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**Department of External Affairs  
Ministère des Affaires extérieures**

**GOVERNMENT OF CANADA  
GOUVERNEMENT DU CANADA**

**REPORT  
TASK FORCE ON FINANCIAL MANAGEMENT**

C. LaFrance  
Director  
November 1983



EXECUTIVE SUMMARY  
FINAL REPORT

(i)

TASK FORCE ON FINANCIAL MANAGEMENT

FINAL REPORT OF THE TASK FORCE  
ON FINANCIAL MANAGEMENT

INDEX OF THE REPORT

1. The mandate of the Task Force is set out in Annex A to Chapter I of the report. Essentially, the Task Force was required to make recommendations concerning the most appropriate financial management and control systems for the Department, including organizational and staff classifications, and the personnel selection and personnel evaluation. The Task Force was also required to take into account the relevant comments of the Auditor General in the report of his 1982 comprehensive audit.

Page

2. In Chapter II, the report sets out the information needs which were identified. In particular, the Task Force noted the Auditor's statement issued by the Department is at year-end for the Public Accounts. The financial information needs of the Department arise from the Department's financial reporting requirements of the Department's financial reporting system and the Department's financial reporting requirements of the Department's financial reporting system.

Executive Summary .....	(ii)
Chapter I - Introduction .....	1
Chapter II - Financial Information Needs .....	26
Chapter III - Financial Systems .....	44
Chapter IV - Organization and Tasks - Finance Bureau .....	80
Chapter V - Summary of Recommendations .....	127

43-274-538

- a) finds that, in some instances, the minimum information requirements set out in the IB Guide on Financial Administration and the Comptroller General's Guide on Systems Specifications are not being met in the Department;
- b) concludes that the information needs arising from the current responsibility center system are not adequately met, particularly in relation to commitment/de-commitment mechanisms, time and cost accounting, and information; and
- c) articulates the information needs which could be identified at the time of the report in relation to the DPF.

Dept. of External Affairs  
Min. des Affaires extérieures

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4. In Chapter III, the report first sets out the major criteria by which the Department's financial management systems are assessed. This is followed by a review and a comparison of the financial systems currently serving the Department.



EXECUTIVE SUMMARY  
FINAL REPORT  
TASK FORCE ON FINANCIAL MANAGEMENT

1. The mandate of the Task Force is at Annex A to Chapter I of the report. Essentially, the Task Force was required to make recommendations concerning the most appropriate financial management and control systems for the Department, the financial organization and staff classifications, and the related training, personnel selection and personnel evaluation. The Task Force was also required to take into account the relevant comments of the Auditor General in the report of his 1982 comprehensive audit.

2. In Chapter II, the report sets out the information needs which were identified. In particular, the Task Force noted the Auditor General's comment that, at present, "The only complete financial statement issued by the Department is at year-end for the Public Accounts". The financial information needs of the Department arise from:

- a) the Accounts of Canada (Central Accounts);
- b) the Treasury Board Policy and Expenditure Management System; and
- c) the operational and financial reporting requirements of the Department, monthly or as required.

3. Chapter II sets out the details of the financial information needs which can be summarized as those arising from the standard responsibility center/reporting object structure and those which will be generated by the activities/sub-activities of the eventual Operational Planning Framework (OPF). The Task Force:

- a) finds that, in some instances, the minimum information requirements set out in the TB Guide on Financial Administration and the Comptroller General's Guide on Systems Specifications are not being met in the Department;
- b) concludes that the information needs arising from the current responsibility center structure are not adequately met, particularly with regard to commitment/de-commitment mechanisms, timeliness and detail of the information; and
- c) articulates the information needs which could be identified at the time of writing in relation to the OPF.

4. In Chapter III, the report first sets out the major criteria by which the Department's financial systems can be assessed. This is followed by a review and an evaluation of the financial systems currently serving the Department:

(iii)

- a) the Departmental Reporting System of Supply and Services Canada, including readily available enhancements;
- b) the current External Affairs Financial Management System;
- c) the automated data processing Service Bureau serving the Washington Embassy;
- d) the stand alone computer of the London High Commission; and
- e) the manual systems at most Posts.

