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## Final Preliminary Survey Report

2013-705

Audit of Budgeting and Forecasting

June 19, 2014

Office of Audit and Evaluation





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## **INTRODUCTION**

The conduct of this audit was recommended for approval by the Audit and Evaluation Committee and approved by the Deputy Minister (DM) as part of the 2013-2018 Risk-Based Audit and Evaluation Plan.

## **BACKGROUND**

As per Treasury Board's Framework for Financial Management, the DM of Public Works and Government Services Canada (PWGSC), as Accounting Officer, has a legal obligation to manage the financial resources entrusted to her in compliance with legislation, regulation and policy; the Chief Financial Officer, as a strategic advisor to the DM, is accountable for providing financial management leadership and advice on the overall stewardship of the financial management culture and its performance; and finally, senior departmental managers are responsible for the effective financial management of all the activities falling within their areas of responsibility.

### *Departmental funding structure*

Parliament controls the supply of money to departments through the use of appropriations. These appropriations may be statutory<sup>1</sup> and therefore non-lapsing authorities, or non-statutory requiring annual approval through parliamentary vote. PWGSC has both types of appropriations.

PWGSC's statutory appropriations are comprised mainly of: i) Revolving Funds that are used for operations that sustain their viability through the collection of revenue from users; ii) Employee Benefit Plan; and iii) Payments in Lieu of Taxes.

PWGSC's non-statutory (voted) appropriations include: i) Operating Expenditures (Vote 1) for both regular operating and special purpose allotments; ii) Vote-Netted Revenues (Vote 1) for both regular operating and special purpose allotments; and iii) Capital Expenditures (Vote 5). For Vote 1, PWGSC has the authority to carry forward 5 percent of its regular operating funds (calculated based on the Main Estimates figure); any funds remaining unspent at year-end in a special purpose allotment are not eligible to be carried forward to the next fiscal year under the carry forward guidelines unless authorization to do so has been obtained under a separate Treasury Board approval. For Vote 5, PWGSC has the authority to carry forward 20 percent of its capital appropriations.

PWGSC provides both mandatory and optional services to many government departments, agencies and Crown corporations through the complex funding mechanisms described above. As it relates to its optional services, PWGSC relies on full cost recovery, generating revenues via Revolving Funds and programs within Vote 1. Overall, PWGSC is highly funded by revenues with cost recovery dependency trending to

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<sup>1</sup> Parliament does not approve statutory appropriations; once enacted, there are only provided to Parliament for information.

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60 percent. As such, this has a direct impact on the Department in an environment of reduced expenditures on the part of client organizations. Thus, it is important that changing requirements in these organizations be understood, communicated, and documented for effective budgeting and forecasting within PWGSC.

### *About budgeting and forecasting*

In support of sound financial management, budgets must be managed, monitored and controlled. With the support of Financial Management Advisors, Regional Directors of Finance, and Finance and Administration Branch, managers are responsible for managing their respective budgets with a level of prudence and probity to ensure the sound stewardship of resources under their direction and control.

Forecasting is also a critical activity in financial management. It requires managers to develop forecasts, analyze variances, perform financial reviews, prepare corrective action plans where appropriate, and inform their management of any resulting issues. Forecasting activities provide for the identification of financial pressures and potential surpluses at an early stage so that adjustments can be made in order to align funds with priorities and prevent excessive spending and/or lapses.

### *Issues related to forecasting*

In fiscal year 2009-2010, inaccurate forecasting resulted in lapses in the Vote 1 Regular Operating Budget (\$55M), Vote 1 Real Property Special Purpose Allotment (\$136M), and the Vote 5 Capital Budget (\$44M). Both the real property and capital lapses were at the higher end of the normal range for PWGSC, which prompted the DM to request that the Chief Financial Officer initiate a third party assessment on forecast management. This was conducted by Ernst & Young in 2010-2011. The project's objective was to identify the root causes that contributed to the lack of quality and accuracy of forecasts leading to the lapses. The Ernst & Young Review found:

- Inconsistent financial management roles and responsibilities within each Branch.
- Limited integration between business knowledge and financial analysis to support forecasting decisions.
- Culture, accountabilities and performance management system not fostering a collaborative approach to managing Department priorities and budgets.
- Limited forecasting tools and reporting functionalities in SIGMA, the Department's SAP-based financial system.

