs (actual or deemed) and deemed betterments (inclusive of write-offs of both the original item replaced and unamortized balance).

The BVC could be considered to be a computerized version of the instructions in Treasury Board Accounting Standard 1.1 - Policy and Principles which advises on a method of estimating the book values for real property assets when there is a lack of complete financial data. The BVC has been accepted by the Treasury Board Secretariat (TBS) and the Office of the Auditor General (OAG) as an acceptable method for determining book values for the opening balances of departments.

Our verification focussed on the values entered into the Book Value Calculator to produce the opening real property asset balances for the new accrual accounting system. It did not include a verification of opening balances. The overall objective was to verify the accuracy and completeness of information gathered during the development of the BVC input file for the Laurentian and Central and Arctic Regions.

The review of real property assets consisted of the following activities:

- studying the requirements for obtaining accurate /reasonable results when using the Book Value Calculator;
- interviews with those responsible for data gathering in the regions;

- selecting separate samples of Small Craft Harbours (SCH) (sample of 19 assets) and Non-SCH assets (sample of 50 assets); and,
- examining the documentation supporting the dates and values selected.

We were able to substantiate that considerable effort was deployed by DFO to plan, co-ordinate and carry-out the identification and valuation of real property assets.

Our verification of the real property asset identification and valuation process in the Laurentian Region indicated that it was well planned and effectively carried out. Documentation supporting the value of assets had been gathered, organised and was readily available. Moreover, there was consistency in the method used to identify and value assets.

In the Central and Arctic Region our review observed the following:

- there was uncertainty regarding the need to document asset values;
- a clear, comprehensive and consistent methodology for data gathering had not been established;
- documentation supporting values and dates was not readily available; and
- the results of our examination of assets generated an internal review that produced changes to 86 components that impact on historical cost (i.e. 39 changes to values, 26 changes to dates, and 41 changes to asset condition).

In both regions our review ascertained the following:

- out of service assets had not been identified as no longer being in service;
- the possible contingent liabilities associated with the restoration of sites to their original condition on the triggering of reversionary clauses had not been taken into account for the implementation of accrual accounting;
- acquisition costs were not always capitalised;
- the approach followed to establish and control asset category has not been documented; and
- the quality assurance process established to monitor and control the identification and valuation of real property assets has not been documented.

Our review did not include examination of asset condition entries which can have a significant effect on the results produced by the Book Value Calculator. However, given the results of our review of values and dates, it might be useful to review the methodology for establishing condition entries and developing standards to be associated with the different conditions.

We believe it will be important for DFO to address these issues in order to help ensure the integrity and accuracy of real property asset information which will be presented in DFO's financial statements.

Recommendations:

3.1.2.1 *It is recommended that the FIS Implementation Committee for the Capitalisation of Assets:*

- *establish standards of documentation for real property assets including those that have been evaluated using standard unit costs. Those standards should be implemented even if they cannot be completed in time for recording the opening balances. Adequate documentation should be seen as part of the department's ongoing role as a custodian of its assets (this recommendation also applies to moveable assets);*
- *establish standards of documentation for real property acquisitions;*
- *develop estimates for contingent liabilities that might be associated with the implementation of reversionary clauses requiring the restoration of property to its original condition;*
- *issue a directive / procedure regarding out of service assets (this recommendation also applies to moveable assets);*
- *issue a directive / procedure regarding capitalizable costs (this recommendation also applies to moveable assets);*
- *document the process for establishing and controlling asset categories; and*
- *document the quality assurance process developed to monitor and control the identification and valuation of real property assets.*

3.2 Other key elements required for FIS readiness

FIS encompasses three key ingredients: people, policies and systems. In order to achieve the total FIS vision DFO has to ensure that these ingredients are ready for FIS.

As stated in DFO's FIS Implementation Plan, DFO will be FIS ready when:

- senior management, line managers and financial managers understand FIS and are supportive of its potential;
- people are properly trained, including decision makers, financial managers, asset managers, systems users and systems operators;
- they have established policies and procedures that comply with central agency requirements, reflect departmental requirements, and take the fullest possible advantage of the financial system capabilities;
- they have fully implemented systems including an integrated finance and material system, and interfaces to PWGSC systems with related efficient reconciliation processes.

The work that must be done to accomplish this can be grouped into five broad task areas which are presented in the following table diagram. The diagram also provides the relationship with Other Key Elements examined during FIS Implementation Review #2 and the key FIS ingredients. A brief description of each ingredient is also provided:

#	TASK	OTHER KEY ELEMENTS REVIEW #2	KEY INGREDIENTS
1	Cultural Change	Change Management	PEOPLE: professional development needs to be provided to people through communications, training and continuous learning.
2	Learning, Training & Development	Training Change Management	
3	Policies and Legislation	Policies and Procedures Funding	POLICIES: accounting policies that will conform to generally accepted accounting principles need to be adopted.
4	Central Systems and Interfaces	Interface Dependencies Reconciliation Processes	SYSTEMS: modern integrated systems need to be implemented in each department and there has to be an interface with the new Receiver General System.
5	Departmental Systems	System Enhancements Chart of Accounts Reporting	

These are not discrete areas of endeavour, work on one task/area will very often affect or depend on work done in other areas. As well, in each area, there is work to be done by both central agencies and departments. Generally, central agencies will lay the foundation upon which the departments will build.

For each area under “Other Key Elements Required for FIS Readiness”, we assessed progress and when appropriate made recommendations. The specific analysis and results for each area are provided in the following text.

3.2.1 Policies and Procedures

Reliable historic financial information can be assured only when there are good supporting accounting policies and procedures. Accordingly, accounting policies are a significant component of FIS. With accrual accounting, managers will be better equipped to measure the cost of operations and match results achieved to costs incurred.

The objectives of our review of policies and procedures were to ensure that DFO’s accrual accounting policies and procedures complied with those of Treasury Board Secretariat (TBS); they reflected the Department’s requirements; and the process for the modification and development of policies and procedures was being appropriately managed.

It is important to note that TBS did not issue extensive and detailed accounting policies, but rather provided a framework and general parameters through high level policy in the form of Treasury Board Accounting Standards. Departments were expected to use those standards together with the use of the two handbooks published by the Canadian Institute of Chartered Accountants (i.e. the Public Sector Accounting Handbook and the CICA Handbook). It was felt that this approach would provide

departments with the necessary flexibility to apply accounting policies and interpretations to meet their specific needs.