5. Chapter III also includes:

- a) a review of FINCON (the financial and commitment control system of Supply and Services Canada) and its use in Correctional Service Canada and in Environment Canada; and
- b) reference to a National Defence study of options concerning a future automated financial reporting system.

6. The Task Force concludes that FINCON could not adequately meet the needs of the Department but that several of the major features of this system could be introduced in External Affairs, notably the provision of:

- a) a direct access by Headquarters responsibility centers through "dial-up" or "on-line" facilities to the financial management system for information on their budgets, expenditures, commitments and free balances; and
- b) financial reports as required, by activity/sub-activity and by responsibility centers (at both Headquarters and Posts).

7. The principal recommendations of Chapter III are related to:

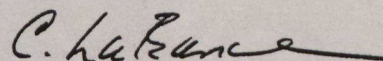
- a) the establishment of a formal policy and some procedures for the development, coordination and approval of financial systems within the Department;
- b) the automated processing and transmission of financial data at Headquarters and the Posts; and
- c) the acquisition of a dedicated computer capacity at Headquarters for the reception, processing and transmission of data from and to the Posts.

8. Chapter IV of the report is a review of the Finance Bureau in terms of the current and proposed:

- a) organization;
- b) financial training;
- c) classifications; and
- d) selection and evaluation of personnel.

9. This Chapter includes an examination of the current allocation of responsibilities in the Bureau (Annex B to Chapter IV) and recommendations for some changes (Annex C to the same Chapter). The principal recommendations in this regard are related to:

- a) a reduction in the Post account audit workload with a re-allocation of P-Ys and the creation of an accounting Training Team;
- b) the tasks proposed for the recommended Training Team;
- c) the future relationship of the Resource Planning and Analysis Division with the staff of the ADM Policy Coordination in the new organization of the Department and a possible re-allocation of P-Ys;
- d) the creation of a Division in the Bureau to be responsible for the development of financial policy;
- e) the up-dating of the Financial Administration Manual and the drafting of an Operational Manual;
- f) the Department-wide identification of requirements for information systems and the relationship of this function to the responsibilities of the ADM Policy Coordination;
- g) the creation of a working group to develop and implement an automated and improved financial management system;
- h) an examination of several positions in the Finance Bureau with a view to upgrading their classifications; and
- i) the involvement of the Finance Bureau in the selection and evaluation of personnel with financial responsibilities.



C. LaFrance  
Director  
Task Force on Financial Management





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4

5



MANDATE

CHAPTER I

INTRODUCTION

	<u>Page</u>
Mandate .....	2
Composition of Task Force .....	2
Work Plan .....	3
Methodology .....	4
Task Force Field Trips.....	5
Structure of the Report .....	6
Annex A Mandate of the Task Force .....	8
Annex B Definitions - Management and Financial Management ....	9
Annex C Work Plan .....	15
Annex D List of officials interviewed .....	24

C. LaFrance

COMPOSITION OF TASK FORCE

1.1 The members of the Task Force were:

C. LaFrance	TAP Officer, Director
K. Lorkin	BMC Principal Consultant, Assistant Director



MANDATE

- 1.1 The Task Force was created to make recommendations concerning:
- a) the most appropriate financial management and control systems for the Department of External Affairs;
  - b) the most appropriate organization and classification levels for financial officers;
  - c) financial and accounting training;
  - d) the involvement of senior officials of the Finance and Management Services Bureau in the selection and evaluation of all staff outside the Bureau who perform financial functions; and
  - e) the quality and quantity of the resources required for financial management in the Department.

1.2 The full text of the Task Force mandate is at Annex A to this Chapter. The nature of this mandate is such that, of course, the work of the Task Force members centered on possibilities and opportunities for enhancement; it was nonetheless apparent that the Finance and Management Services Bureau has been serving the Department very well, carrying out a difficult and highly decentralized task with relatively few personnel resources and automated systems of limited capabilities. In such circumstances, there is a potential for serious financial administration difficulties and it is to the credit of the Bureau personnel that these difficulties have been kept to a manageable level. In addition, the Bureau has been filling a central role in the allocation of Departmental resources in the absence of a capability for this function in the Department's corporate planning center.