As a result of the findings, recommendations were issued by Ernst & Young followed by a Management Action Plan from Finance and Administration Branch (Appendix A) that aimed to:

- Acknowledge and value the Branch as a business partner/function and not solely as a service provider.

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- Increase the level of engagement and accountability for forecast accuracy among all employees.
- Link business knowledge and intelligence with financial analysis to improve and standardize the quality of information that is used in the forecasting process.
- Reduce inefficiencies caused by the manual forecasting process and the excessive use of spreadsheets; and declare SIGMA as the primary source of financial information.

## **OBJECTIVE, SCOPE AND APPROACH**

### **Objective**

The preliminary objective of this internal audit was to determine the extent to which Finance and Administration Branch and other implicated Branches have implemented actions outlined in the Management Action Plan related to the Ernst & Young Review on Forecast Management. As such, the purpose of the Planning and Survey Phase was to gain an understanding of the audit entity and to identify the associated risks of the budgeting and forecasting process in order to scope the engagement and finalize its objective.

### **Scope**

The scope of the Planning and Survey Phase focused on the following four areas, consistent with the approach used by Ernst & Young:

- Governance
- People and Organization
- Process
- Information Technology

Within the area of Governance, we focused on oversight and strategic direction, roles and responsibilities, the policy framework governing budgeting and forecasting activities, and reporting mechanisms in place to inform senior management of financial results.

As it pertains to People and Organization, we focused on performance accountability, knowledge and skill sets, as well as inquired about the impacts of the Deficit Reduction Action Plan and Strategic Review on the Department's ability to meet its budgeting and forecasting objectives.

In terms of Process, we focused on both the budgeting and forecasting process, relying on the Office of the Comptroller General's "*common financial management business processes*" to define each process and identify key control points we would expect to find.

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Finally, with respect to Information Technology, we focused on tools, functionalities, and usage of SIGMA, the Department’s SAP-based financial system.

**Approach**

The Planning and Survey Phase was conducted in accordance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

The Planning and Survey Phase included preliminary interviews with Finance and Administration Branch management within the Sectors impacted by the recommendations from the Ernst & Young Review, as well as walkthroughs with the Budget Management and SIGMA groups. Also, several documents were reviewed; for a complete listing, see Appendix B.

**RISK ASSESSMENT**

**Methodology**

Through interviews, walkthroughs and document reviews, we gained an understanding of the budgeting and forecasting process, beginning with the development and allocation of the initial budget, followed by the monthly forecasting exercise, and ending with the Departmental Management Report. After preliminary research, we conducted a risk assessment to prioritize areas of the engagement based on the information collected. The potential risks and existing mitigation factors were analyzed to identify the residual risks. The residual risks were then classified as low, medium, or high based on their potential likelihood and impact. A summary of the risks and mitigating controls identified through the risk assessment are outlined in the table below.

*Table 1: Summary of Risk Assessment*

<b>Risks</b>	<b>Mitigating Controls</b>
<ul style="list-style-type: none"> <li>• Forecasts may not be accurate and/or reliable because they may not effectively incorporate plans, budgets, key drivers, historical trends, assumptions, and constraints. Specifically, this risk is highest for revenue forecasting due to the Department’s reliance on cost recovery from other government departments.</li> </ul>	<ul style="list-style-type: none"> <li>• Forecasting Guide provides direction to managers and other stakeholders involved in developing forecasts.</li> <li>• Planning documents are available as a source of information when building forecasts (e.g., Integrated Business Plan, Investment Plan, and Revenue Plan).</li> <li>• Business intelligence functionality allows users to generate reports to aid in forecasting.</li> </ul>
<ul style="list-style-type: none"> <li>• Responsibilities and accountabilities may not be documented, clearly</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Management Framework defines the responsibilities and</li> </ul>