At the time of our review ten draft FIS policies covering TBS mandatory accounting requirements were at various draft stages, the FIS policies dealt with:

- **Accounting for Prepaid Expenses** (sponsored by the Maritime Region);
- **Accounting for Advances to Employees and Individuals** (sponsored by the Maritime Region);
- **Accounting for Accounts Receivable** (sponsored by the Newfoundland Region);
- **Accounting for Inventories** (sponsored by Corporate Accounting);
- **Accounting for Capital Assets** (sponsored by Corporate Accounting);
- **Accounting for Accounts Payable and Accrued Liabilities** (sponsored by the Gulf Region);
- **Accounting for Revenue and Deferred Revenue** (sponsored by the Newfoundland Region);
- **Accounting for Gains & Losses on Foreign Currency Transactions** (sponsored by the Central and Arctic Region).
- **Accounting for Specific Purchase Accounts** (sponsored by the Pacific Region).
- **Accounting for Transfer Payments, Grants, Contributions, and Loans** (sponsored by the Laurentian Region).

It was mandatory for departments to make those policies effective as of April 1, 2001 (except for the Policy on Accounting for Inventory which is only mandatory for 2002-2003).

The process followed by DFO to develop FIS policies was a joint effort between Headquarters and the Regions which in our opinion was a very well planned and controlled exercise. Each Region and Corporate Accounting sponsored the development of a particular policy or policies based on standard guidelines established by Corporate Accounting. The process followed allowed for proper consultation and discussions between stakeholders regarding final FIS accounting policy outputs.

As for FIS procedures, Corporate Accounting held a national conference in Montreal in February 2001 (with finance representatives from every Region) whereby the impact of FIS on accounting procedures was discussed and instructions were provided to the Regions to guide them during this important transition period whereby government is moving to accrual accounting.

While DFO has begun the process of updating their accounting procedures to comply with FIS, we foresee an ongoing need for DFO, during the next few years, to regularly update their accounting procedures as FIS accounting policies can be expected to be refined during this FIS transition period.

We therefore believe it will be important to determine who will be accountable and responsible for monitoring, tracking and updating accounting policies during the FIS transition period.

Recommendation:

3.2.1.1 *It is recommended that the FIS Project Manager in conjunction with the FIS coordinator of Policies and Procedures determine who will be accountable and responsible for the ongoing update of approved policies and procedures during the FIS transition period (Fiscal Year 2001-2002).*

3.2.2 Training

FIS training can be broken down into three domains: systems training, accounting training and strategic learning. It is important for departments to identify who requires training in each of these domains, and how training in each of these domains can be provided.

Financial systems and accounting training are necessary to enable the mechanics of change to take place (i.e. enable the change in accounting procedures). Strategic learning is more of a change in the corporate culture, for example a change from a process orientation to a results orientation. This type of change is expected to take years rather than months.

FIS training is only a part of the training needed for effective financial management and modern comptrollership. Related training in areas such as performance measurement, costing, procurement analysis, personnel costing, and capital asset investment analysis, is a vital component as well and is expected to be provided through other alternatives. Collectively, these initiatives address the overall need for training related to modern comptrollership.

The FIS training framework provided by TBS recognizes three levels of training requirements:

- LEVEL I for managers and staff who only need a general level of awareness and comprehension of some elements.
- LEVEL II for managers and staff who require a more substantive knowledge and working-level skills.
- LEVEL III for managers and staff who need an in-depth comprehension and capability to work with specialized elements of the financial strategy.

FIS training modules should be designed to offer these three levels of training.

More specifically, FIS training should cover the following elements:

- accounting concepts;
- new accounting policies;
- capitalisation of assets and depreciation;
- transitional measures, including opening balances for balance sheet accounts;
- reporting, including the new financial statements;
- understanding and interpreting the new financial statements; and,
- reconciling accounting and authority data.

The objective of our examination of training was to assess the effectiveness of DFO's FIS training strategy / approach in ensuring user readiness, and to examine the appropriateness of the existing schedule of training activities.

DFO worked extensively with the Oracle Financials Cluster Group to develop a FIS training strategy and a FIS training plan. The strategy and plan developed by the Cluster Group identifies target audiences and their training needs, and recommends an approach for the development and delivery of training to functional specialists. Customised packaged courses and workshops specific to the Cluster Group have also been developed.

DFO's approach to training was to take maximum advantage of the Cluster Group strategy on training, adapting it to meet its specific requirements for functional specialists. DFO's approach to training was also to deliver it on a "just in time" basis to avoid the problem of memory loss that inevitably occurs if training occurs significantly before people have the opportunity to use it.

To date, the following training has been provided to DFO staff in preparation for FIS:

COURSE	SPONSORED BY	DESCRIPTION	DFO ATTENDEES
Accrual Accounting (2 day course)	Oracle Cluster Group	<ul style="list-style-type: none"> - changes in departmental accounting practices; - financial coding; - accounting methods; - basics of accrual accounting; - accounting for payments; - accounting for revenues, receivables, receipts. 	NHQ – Finance Regions - Finance
Accrual Accounting for Finance Staff (2 day course) Date: May 2000	Oracle Cluster Group	<ul style="list-style-type: none"> - context of FIS and accrual accounting; - accounting categories and chart of accounts; - departmental financial systems; - accrual accounting fundamentals; - accounting for payments and expenses; - accounting for revenues, receivables, receipt; - accounting for salaries and employee benefits; - capital assets; - adjusting entries and allowances; - closing entries and financial statements. 	NHQ – Finance Regions - Finance (except Maritimes)
FIS IMPLEMENTATION TRAINING Date: June 2000 to March 2001	PWGSC – GOS FIS CENTRAL SYSTEM	<ul style="list-style-type: none"> - FIS functional overview; - Chart of Accounts; - Reconciliation - Technical Overview; - Payroll Systems; - Payroll Briefing; - CFMRS Testing Preparation Session and Demo; - FIS mailbox-only; - CFMRS functionalities; - SPS Priority Payment Training; - SPS Post Issue Training; - SPS Interdepartmental Settlements Training; - SPS Custodial Training; - File Transfer Protocol (FTP) Training. 	NHQ – Finance (except SPS training which was also offered to regional finance)
ASSET MANAGEMENT	MMI / PPI MATERIEL MANAGEMENT INSTITUTE	<ul style="list-style-type: none"> - Federal Government Framework & Policies; - Developing Opening Capital Asset Costs for Statement of Financial Position; 	NHQ – Finance Regions - Finance