Definitions

1.3 During their many discussions, interviews and meetings, the Task Force members found that there are different views concerning the meanings of several terms related to "management" and "financial management". The definitions used by the Task Force in this regard are set out in Annex B to this Chapter.

COMPOSITION OF TASK FORCE

1.4 The members of the Task Force were:

C. LaFrance	TAP Officer, Director
K. Larkin	BMC Principal Consultant, Assistant Director

S. Chan BMC Consultant (assessment of answers to Task Force questionnaire only)  
M. D'Auray-Spattz PSC Consultant (organization and training only)

#### WORK PLAN

1.5 The work plan of the Task Force, Annex C to this Chapter, indicates the months during which particular activities began and terminated from October 1982 to July 1983. During that time, the Department developed (but had not yet adopted) options for an Operational Planning Framework (OPF) and approved a fundamental re-organization of the Headquarters. Although this fluid situation did not slow the proceedings of the Task Force, it led its members to schedule their activities in a less than ideal sequence to ensure they made efficient and effective use of the time available to them.

#### Sequence of Task Force Activities

1.6 Although the central elements of its mandate are financial management and control systems, the Task Force first centered its work on accounting needs (as opposed to financial management needs) and on automated systems. These activities were all set out as requirements in the Work Plan and they were carried out relatively early in the proceedings of the Task Force for the following main reasons:

- a) at this time, generally, Departmental managers articulate their needs for financial management information in terms of accounting, budgeting and reporting mechanisms - the Task Force needed to understand these operations fully;
- b) it is through the Departmental Reporting System (DRS) of Supply and Services Canada that the Department currently complies with TB financial management directives, reports to Parliament and issues its annual financial results in the Public Accounts of Canada - a continuing imperative;
- c) although accounting and financial management and administration are partly manual operations at HQ and the Posts, they are also served by two central EDP systems: the DRS of Supply and Services Canada and the Financial Management System (FMS) of the Department - an assessment of the current situation could not be made by the Task Force without a thorough understanding of these systems, their capabilities and their limitations; and
- d) the Operational Planning Framework (OPF) of the Department was still under development and the Departmental Headquarters had recently been restructured - the extent

to which the OPF and the organization will coincide and the links to be made between resource utilization, activities and programme results had not been identified; in these circumstances, it would not have been prudent for the Task Force to proceed too early with its assessment of financial management information needs and with its examination of an eventual linkage between financial management and programme delivery.

## METHODOLOGY

### Review of Previous Studies

1.7 The Comptroller General's 1979 IMPAC study of the Department pointed out that "the diversity of operating environment, the impact of staff rotations, the isolation of Posts and the problems of communication together render financial management difficult in this Department". Wishing to profit from this and other previous studies and recognizing the need to produce effective solutions to specific problems rather than a few overall solutions of doubtful practicality and cost-effectiveness, the members of the Task Force carried out a comprehensive examination of relevant documentation and reports. In particular, they studied most of the current Post inspection reports and all previous studies of financial administration in this Department. The members of the Task Force also interviewed many key departmental managers at ADM and DG levels and at some Posts, as well as the DG, Directors and several specialists of the Finance and Management Services Bureau. Annex D to this Chapter is the list of officials in External Affairs, other Departments and central agencies who were interviewed. As required by its mandate, the Task Force paid particular attention to the points raised by the Auditor General in the report of his 1982 comprehensive audit of the Department; the Task Force also met with some of his officials. The text makes reference to the comments of the Auditor General where appropriate.

### Basic Policies and Principles

1.8 The Task Force was guided by formal TB Policies and Principles. The following documents were particularly important references: the TB Guide to the Policy and Expenditure Management System, the TB Guide on Financial Administration for Departments and Agencies of the Government of Canada and Specifications for Departmental Systems in the Government of Canada.