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<b>Risks</b>	<b>Mitigating Controls</b>
<p>defined, and/or communicated. Specifically, this risk is highest with respect to regional accountabilities.</p>	<p>accountabilities of the DM, Chief Financial Officer, Assistant Deputy Ministers, Regional Directors General, Managers and Financial Officers.</p> <ul style="list-style-type: none"> <li>• Departmental Directives also document responsibilities and accountabilities of key stakeholders involved in the budgeting and forecasting process.</li> </ul>
<ul style="list-style-type: none"> <li>• Budgeting and forecasting activities may not be adequately supported by: <ul style="list-style-type: none"> <li>– oversight and strategic direction;</li> <li>– policies and procedures; and</li> <li>– standardized tools and methodologies.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• At minimum, mid-year and end-year financial reviews are prepared and presented to the Executive Committee.</li> <li>• Directives and Guides outlining policies and procedures on budgeting and forecasting are available to users.</li> <li>• Monthly forecasting exercise known as the Departmental Management Report process is a standardized methodology that includes key tools (e.g., attestation form) to support forecasting.</li> </ul>
<ul style="list-style-type: none"> <li>• Managers may not be held accountable for inaccurate forecasts and/or poor management of their budgets; as a result, accountability may be “pushed” onto Finance and Administration Branch.</li> </ul>	<ul style="list-style-type: none"> <li>• Forecast accuracy measures included in executives’ Performance Agreements.</li> <li>• Forecast attestation signed by both the Branch/Region Head and Financial Management Advisor at the end of each period results in shared accountability.</li> </ul>
<ul style="list-style-type: none"> <li>• The Department may not be able to achieve its budgeting and forecasting objectives in an environment of fiscal restraint (e.g., Strategic Review / Deficit Reduction Action Plan).</li> </ul>	<ul style="list-style-type: none"> <li>• Shift towards the “Chief Financial Officer Model”<sup>2</sup> and transfer of selected functions to other parts of the organization has allowed Finance and Administration Branch to concentrate on providing strategic advice and oversight over the Department’s financial management activities.</li> </ul>

<sup>2</sup> In April 2009, the federal government introduced a Chief Financial Officer Model with the new *Policy on Financial Management Governance*. In practical terms, the Chief Financial Officer Model makes financial considerations part of all Departmental decisions and operations that may have financial resource implications. It aims to broaden and deepen the impact of financial advice.



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Risks	Mitigating Controls
<ul style="list-style-type: none"> <li>Initial budgets may be misallocated and/or may not be aligned with plans and priorities.</li> </ul>	<ul style="list-style-type: none"> <li>Integration of business planning and budget allocation processes.</li> <li>Budget Allocation and Control Guide provides direction on how to allocate and/or modify budgets through Budget Adjustment Requests.</li> </ul>
<ul style="list-style-type: none"> <li>Budgets may not be managed effectively resulting in the overspending of the approved budget.</li> </ul>	<ul style="list-style-type: none"> <li>Independent system controls (i.e., free balance control and cash control) within SIGMA to ensure that PWGSC remains within and appropriately manages its financial authorities.</li> </ul>
<ul style="list-style-type: none"> <li>SIGMA may not have sufficient functionalities to be considered the primary source of financial information.</li> </ul>	<ul style="list-style-type: none"> <li>Business intelligence capability within SIGMA allows trained users to generate standard and custom reports to facilitate analysis for forecasting.</li> </ul>
<ul style="list-style-type: none"> <li>SIGMA's tools and functionalities may not be used consistently and/or as intended by its users.</li> </ul>	<ul style="list-style-type: none"> <li>SIGMA training program includes a variety of courses including budgeting and forecasting.</li> <li>Training on the business intelligence tool has been provided to a growing number of users.</li> <li>User manuals and a query directory for the business intelligence tool have been developed.</li> </ul>