COURSE	SPONSORED BY	DESCRIPTION	DFO ATTENDEES
Date: January 2001	INSTITUTE	<ul style="list-style-type: none"> - Reporting Capital Assets over their Life Cycle; - Case Studies in Capital Assets Reporting; - Focus on the Responsibility Centre Manager; and - Case Studies in Capitalisation of Assets. 	
WORKSHOP FOR CORPORATE & REGIONAL ACCOUNTING SERVICE MANAGERS / FINANCIAL MANAGEMENT SUPPORT UNIT Date: February 2001	DFO NHQ Finance	<ul style="list-style-type: none"> - FIS readiness / engaging the future; - Coding; - Accounts payable; - Accounts receivable; - Interdepartmental settlements; - General Ledger; - Capital Assets; - Vendors; - SMIS; - Process flows; and - Journal Entries. 	NHQ – Finance Regions - Finance NHQ – Review

Moreover, training to End Users and to Decision Makers is planned for 2001-2002.

The End-User Training will be delivered through DFO and will be offered to finance and administrative support staff while training for Decision Makers will focus on executives and program managers. The objective of the training for Decision Makers is to enable them to understand the possibilities of the new information system in order for them to be able to use it to its maximum potential.

While we believe DFO has been diligent in the administration and delivery of training to date, we also believe it will be important for the department to be vigilant in seeking feedback from staff in order to rapidly identify any possible training deficiencies or new training requirements.

For example, in light of the observations made in this report regarding capital assets, we feel it would be in the best interest of DFO to provide additional training to staff concerned (i.e. finance managers and asset managers). Such training should be designed to enable them to address all of the issues identified.

Recommendations:

3.2.2.1 *It is recommended that the FIS Project Manager in conjunction with the Team Leader responsible for training implement a mechanism to assess the effectiveness of training provided and identify any deficiencies.*

3.2.2.2 *It is recommended that the FIS Project Manager in conjunction with the Director General - Finance and Administration, determine how the training to finance staff and asset managers could be improved to address the capital asset issues encountered during the FIS Implementation Review #2.*

3.2.3 Chart of Accounts

The objective of our review of DFO's chart of accounts activities, was to review progress and assess compliance with central agency requirements.

One of the major changes being made as part of FIS is the implementation of a new Chart of Accounts for government-wide reporting purposes.

The development of a classification system and the related chart of accounts in the Government of Canada are dictated by requirements to:

- provide government-wide information in the summarized format required for presentation in the financial reporting accounts which are then used to prepare the government's summary financial statements in the Public Accounts and the Annual Financial Reports;
- meet Parliament, central agency and other requirements for uniform classifications of data on a government-wide basis; and
- provide both summarized and detailed information at the departmental level.

The overall classification required, and the chart of accounts within each of them, provides for the uniform classification of financial transactions to meet government reporting requirements and forms an integral part of the central and departmental accounting systems.

To meet these requirements TBS promulgated 21 principles for the FIS, six of which are accounting principles. Among these accounting principles are the following:

- all detailed data are to be maintained in departmental systems. As a result, no detailed data will be kept by the Receiver General on behalf of departments in the central accounting system.
- departments are to develop or amend their systems so that the information maintained meets GAAP. This basically means implementing accrual accounting across the government.
- departments will be required to summarize all the data maintained in their department financial systems on a monthly basis, in accordance with the accounts balance concept, and forward it to the central system.
- TBS is required to prescribe standard government-wide coding requirements to meet the information needs for the accounts balance concept.

To meet the financial information requirements for accounting and corporate information needs, eight types of classifications have been identified, namely: responsibility; financial reporting account; authority; purpose; object; internal or external; province; and other classifications. A summary of these requirements is included in Appendix C. To accommodate these classification requirements, each department must establish a chart of accounts for each of these classifications.

Departments are required to provide monthly summaries of account balances to PWGSC's Central Financial Management and Reporting System (CFMRS) for six of these classifications which are presented in the following diagram:

CFMRS – ACCOUNT BALANCE CODES	RELATED CLASSIFICATION
Responsibility	Department or Agency
Financial Reporting	Financial Reporting Account
Authority	Authority Code
Purpose	Activity
Object	Economic Object
Internal / External	Internal / External indicator

Chart of accounts for each of those classifications will be maintained in the TBS Manual on the Chart of Accounts, which is a supplementary volume to the Financial Management and Comptrollership Volume.

The key activity that needed to be performed by a department in developing the newly required chart of accounts, was to map how the departments existing chart of accounts would be transposed into the new chart of accounts required under FIS. At DFO, this exercise was managed and controlled by Corporate Accounting and the results were communicated to those concerned via a work group that had finance representatives from Headquarters and the Regions.

Our review of documentation supporting DFO's conversion routine demonstrates that the new chart of accounts meets the Central Agency classification requirements and should accommodate DFO's internal management needs. In fact, we noted that the new chart of accounts has minimal impact on the end-users since the most significant changes happen in the background and are therefore invisible to the end-users.

3.2.4 Reconciliation Processes

The objective of our review was to assess the requirements for reconciliation under FIS, the plan developed by DFO to meet those requirements, and the efficiency of those reconciliation processes.

The reconciliation processes relate to the requirement for reconciling information between the departmental financial system and the various central systems. Presently, DFO is required to reconcile the detailed accounting data recorded in ABACUS to the detailed records included in the central accounting systems. Under FIS, the information transferred to the central systems will be at a summary level only and the responsibility and accountability for the detailed account coding will rest with DFO.

DFO will need to reconcile the summarized control account balances included in the departmental financial system to the Receiver General - General Ledger (RG-GL) and the Payroll System - General Ledger (PS - GL) control account balances.