### Experience in Other Departments

1.9 To benefit as much as possible from experience gained in some Departments which have recently upgraded their financial administration or are planning to do so, the members of the Task Force interviewed

financial managers and data processing specialists in the following Departments: Supply and Services Canada (Government of Canada Banking and Accounting Branch - Compensation and Payments Services Branch - FINCON), Environment Canada, Correctional Service Canada, CIDA and National Defence. Representatives of the latter Department briefed the Task Force on their overall financial management system and on the results of their study of off-the-shelf software for financial management. In these discussions, the members of the Task Force remained aware of interdepartmental differences which limit the transportability of solutions between Departments.

### Questionnaire

1.10 After extensive consultation, the members of the Task Force prepared a questionnaire to obtain the views of senior managers at Departmental Headquarters and Heads of Posts (HOPs) concerning the main aspects of financial administration in the Department. One hundred and fourteen questionnaires were sent to the Branches and Posts listed in Annex D to this Chapter and 69 (60%) were received completed.

### TASK FORCE FIELD TRIPS

1.11 Two members of the Task Force visited the Washington, New York, Bridgetown and London Posts. The general Task Force findings from these travels are set out hereunder and the detailed analyses and recommendations are in Chapter III.

#### Washington Embassy

1.12 The Task Force visited the Washington Embassy to review its financial information needs and examine its present accounting system. The Washington finance office uses a commercial computer service bureau, American Management Services (AMS), for processing budgets, expenditures and cheques for rents, allowances and local payments to suppliers (it is planned to add a commitment reporting feature). Locally engaged staff (LES) are paid through the AMS system by direct deposits to their bank accounts.

#### New York Consulate General

1.13 The Task Force reviewed the accounting processes of the New York Consulate General. The system is manual and centers on the Post Financial Return, Form 412. The original of the Return is sent to Ottawa and copies are retained. A conversion from American to Canadian dollars is made for each transaction entered on the form; approximately 250 transactions are entered manually on it each month. Cheques are signed by hand.



### Bridgetown High Commission

1.14 The Task Force accompanied by the Assistant Comptroller of CIDA visited the High Commission. They obtained the information they required by means of briefings and discussions with several members of the High Commission, notably the HOP, the 1st Secretary, the Office Manager, the Accountant and the Communicator. As requested, the Accountant provided samples of specific financial statements and other documents. The Task Force was also briefed on the experimental local use of a CIDA computer for Post accounting purposes.

### London High Commission

1.15 The Task Force visited the High Commission and received detailed briefings on its accounting and financial management processes, with particular attention to the use of the Post computer for financial data. This Post delivers the following programmes:

- a) Political and Economic;
- b) Cultural Affairs;
- c) Public Affairs;
- d) Trade;
- e) Immigration;
- f) Consular and Passport; and
- g) support to other Departments and agencies: National Health and Welfare, National Film Board, Veterans Affairs, RCMP, National Research Council, Canadians seconded abroad, DND, National Archives, Customs and Excise and Supply and Services Canada.

### Discussions with Representatives of the Paris, Brussels and Bonn Posts

1.16 The two Task Force members who visited the London High Commission attended a regional administrative meeting which included representatives of the Paris, Brussels and Bonn Posts. This provided an opportunity for the Task Force members to brief on their mandate, discuss the impact of automation for Post financial administration and the likely information demands related to the OPF; in these discussions, the Post representatives conveyed specific information concerning their financial administration needs.

### STRUCTURE OF REPORT

1.17 Chapter II defines the financial information needs to the extent that this can be done at this time, in the absence of an approved OPF. This definition of information needs is based on the responsibilities of responsibility center managers as outlined in the TB Guide on Financial Administration; it permits findings and conclusions which are used as bases for some of the recommendations in later chapters.

1.18 In Chapter III, the report discusses the financial systems currently serving the Department. The nature of financial administration activities is such that, to a large extent, they can and do depend on automated systems. Thus, Chapter III deals primarily (but not exclusively) with existing and future automated systems to serve the Headquarters and the Posts; Task Force judgments in this regard are based on the Comptroller General's Specifications for Departmental Systems in the Government of Canada. The Chapter includes recommendations for a future financial system.

1.19 Chapter IV deals with the organization of the Finance and Management Services Bureau, classifications of some Bureau positions, financial training for financial specialists and others who have financial management and administration responsibilities, the evaluation of Department personnel outside the Finance Bureau in their discharge of financial responsibilities and the selection of financial specialists. The Chapter includes specific recommendations in the areas examined.