**Results**

After considering the mitigating controls in place, we assessed the residual risk levels between low to medium for all items identified in the table above with one exception. The one area of high risk that was identified was revenue forecasting due to the Department's reliance on cost recovery. This is, to a large degree, an intrinsic risk due to the nature of the Department's operations and not the result of a lack of controls. To mitigate some of this risk, a Revenue Plan was developed as part of the Management Action Plan from the Ernst & Young Review. The Revenue Plan describes cost recovery activities, business volume, assumptions, risk mitigation strategies, costing and charging methodology.

Overall, we believe sufficient and adequate controls are in place within the Department to facilitate effective budgeting and forecasting practices. This is evident by the recent success the Department has achieved in forecasting accuracy. For three consecutive fiscal

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years beginning with 2010-2011, the Department has been 99 percent accurate in forecasting as measured by the variance between period 09 forecasts and year-end actuals.

As a result of the risk assessment findings, we have concluded that a full audit is not warranted at this time. As such, we will not proceed into the Examination Phase. To close-out this engagement, we have conducted a preliminary validation exercise to determine whether management actions planned in response to the recommendations issued by Ernst & Young in 2010-2011 have been implemented and are achieving the desired result. A summary of the preliminary observations from our validation exercise is found in the next section.

### PRELIMINARY SURVEY OBSERVATIONS

The preliminary observations are intended to provide, based on the information gathered during the Planning and Survey Phase, a preliminary assessment of the actions undertaken to address recommendations issued by Ernst & Young (Appendix A). This information, along with the risk assessment, are the primary source of evidence in support of the justification and rationale to not proceed with the Audit into the Examination Phase.

#### **1. The Department's Financial Management Framework has been updated and implemented; efforts are ongoing to ensure its consistent application.**

In 2011, Ernst & Young recommended the Department's Financial Management Framework be strengthened to position Finance and Administration Branch as a business partner and strategic advisor to other Branches, and not solely as a service provider. To address the recommendation, we found a renewed Framework was put in place that defines the roles and responsibilities of the DM, Chief Financial Officer, Assistant Deputy Ministers, Regional Directors General, Managers, and Financial Officers. Further, financial processes have been standardized and mapped out, including the budgeting and forecasting process.

In terms of the Framework's implementation, we found Finance and Administration Branch transferred functions, people and funding to PWGSC's business lines in order to move away from transactional-based work (e.g., payables and receivables) and take on a more strategic role within the Department. While the Framework has been implemented as per the Ernst & Young recommendation, ongoing efforts continue to ensure the consistent application of the Framework across the Department. For example, the Financial Management Sector has undertaken a service catalogue project to ensure the activities it performs are aligned with the Framework. This project is planned to be completed by the middle of fiscal year 2014-2015.

**2. Improvements have been made to strengthen the Regional Funding Model; further efforts could be made to clarify regional accountabilities.**

As part of Ernst & Young's recommendation to strengthen PWGSC's Financial Management Framework, there was a specific request for Finance and Administration Branch, together with Assistant Deputy Ministers and Regional Directors General, to review and clarify regional accountabilities and consider changing the Regional Funding Model. The Regional Funding Model describes the ways in which budgets and staffs are managed between Headquarters and Regions. As such, it is essential for regional accountabilities to be clearly defined so that Regional Directors General know what is expected of them once they are allocated funds from Assistant Deputy Ministers.

In response to the Ernst & Young recommendation, a presentation of the Regional Funding Model was made by Finance and Administration Branch to the Executive Committee (formerly Deputy Minister Management Committee) in 2011. The presentation identified issues with the current Model and addressed how it could be improved by moving towards a "collaborative, integrated priority setting and business planning approach" between Branches and Regions. Following the presentation, the following improvements were made to strengthen the Regional Funding Model:

- Earlier budget allocation to Regions.
- Implementation of national Branch planning conferences in December/January to ensure a thorough understanding of regional financial requirements.
- Integrated business plans that include regional breakdown of funding by Program Alignment Architecture sub activity.