More specifically DFO will need to perform the following daily and monthly reconciliation processes / routines:

RECONCILIATION PROCESSES / ROUTINES	
DAILY	1. Creating and Sending RGI files to Receiver General.
	2. Picking up RGI files from Receiver General.
	3. Running the required processes to load the retrieved files into ABACUS.
	4. Retrieving DFO deposits reported from the Banking and Cash Management System.
	5. Retrieving financial salary transactions files.
	6. Retrieving Interdepartmental Settlement files.
	7. Reconciling required around the above processes.
	8. Ensuring the completeness and accuracy of transactions being moved to the GWAC set of books within ABACUS.
	9. Reconciling payroll in ABACUS to the control accounts and SMIS on a weekly basis rather than a monthly basis.
MONTHLY	1. Reconciling departmental control accounts with the RG-GL accounts within 5 days (previously 40) and prior to sending the departmental trial balances to CFMRS at the end of each period.
	2. Certifying departmental trial balances consisting of the opening and closing balances of departmental accounts (including FIS control accounts). Certification must be by a senior financial officer (typically the ADM) using Electronic Authorization and Authentication (EAA).
	3. Determining opening / closing balances for each of the modules (Accounts Payable, Accounts Receivable, Asset, General Ledger).
	4. Posting and balancing sub-ledgers.

DFO must now review existing reconciliation processes in light of these new reconciliation requirements and update reconciliation procedures accordingly. The new processes developed should ensure the efficient operation of these reconciliation routines. To the extent possible, these processes should be fully automated to eliminate the need for manual intervention.

Recommendations:

- 3.2.4.1 *It is recommended that the Director, Accounting, Materiel, and Administrative Service update existing financial reconciliation procedures in light of the new FIS reconciliation requirements.*
- 3.2.4.2 *It is recommended that the Director, Accounting, Materiel, and Administrative Service assess the impact of the new reconciliation requirements on resources.*

3.2.5 Reporting

The objective of our review of reporting was to assess FIS reporting requirements, the plan developed by DFO to meet these requirements, and the timeliness of DFO's FIS reporting activities.

The implementation of accrual accounting and reporting requires that departments prepare the following annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP):

- **Statement of Management Responsibility.** This report will be signed by the Deputy Minister and the Senior Financial Officer to acknowledge management's responsibility for the financial statements and for the processes that produce the statements. A sample of this report is presented in Appendix D.
- **Statement of Financial Position.** This statement presents the Department's financial position in terms of its assets, liabilities, and net assets or liabilities at the end of an accounting period and assists users in evaluating the position of the entity (i.e. the Department) at a specific time. For departmental reporting purposes, the assets will be classified as financial or non-financial in the main body of the statement.
- **Statement of Operations.** The purpose of this statement is to present the financial results of activities of the reporting entity (i.e. the Department) for the fiscal year by disclosing revenues, expenses, and operating results.
- **Statement of Cash Flow.** This statement presents information about the operating and investing activities of an entity (i.e. the Department) and the effect of those activities on the use of cash. In reality, and in comparison to the other two financial statements, there will be minimal activity recorded on this statement.

Departments are also required to maintain and submit to PWGSC - RG monthly trial balance reports that must balance to the summarized daily control accounts.

A committee has recently been created at DFO to review, modify, and propose changes to the external and internal financial reporting requirements as a result of FIS.

The committee has established the following priorities for 2001-2002:

- ensure the accuracy of financial information for the monthly trial balances transmitted to PWGSC starting at the end of April 2001, in consultation with Financial Administrative Systems (FAS);
- ensure the accuracy of information for opening financial statements as of April 1, 2001, in consultation with FAS;
- propose and develop new internal reports for use by managers at all levels in DFO, including those contained in the Management Reporting System (MRS);
- determine information requirements for the Public Accounts for fiscal year 2001-2002; and,
- determine information requirements for the Departmental Performance Report for fiscal year 2001-2002.

We believe the committee also needs to add to their list of 2001-2002 priorities the establishment of a process for the preparation and audit of the Department's mandatory financial statements.

We also believe it will be important for DFO to determine who will be responsible for the coordination of future external audits by the Government of Canada's external auditors (i.e. the DFO "external audit co-ordinator"). We believe the DFO co-ordinator should also help ensure DFO readiness for the external audit.

Finally, we believe that a plan should be developed to demonstrate how DFO will assess the needs of managers when developing the new internal reports.

Recommendation:

3.2.5.1 It is recommended that the FIS Reporting SWAT Team:

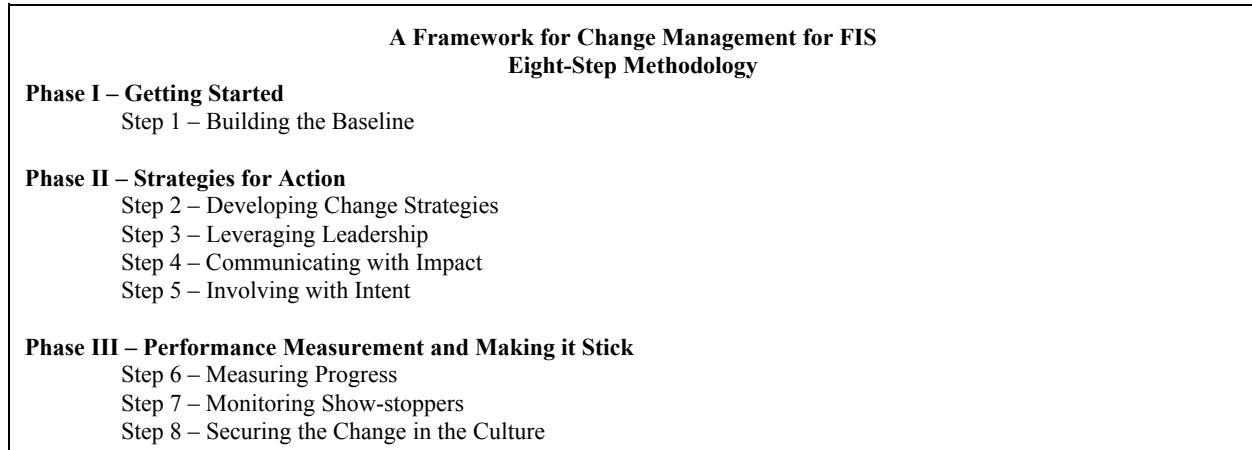
- *establish a process for the preparation and review of the Department's mandatory financial statements;*
- *identify an "external audit co-ordinator" who will be responsible for ensuring DFO readiness for external audits by the Government of Canada's external auditors; and*
- *develop a plan indicating how they will assess the needs of DFO managers when developing new or updating existing internal management reports.*

3.2.6 Change Management

The objective of our review of change management was to assess the effectiveness of the strategy implemented and the tools used to assist DFO employees in adapting to the changes imposed by the implementation of FIS. Change management aims at getting the planned benefits of an initiative while minimizing the negative consequences along the way. To a great extent, change management means giving proper attention to the human aspect of the change.

Together the transformational changes required in order to implement FIS in the federal government represent a huge and complex exercise which can be expected to occur over years, not months.

In order to plan the changes required as a result of FIS, DFO has developed a change management strategy. DFO's strategy builds on the following framework developed by the FIS Forum Change Management Working Group:



DFO's change management strategy document describes in more detail the steps the Department plans to follow in implementing changes required by FIS. For example, focus groups will be conducting an exercise to validate issues and identify new issues specific to the Department. To address each of these issues effectively, targeted strategies are to be developed. When critical issues are identified, FIS leaders are to be consulted to identify possible solutions and determine the best possible approach to communicate solutions adopted. Change strategies approved are to have target dates to facilitate the measuring of progress. Events within DFO are also to be monitored for show stoppers and remedial strategies and actions are to be developed as required. Finally, in an effort to secure behavioural changes triggered by FIS, DFO wants to ensure proper integration with the Modern Comptrollership Change Management Initiative as it is expected that this will result in a continued addressing of these issues.

Our review of DFO's draft change management strategy indicates that it has all the necessary elements to help ensure effective change management. The challenge for DFO will be to carry-out those change management steps in a timely manner in order to limit confusion about FIS and the risk of negative FIS publicity.

Recommendation:

3.2.6.1 *It is recommended that the FIS Project Manager in conjunction with the Co-ordinator of Change Management develop a detailed change management plan indicating why, when, how and by whom the specific change management activities will be provided.*

3.2.7 FIS Funding

The objective of our review of FIS funding was to assess actual levels of FIS funding provided to the regions in preparation for FIS and to highlight any regional funding issues pertaining to FIS.

During the time of our review, the only funding provided to the Regions in relation to FIS was in the form of training provided and paid for by the Cluster Group (i.e. the one and two day Accrual Accounting courses) and assistance provided by PWGSC in relation to the valuation of real property assets.

The FIS Project Team prepared a "Business Case" in April 2001 for submission to the Treasury Board Secretariat, this document identified the need for seven additional FI-01 positions in the Regions to assume new roles and responsibilities under FIS.

The additional resources required are justified by the fact that under FIS, the regional accounting and monitoring role and responsibility is expected to change to include the interpretation of accrual policies and procedures. DFO also anticipates an increase in regional ABACUS user inquiries and in the need for related training. This shift will require a higher level of resources, which is expected to be only partially compensated for by the reduction in monthly regional reconciliation duties which will now be done by Corporate Accounting.

Regional accounting staff are also expected to work closely with materiel management with respect to new recording requirements for Work-in-Progress and Capital Assets. New duties would include provision of guidance, analysis of specific project circumstances or events in relation to capitalisation criteria, and analysis of monthly regional financial results. Moreover, the regions will now require in-depth knowledge of asset sub-ledger accounting entries in order to be able to provide proper advice to regional users.

In our opinion, obtaining proper levels of funding will be fundamental to the efficient and effective implementation of FIS at DFO.

Consequently, it is essential that the FIS business case clearly articulates and substantiates the justification for addition resources to support the on-going FIS business activities.

In our review of the FIS business case we identified additional attributes that should be included in the business case, these being:

- emphasis placed upon those activities that will not be accomplished in the event of funding shortfalls, and
- benchmarking with other cluster group members in order to ensure an appropriate level of consistency, with other departments, in the TBS submission presented by DFO.

Our concerns were forwarded to the FIS Project Manager and were factored into the final version of the FIS business case.

ACKNOWLEDGEMENT

The review team wishes to thank all departmental personnel who were involved in this audit for their cooperation and assistance. The list of people interviewed is presented Appendix B.

4.0 MANAGEMENT ACTION PLAN

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>Moveable Assets 3.1.1.1 It is recommended that the FIS Implementation Committee for the Capitalisation of Assets:</p> <p>a) Document the approach followed at DFO for the identification and valuation of moveable assets;</p> <p>b) Establish a quality assurance process to verify the accuracy and integrity of moveable assets in ABACUS;</p>	<p>1. Dir AMAS sent three different memorandums to Regional Directors of Finance & Administration & Chiefs of Materiel Management to clarify the approach that should be taken for the validation of asset records.</p> <p>2. Corporate Materiel Management Division will develop in consultation with Corporate Accounting & Policy Division all materials necessary to address items (b-e) of recommendation 3.1.1.1.</p> <p>3. A modified Quality Assurance process was implemented to ensure that information entered into ABACUS was correct.</p> <p>4. Further research is still being done in some regions.</p>	<p>Dir AMAS</p> <p>Dir AMAS</p> <p>Dir AMAS</p>	<p>Complete</p> <p>2001-12-31</p> <p>complete</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>c) provide clarification regarding Headquarters responsibilities for the control of certain moveable assets that are located in the regions (<u>this recommendation also applies to real property assets that would be controlled by Headquarters</u>);</p>	<p>5. Reference action plan item #2.</p>		
<p>d) Provide clarifications regarding the value of moveable assets that are transferred from other government departments;</p>	<p>6. Reference action plan item #2.</p>		
<p>e) provide clarification concerning what constitutes the “date of acquisition” of an asset (<u>this recommendation also applies to real property assets</u>)</p>	<p>7. Reference action plan item #2.</p> <p>8. For Real Property – reference action plan #10</p>		