Overall, substantial progress has been made to clarify and communicate regional funding needs. However, we found the Regional Funding Model could be further strengthened by clarifying regional accountabilities as recommended by Ernst & Young. At a high level, accountabilities of Regional Directors General are defined in the Financial Management Framework, but the link between regional funding allocations and accountabilities is not apparent. Therefore, this is an area that could be improved in order to align the expectations of Regional Directors General and Assistant Deputy Ministers and further strengthen the Regional Funding Model.

***Note:** At the time the Preliminary Survey Report was drafted, we were advised by Finance and Administration Branch that an updated Regional Funding Model would be proposed and presented to the Executive Committee at a later date.*

**3. Accountability for forecasting performance has been established.**

In 2011, Ernst & Young recommended forecasting accuracy be incorporated into the performance objectives of executives. To address the recommendation, we found financial performance measurements incorporated into executives' Performance Management Agreements as part of PWGSC's common commitment for Assistant

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Deputy Ministers and Regional Directors General to adopt sound corporate management practices and deliver commitments within allocated budgets. Specifically, one of the measures that executives were expected to meet was a variance of 3 percent or less between their period 09 forecast and year-end actuals.

As of 2013-2014, the forecast accuracy measurement, described above, is no longer mandatory in the Performance Management Agreements of Assistant Deputy Ministers and Regional Directors General; however, Assistant Deputy Ministers and Regional Directors General have discretion over how common commitments should be reflected in the Performance Management Agreements of their respective Branch or Region executives (i.e., Directors General and Directors). Further, Branches and Regions are responsible for developing and adding appropriate performance measures in accordance with their respective responsibilities.

While there is a risk that a gap in accountability may now exist as a result of the forecast accuracy measurement no longer being mandatory, this is mitigated through the application of the Treasury Board's Key Leadership Competencies Model, which defines effective leadership behaviours for management excellence, including specific behaviours for financial management. In alignment with this model, PWGSC has implemented two accountability requirements: (i) the "double attestation" that is completed as part of the Department's monthly forecasting exercise and (ii) the presentation of the Departmental Management Report at the DM-chaired Executive Committee on a monthly basis. The attestation requires both Branch/Region Heads and Financial Management Advisors to sign-off on their annual forecast at the end of each period. This control results in shared accountability between the individual developing the forecast and the individual providing guidance and advice. In terms of the Departmental Management Report (process is explained below), the accountabilities and variances are identified and discussed by the senior management members of the Committee and any issues are addressed.

#### **4. Standardized tools and methodologies have been developed to support budgeting and forecasting activities.**

In 2011, Ernst & Young recommended developing and implementing standardized tools and methodologies to assess and analyze forecasts. To address the recommendation, we found that a robust and comprehensive forecasting process, known as the Departmental Management Report process, is in place within the Department to standardize the way in which forecasts are developed, analyzed, challenged, and reported to senior management. The forecasting process is detailed in PWGSC's Forecasting Guide, which together with the *Directive on Forecasting* provide a standardized tool that users can rely on for guidance and direction.

In addition to the tools and methodologies supporting forecasting, we found similar ones for budgeting. Specifically, the Budget Allocation and Control Guide and its related Directive provide guidance and direction on how to allocate and/or modify budgets to

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ensure an effective stewardship of resources. For example, the Guide provides instructions on how to complete a Budget Adjustment Request.

Standardized tools for budgeting and forecasting have also been built into SIGMA, the Department's financial system. SIGMA tools and functionalities are detailed in the next section.

### **5. Usage and functionality of SIGMA have improved.**

In 2011, Ernst & Young recommended Finance and Administration Branch introduce reporting tools within SIGMA to reduce the use of manual spreadsheets and improve the quality of information. To address the recommendation, Finance and Administration Branch developed a business intelligence tool to enable robust reporting and analytics. According to the SIGMA Sector, the business intelligence tool complements SIGMA's transactional functionality by quickly and efficiently generating standard and custom reports to support timely and strategic decision-making across the Department.

The business intelligence solution includes an excel-based platform called "Business Explorer Analyzer" which is intended for a select user base of business and financial analysts within the Department. The next evolution of business intelligence includes a graphical tool set based on "Business Objects" in which users can use interactive dashboards and intuitive web-based interfaces to access, analyze and format data, and share results and insight with others through portals, reports, and presentations. These graphical tools are intended for a broader user base, including senior managers, cost centre managers, and staff. Overall, we found the business intelligence solution has been gradually implemented through a phased approach and continues to be introduced to new users. Modifications are still being made to the graphical tools to make them more robust in order to facilitate greater use across the Department.

In addition to the implementation of reporting tools, Ernst & Young recommended training be provided on SIGMA functionalities. We found a SIGMA training program was developed that offers in-class and online courses in a variety of areas, including budgeting and forecasting. Further, we found business intelligence tool training has been provided and related user manuals have been prepared. A reported 700 users across the Department have been trained on the business intelligence tool as of the end of fiscal year 2013-2014.

## **CONCLUSIONS**

Overall, our preliminary validation exercise indicates the Ernst & Young recommendations have been effectively addressed through the implementation of the Management Action Plan. Specifically, of the 11 actions planned by Finance and Administration Branch, 10 have been assessed by the Office of Audit and Evaluation (OAE) as fully implemented and 1 has been assessed as substantially implemented (refer to Appendix A for details). To achieve full implementation of the remaining action,

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Finance and Administration Branch will need to coordinate with Regions and Branches to ensure regional accountabilities are clarified with respect to the Regional Funding Model.

In addition to the validation exercise, our risk assessment results conclude sufficient and adequate controls are in place within the Department to facilitate effective budgeting and forecasting practices. This is evident by the recent success the Department has achieved in forecasting accuracy. For three consecutive fiscal years beginning with 2010-2011, the Department has been 99 percent accurate in forecasting. Based on these factors, OAE management decided on March 18, 2014 to stop the Audit of Budgeting and Forecasting at the end of the Planning and Survey Phase. As such, this document serves to close-out the engagement.

## **APPENDIX A – Recommendations and Management Action Plan from the Ernst & Young Review on Forecast Management (2010-2011)**

In 2011, Ernst & Young issued 4 broad recommendations to PWGSC:

1. Strengthen the Department's Financial Management Framework. Position Finance to perform higher value added activities for Branches and financial strategic advisory function for the Department.
  - Cross-reference to preliminary observations 1 and 2.
2. Incorporate forecasting accuracy, throughout the year, in the performance objectives of all executives.
  - Cross-reference to preliminary observation 3.
3. Develop and implement standardized methodologies and tools to assess and analyze forecasts.
  - Cross-reference to preliminary observation 4.
4. Provide training on SIGMA functionalities and implement reporting tools within SIGMA to reduce the need for manual spreadsheets and increase quality of information.
  - Cross-reference to preliminary observation 5.

Building upon these broad recommendations, Ernst & Young also issued detailed recommendations to which PWGSC prepared a Management Action Plan. Refer to the table on the next page.

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<b>Detailed Recommendation</b>	<b>Management Action Plan</b>	<b>Office of Primary Interest</b>	<b>Implementation Date</b>	<b>Level of implementation<sup>3</sup> as assessed by the OAE</b>
1. Approve implementation plan and secure implementation of Chief Financial Officer Model improvements, including renewal and implementation of the Financial Management Framework.	1. a) Deputy Minister Management Committee approval of the Financial Management Framework.	Chief Financial Officer	April 18, 2011	Level 5 – Full implementation
	1. b) Implement Financial Management Framework to clarify the Chief Financial Officer Model and standardize roles and responsibilities.	Director General, Financial Management	March 31, 2013	
	1. c) Update the PWGSC policy/procedures on budgeting and forecasting.	Director General, Financial Operations; Director General, Budget and Investment Management	March 31, 2013	
2. Clarify and align, as required, roles and responsibilities of finance functions within Branches to achieve	2. Through the implementation of the Financial Management Framework, roles and responsibilities will be	Director General, Financial Management  (Office of Secondary Interest: Assistant	March 31, 2013	Level 5 – Full implementation