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>3.1.1.2 It is recommended that the Director General, Finance and Administration update existing document retention procedures and asset management procedures in light of FIS (this recommendation also applies to real property assets).</p>	<p>9. Asset management procedures will be updated in light of FIS by the Corporate Accounting & Policy Division. For Real Property - reference action plan item # 10.</p>	<p>Dir AMAS</p>	<p>2001-12-31</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>Real Property Assets 3.1.2.1 It is recommended that the FIS Implementation Committee for the Capitalisation of Assets:</p> <p>a) Establish standards of documentation for real property assets including those that have been evaluated using standard unit costs. Those standards should be implemented even if they cannot be completed in time for recording the opening balances. Adequate documentation should be seen as part of the department's ongoing role as a custodian of its assets (<u>this recommendation also applies to Moveable assets</u>);</p>	<p>10. Real Property Management Directorate will formalise standards of documentation to keep an audit trail of the various decisions taken as part of the property management activities for their assets.</p> <p>⇒ Small Craft Harbours will develop its own standard of documentation</p> <p>11. Moveable assets – reference action item # 1</p>	<p>Director RPMD</p> <p>Policy officer SCH</p>	<p>2002-01-31</p> <p>2002-01-31</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>b) Establish standards of documentation for real property acquisitions (<u>this recommendation also applies to moveable assets</u>);</p> <p>c) Develop estimates for contingent liabilities that might be associated with the implementation of reversionary clauses requiring the restoration of property to its original condition;</p>	<p>12. Reference action item # 10.</p> <p>13. Moveable assets – reference action item # 1.</p> <p>14. RPDM agree with the recommendation providing that sites having reversionary clauses are assigned a contingent liability associated with their restoration <u>ONLY IF</u> they have been identified as divestiture candidates and are on a list of assets to be divested. A detailed action plan has been developed by RPDM and they will implement as per the plan.</p> <p>⇒ To confirm that SCH sites have been included in the RPDM plan.</p>	<p>Director, RPDM</p>	<p>2002-01-31</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>d) issue a directive / procedure regarding out of service assets (this recommendation also applies to moveable assets);</p>	<p>15. RPDM will issue guidelines instructing regional staff to conduct a review of the content of the RPIS database with the purpose to update (if needed) the in-service or out-of-service status of each site.</p> <p>⇒ SCH will develop its own accounting policy on out of service assets</p> <p>16. The moveable asset component of this recommendation will be addressed by Corporate Accounting & Policy Division. Reference action item #2.</p>	<p>Director, RPMD</p> <p>Policy officer SCH</p>	<p>2002-01-31</p> <p>2002-01-31</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>e) issue a directive / procedure regarding capitalizable costs (this recommendation also applies to moveable assets);</p> <p>f) document the process for establishing and controlling asset categories; and document the quality assurance process developed to monitor and control the identification and valuation of real property assets.</p>	<p>17. Policy #602 on the capitalization of assets was updated to address this recommendation.</p> <p>18. PWGSC will be providing DFO with an overview of the process followed and summary results of the QA program pertaining to the level of compliance of the DFO inventory of capital assets with the TB policy on capital assets. A CERTIFICATION DOCUMENTATION will be presented to DFO by PWGSC during a sign-off ceremony. This will mark the conclusion of the Accrual Accounting Project.</p> <p>⇒ SCH will develop its own QA program with its regional offices</p>	<p>Director, AMAS</p> <p>Director, RPDM</p> <p>Policy officer SCH</p>	<p>Complete</p> <p>2002-01-31 (or as soon as PWGSC is in the position to hold the sign-off ceremony)</p> <p>2002-01-31</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>Policies and Procedures 3.2.1.1 It is recommended that the FIS Project Manager in conjunction with the FIS coordinator of Policies and Procedures determine who will be accountable and responsible for the ongoing update of policies and procedures during the FIS transition period.</p>	<p>19. Currently, the accountability and responsibility of ongoing updating of the majority of policies and procedures resides within the Corporate Accounting and Policy Division (CAPD). However, responsibilities pertaining to this area may shift depending on the results of the Finance and Administration accountability study.</p>	<p>The Senior Policy Officer, CAPD</p>	<p>Complete</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>Training 3.2.2.1 It is recommended that the FIS Project Manager in conjunction with the Team Leader responsible for training implement a mechanism to assess the effectiveness of training provided and identify any deficiencies.</p>	<p>20. No formal mechanism to assess the effectiveness of the training conducted to date has been implemented because a low key implementation approach had been approved by Senior Management and there were not sufficient funds available for it. However, the MC PMO will ensure that some kind of assessment is considered for any future training to take place.</p> <p>21. During the first wave of FIS training, only financial staff and functional specialists were trained i.e.; asset officers and managers. That training received very good feedback by the participants. Training for departmental program managers will be provided in the late fall. The Senior Finance Managers and the Regional Directors of F&A in the regions have been tasked with delivering this training.</p>	<p>Modern Comptrollership Project Office</p> <p>Senior Financial Managers (SFM) and Regional Directors of Finance & Administration for training delivery.</p>	<p>2002-03-31</p> <p>2002-03-31</p>