<sup>3</sup> **Levels of implementation:** Level 5 – Full implementation; Level 4 – Substantial implementation; Level 3 – Partial implementation; Level 2 – Planning stage; Level 1 – Not started



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<b>Detailed Recommendation</b>	<b>Management Action Plan</b>	<b>Office of Primary Interest</b>	<b>Implementation Date</b>	<b>Level of implementation<sup>3</sup> as assessed by the OAE</b>
balance between a central Chief Financial Officer function and Branch operational Requirements	realigned and standardized to achieve balance between Branch administrative divisions and finance function.	Deputy Ministers and Regional Directors General)		
3. Regional Funding Model and accountabilities: Review and clarify regional accountabilities between Regional Directors General and Assistant Deputy Ministers and consider changing model.	3. Implement Regional Funding Model which includes clarification of accountabilities.	Director General, Financial Management; Assistant Deputy Ministers; Regional Directors General	December 31, 2011	Level 4 – Substantial implementation  See Preliminary Observation 2 for remaining actions to be completed.
4. Develop a framework for managing capital throughout the Department and consider creating a Capital Investment Board	4. a) Develop and implement Capital Management Framework and governance of Capital Investment Board.	Director General, Financial Management	December 31, 2012	Level 5 – Full implementation
	4. b) Implement PWGSC Integrated Investment Plan.	Director General, Financial Management	March 31, 2012	

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<b>Detailed Recommendation</b>	<b>Management Action Plan</b>	<b>Office of Primary Interest</b>	<b>Implementation Date</b>	<b>Level of implementation<sup>3</sup> as assessed by the OAE</b>
5. Revenues: Improve timeliness of invoicing for all services and review process of entering into and committing to agreement terms and conditions which affect predictability of revenues (Memoranda Of Understanding, Service Level Agreements).	5. a) Develop and communicate Billing Standards.	Director General, Financial Operations	December 31, 2011	Level 5 – Full implementation
	5. b) Chief Financial Officer sign-off on departmental revenue plan for purposes of recommendations to DM. Revenue plan will include for each Branch: plan by program, implementation strategy and basis for cost recovery.	Director General, Budget and Investment Management	August 31, 2012	
6. Enhance and improve forecasting process including development and implementation of:  a) Standardized methodologies and tools to create, assess and analyze forecasts.	6. a-i) Attestation by Branch Assistant Deputy Ministers on forecasts.	Director General, Budget and Investment Management; Assistant Deputy Ministers; Regional Directors General	Completed	Level 5 – Full implementation
	6. a-ii) Document and implement standard forecasting methodologies, processes and procedures.	Director General, Budget and Investment Management; Director General, Financial Management	March 31, 2012	

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<b>Detailed Recommendation</b>	<b>Management Action Plan</b>	<b>Office of Primary Interest</b>	<b>Implementation Date</b>	<b>Level of implementation<sup>3</sup> as assessed by the OAE</b>
b) Incorporate operational data and performance indicators in forecasting to link business intelligence and operational efficiency with financial analysis.	6. b-i) Implement performance indicators in forecasting.	Director General, Budget and Investment Management	March 31, 2012	
	6. b-ii) Develop and implement financial performance indicators.	Director General, Financial Management	March 31, 2012	
7. Develop and communicate key metrics to measure performance in regards to forecasting accuracy (Treasury Board Secretariat 5% formula and rating should be used).	7. a) Establish and incorporate forecasting performance measurement and results into executive Performance Management Agreements.	Chief Financial Officer; Assistant Deputy Ministers; Regional Directors General	Completed	Level 5 – Full implementation
	7. b) Measure and monitor forecasting accuracy performance of Branches and Regions at P6, P9 and P12.	Director General, Budget and Investment Management	Ongoing	
8. Improve in-year budget reallocation: timeliness, migration of analysis from Branch	8. Update budget management practices to ensure timely and priority based	Director General, Budget and Investment Management	March 31, 2013	Level 5 – Full implementation