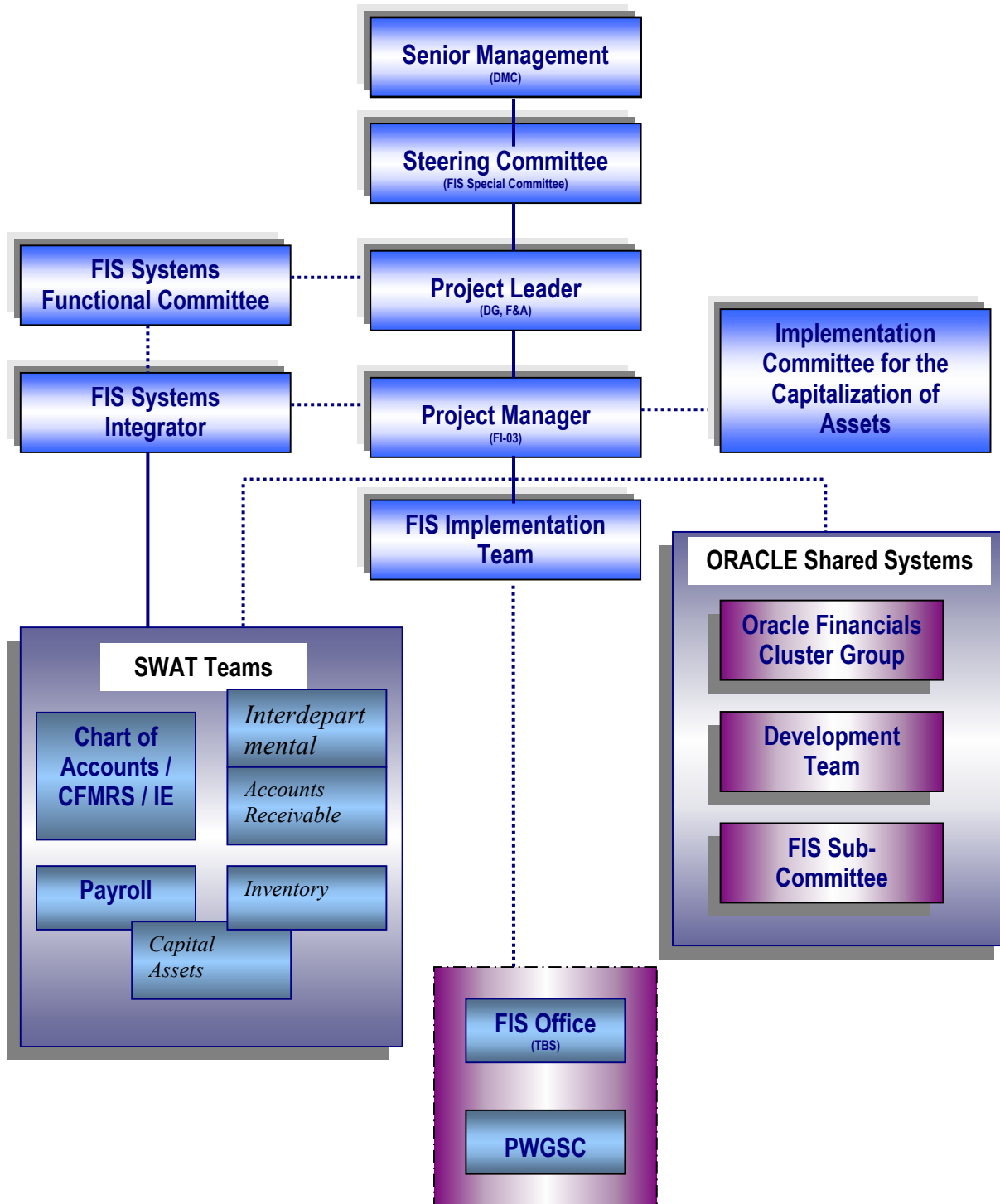
RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>3.2.2.2 It is recommended that the FIS Project Manager in conjunction with the Director General - Finance and Administration, determine how the training to finance staff and asset managers could be improved to address capital asset issues encountered during the FIS Implementation Review #2.</p>	<p>22. The FIS Project Manager will liaise with representatives from Real Property, SCH and Moveable Assets to determine the best course of action to address this recommendation. Until a course of action is determined, Corporate Materiel Management will continue to release bulletins which are available on the F&A web-site, to highlight the changes in asset management under FIS.</p>	<p>Modern Comptrollership Project Office</p>	<p>2002-03-31</p>
<p>Reconciliation Processes 3.2.4.1 It is recommended that the Director, Accounting, Materiel, and Administrative Service update existing financial reconciliation procedures in light of the new FIS reconciliation requirements.</p>	<p>23. An initiative is currently underway to update reconciliation procedures. DFO intends to stop recording assets under \$10K and this will greatly reduce the month end reconciliation process at the regional level. The asset records (\$1K – 10K) carried over from last year, included in the opening balances, will remain in the database for FIS reporting purposes.</p>	<p>Dir AMAS</p>	<p>2002-03-31</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
3.2.4.2 It is recommended that the Director, Accounting, Materiel, and Administrative Service assess the impact of the new reconciliation requirements on resources.	24. The impact of the new reconciliation requirements on resources was addressed in the AMAS FIS Business Case report submitted to the DG of Finance and Administration on June 11 th , 2001.	Dir AMAS	Complete

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>Reporting 3.2.5.1 It is recommended that the FIS Reporting SWAT Team:</p> <p>a) establish a process for the preparation and review of the departments mandatory financial statements;</p>	<p>25. The specifications for the financial statements are now being developed and discussed with Finance and Administration Systems. It is anticipated that an interim set of financial statements will be prepared as at November 30, 2001. The objective of preparing this set of interim statements is to ensure that the systems, the required information and related internal DFO processes are in place well in advance of the year-end requirement. Those interim financial statements will be reviewed by interested parties in DFO.</p> <p>26. Based on the above, necessary guidelines and procedures for the preparation of the annual financial statements will be developed and in place before the first set of financial statements are produced as at March 31, 2002.</p>	<p>Dir. Accounting, Materiel and Administration Services</p>	<p>2002-01-07</p> <p>2002-02-28</p>

RECOMMENDATIONS	MANAGEMENT ACTION PLAN	OFFICER OF PRIME INTEREST	INITIAL TARGET DATE
<p>b) identify an “external audit co-ordinator” who will be responsible for ensuring DFO readiness for external audits by the Government of Canada’s external auditors; and</p>	<p>27. The MC project office will determine who the “external audit coordinator” will be.</p>	<p>Modern Comptrollership Project Office</p>	<p>2001-12-31</p>
<p>c) Develop a plan indicating how they will assess the needs of DFO managers when developing new or updating existing internal management reports.</p>	<p>28. It has been proposed that regions will establish the regional reports for the preparation and review of the regional financial statements (including MRS reporting requirements) and that SFMs will establish reports required to permit reporting and review of the sector financial statements (including MRS reporting requirements).</p>	<p>Director Financial Branch, Regional Directors of F&A, Senior Financial Managers</p>	<p>continuing</p>
<p>Change Management 3.2.6.1 It is recommended that the FIS Project Manager in conjunction with the Co-ordinator of change management develop a detailed Change Management plan indicating why, when, how and by whom the specific change management activities will be provided.</p>	<p>29. A detailed FIS Change Management Strategy and plan was developed in January 2001. The plan is being implemented in conjunction with Modern Comptrollership activities.</p>	<p>FIS project manager and co-ordinator of change management.</p>	<p>complete</p>