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<b>Detailed Recommendation</b>	<b>Management Action Plan</b>	<b>Office of Primary Interest</b>	<b>Implementation Date</b>	<b>Level of implementation<sup>3</sup> as assessed by the OAE</b>
level to Department level.	allocations.	(Office of Secondary Interest: Assistant Deputy Ministers and Regional Directors General)		
9. Consider and manage risks around use of manual spreadsheets to support key decisions and improve SIGMA functionality, reporting and use. SIGMA should be primary source of information for calculating forecasts.	<p>9. a) Implement Business Intelligence reporting tool.</p> <p>9. b) Complete the migration to SIGMA version ECC 6.0.</p> <p>9. c) Address identified system limitations of SIGMA to declare SIGMA as the primary source of financial information for the Department.</p>	<p>Director General, SIGMA</p> <p>Director General, SIGMA</p> <p>Director General, SIGMA; Director General, Budget and Investment Management; Director General, Financial Management</p>	<p>March 31, 2013</p> <p>March 31, 2012</p> <p>Ongoing</p>	Level 5 – Full implementation
10. Provide training on SIGMA functionalities and implement reporting tools within SIGMA to reduce need for manual spreadsheets and increase	10. Implement a sustainable SIGMA training program.	Director General, SIGMA	March 31, 2013	Level 5 – Full implementation

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<b>Detailed Recommendation</b>	<b>Management Action Plan</b>	<b>Office of Primary Interest</b>	<b>Implementation Date</b>	<b>Level of implementation<sup>3</sup> as assessed by the OAE</b>
quality of information.				
11. Implement change management program that includes comprehensive forecasting training (SIGMA, tools, how to use and manage commitments etc.).	11. Develop a comprehensive Forecasting Training Program.	Director General, SIGMA; Director General, Budget and Investment Management; Director General, Financial Management	December 31, 2013	Level 5 – Full implementation

## **APPENDIX B – Document Listing**

The following documents were collected and reviewed as part of the Audit’s Planning and Survey Phase.

- Ernst & Young Review on Forecast and Management Action Plan Status Updates
- PWGSC Financial Management Framework
- PWGSC Budget Management Excellence Framework
- PWGSC Budget Allocation and Control Guide
- PWGSC Directive on Budget Allocation and Control
- PWGSC Forecasting Guide
- PWGSC Directive on Forecasting
- PWGSC Billing Standard
- PWGSC Departmental Management Reports
- PWGSC Quarterly Financial Reports
- PWGSC Report on Plans and Priorities (2013-2014)
- PWGSC Integrated Investment Plan (2011-2016)
- PWGSC Revenue Plan (2013-2014)
- PWGSC Initial Budget Allocation (2013-2014)
- PWGSC Common Commitments for the Assistant Deputy Ministers and Regional Directors General community (2012-2013)
- Finance Branch Integrated Business Plan (2013-2014)
- Finance Branch Risk Profile (2013-2014)
- Finance Branch Organizational Charts
- Planning, Budgeting, and Forecasting Process Maps
- Cost Allocation Model
- Regional Funding Model
- Financial Performance Indicators Framework and Governance Model for PWGSC
- SIGMA Business Intelligence Status Reports
- SIGMA Business Intelligence Query Directory
- SIGMA User Manuals
- SIGMA Training Material
- Treasury Board Policy Framework for Financial Management
- Office of the Comptroller General Common Financial Management Business Processes - 1.1 Planning and Budgeting and 1.2 Forecasting and Budget Review