APPENDIX A - FIS Implementation Organization at DFO



APPENDIX B - List of People Interviewed

Headquarters:

- (1) Cynthia Cantlie - FIS Project Coordinator
- (2) Gary Jeddrie - Chair, Assets SWAT Team, Corporate Materiel Management
- (3) Salim Jam - Real Property Information System
4. Gaetan Gervais - Chief, Corporate Accounting Policy
5. Margaret Milroy - Officer, Corporate Accounting Policy
6. Linda Reigner - Chief, Client Service and Quality Improvement
7. Paul Waksberg - Analyst
8. Donald Wong - SCH
9. David Bickerton - DG Finance
10. Janet Harrison – Director, Accounting, Materiel & Administrative Services
11. Rachel Muston - Systems Administrator and Programmer

Laurentian Region:

1. Martine Lavoie - FIS Coordinator (Quebec)
2. Jacques Morneau - Chief, Moveable Assets (Quebec)
3. Céline Pagé - Moveable Asset (Quebec)
4. Donald Muffet - Real Property Asset / CCG (Quebec)
5. Nicole Perron - Real Property Asset (Quebec)
6. Jean Yves Poudier - Director, Integrated Services (Quebec)
7. Marie Chiasson - SCH (Quebec)
8. Jean DeMontigny - Real Property CCG (Quebec)
9. Richard Moore - Real Property CCG (Quebec)
10. Jean-Guy Beaudoin - Regional Director General (Quebec)
11. Gervais Bouchard - Chief, Real Property (Quebec)
12. Louis Turgeon - A/Director Finance (Quebec)

Central & Arctic Region:

1. Neil Tiessen - Regional Director Finance & Administration (Winnipeg)
2. Brian Johnston - FIS Coordinator (Winnipeg)
3. Marshal Blais - Chief, Assets Management (Winnipeg)
4. Erika Carlow - Senior Financial Analyst (Winnipeg)
5. Ron Ehman - Chief, Financial Systems and Procedures (Winnipeg)
6. Randy Tremblay - Asset Management (Winnipeg)
7. Gord Pshebniski - Asset Management (Winnipeg)
8. Duane Blanchard - Director, SCH (Burlington)
9. Fred Shipley - Chief, Property Operations (Burlington)
10. Mike MacDiarmid - Program Development Officer (Burlington)
11. Mairin Ring - Facilities Engineer (Sarnia)
12. Ted Nickel - Properties Officer (Prescott)
13. Terry Meikle – Senior Contracting and Procurement Officer (Burlington)
14. Ray Pierce - Regional Director General (Sarnia)
15. Donna Stewart - Real Property (Prescott)
16. Eric Ashby - Quality Assurance Officer SIPA (Prescott)
17. Ron Walker - Real Property (Ontario)
18. James Leisle - SCH (Winnipeg)

APPENDIX B - List of People Interviewed (cont'd)

Public Works and Government Services Canada (PWGSC):

1. Alain Paradis - Regional Manager Appraisal (Montreal)
2. Gilles Barbeau - Real Property (Montreal)
3. Robert Leblanc - Regional Manager Appraisal (Toronto)
4. Kenneth Lau - Real Property (Toronto)
5. Richard Lévesque - Real Property (Quebec)
6. Chris Colp - Real Property (Selkirk, Manitoba)
7. Mark Gislason - Real Property (Edmonton)
8. Ron Zadornick - Real Property (Selkirk, Manitoba)

Office of the Auditor General:

1. Gordon Stock - Director
2. Christian Asselin - Director

Consultants:

1. Lionel Duguay - Consultant Real Property Management (Ottawa)
2. Bill Wiseman - Price Waterhouse Coopers / FIS Consultant (Ottawa)
3. Nathalie Meilleur - Price Waterhouse Coopers / FIS Consultant (Ottawa)

APPENDIX C - Chart of Accounts / Classification Requirements

To meet the financial information requirements for accounting and corporate information needs, eight types of classifications are required under FIS:

- (1) **responsibility**: to identify the organizational unit that is responsible or accountable for the transaction. This ranges from the minister for a ministry, the deputy minister or agency head for a department or agency down to the individual responsibility centre manager in each department.
- (2) **financial reporting account**: to identify the relevant asset, liability, equity, revenue or expenditure account for financial reporting (maintaining accounts in a General Ledger) and for preparing financial statements. The financial reporting accounts are being structured so they are generic for all departmental systems and the central system (CFMRS) so that a complete set of compatible financial statements can be produced at either level, and the accounts will correspond with those at the other level.
- (3) **authority**: to identify the Parliamentary appropriation (vote) or statute under which the transaction was authorized through legislation. This classification determines the authority under which the transaction was undertaken, and whether the transaction is budgetary or non-budgetary, as well as whether it is statutory or non-statutory. These authorities may be subject to change depending on what happens to the vote structure as a result of the Improved Reporting to Parliament project.
- (4) **purpose**: to identify the program, service or business line being provided by departments, in accordance with the Estimates.
- (5) **object**: to identify the type or nature of the expenditure, the source of the revenue, or the reasons why increases or decreases occurred to each type of asset and liability. The objects of expenditure identify the type of resources (goods and services) acquired, transfer payments made, public debt charges incurred, and other subsidies and payments.
- (6) **internal or external**: to identify the amounts of transactions that are internal to the government in order that they may be eliminated when the government produces consolidated financial statements.
- (7) **province**: to identify the province in which the responsibility centre where the transaction took place is located.
- (8) **other classification**: such as project codes, which are required by management of individual departments.

APPENDIX D - Management Responsibility for Financial Statements

Sample Report

Responsibility for the integrity and objectivity of the accompanying financial statements and all information contained in this report rests with departmental management.

These statements have been prepared by management in accordance with Treasury Board Accounting Standards based upon generally accepted accounting principles, using management's best estimates and judgement where appropriate.

Management has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance that the Government's assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the Financial Administration Act and regulations as well as departmental policies and statutory requirements. Management is also supported and assisted by a program of internal audit services.

If applicable add: The transactions and financial statements of the department have been audited by the *Auditor General of Canada, the independent auditor for the Government of Canada or the firm of _____*, as applicable.

Name, Deputy Head

Name, Senior Financial Officer

Ottawa, Canada

Date