1.20 The recommendations of the Task Force are presented in Chapters III and IV, following the analyses that lead to them. For the convenience of readers, the recommendations are repeated in Chapter V; this last Chapter also provides a suggested implementation time frame for each recommendation. Finally, Chapter V relates the Task Force recommendations to the comments of the Auditor General.

MANDATE

TASK FORCE ON FINANCIAL MANAGEMENT

DEPARTMENT OF EXTERNAL AFFAIRS

The Director of the Task Force reports to the ADM Management and Programmes. The Task Force is to review the needs for financial management of the restructured Department in the context of the corporate planning system being developed.

2. The review is to be carried out by means of the following tasks, but will not necessarily be limited to them:

- a) Given the balance of centralization vs decentralization of authorities and accountabilities in the Department and taking into account existing and possible future systems, including data processing systems, the Task Force is to make recommendations on the most appropriate financial management and control systems.
- b) On the basis of the financial management and control systems envisaged, the Task Force is to make recommendations on the most appropriate organization and classification levels for the Department's financial officers in Ottawa and at the Posts.
- c) In the context of the recommended organization and classification levels for financial officers, the Task Force is to recommend the most appropriate training and development programme for both financial and non-financial staff performing financial functions and to make recommendations concerning the involvement of senior financial staff in the selection, appointment and evaluation of all staff outside the Finance and Management Services Bureau who perform financial functions.
- d) The Task Force is to make recommendations in terms of quality and quantity of the resources required for financial management in the Department.

3. In the foregoing activities, the Task Force is to take into account the comments and recommendations of the office of the Auditor General during its 1982 comprehensive audit of the Department. The Task Force is to produce a detailed work plan and progress reports as appropriate.



MANAGEMENT AND FINANCIAL MANAGEMENT

DEFINITIONS(1)

Accounts: A formal record of an organization used to record, classify, and summarize financial transactions.

Accounts of Canada: A centralized record of the government's financial transactions, maintained by the Receiver General pursuant to section 54 of the Financial Administration Act, in which the transactions of all departments and agencies are summarized. Sometimes called the General Ledger of Canada, these accounts include receipts into and payments out of the Consolidated Revenue Fund and the balances in the asset, liability, and reserve accounts.

Accounts Payable: Amounts owing to a creditor, generally arising from a liability for work performed, goods received, or services rendered. (In the Accounts of Canada, accounts payable represent amounts owing at year-end which are then paid in a subsequent period and charged to the previous fiscal year).

Accounts Receivable: Claims against a debtor, generally arising from the sale of goods or services, but may also arise from overpayments and claims for tax revenue. (Accounts receivable are not recorded in the Accounts of Canada).

Accrual Basis of Accounting: A method of accounting that recognizes and records transactions in the period in which goods are received or the services are rendered (see also Cost-based Reporting).

Activity: The means of achieving the objectives or set of objectives of a program.

Activity Elements: The lowest level in the department activity classification for which costs can meaningfully be determined. It identifies the processes or projects that are carried out to attain objectives and reflects the resources used and the results produced.

Allocate: To distribute the amount of a recognizable group of financial transactions to agreed classes based on some view of the relationship of characteristics or to distribute it over two or more accounting periods.

Allotment: A sub-division of a Parliamentary appropriation approved by the Treasury Board of Canada under section 24 of the Financial Administration Act that departments may not exceed or amend without approval of the Treasury Board.

(1) Unless indicated otherwise, the reference for these definitions is the Specifications for Departmental Systems, Chapter 900, Office of the Comptroller General, August 1981.

Appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

Audit Trail: The route by which a transaction can be traced forward to its ultimate report or file and by which a final entry on a report or in a file can be traced back to its original source.

Capital Budget: A budget for the financing of proposed additions to capital asset holdings, including major renovations or alterations. Such a budget includes large items whose useful life extends into one or more future periods.

Capital Expenditure: An expenditure to acquire or add to a capital asset.

Cash: Legal tender including coin, bank notes, money orders, postal notes, cheques, accepted sight drafts, and balances in respect of demand and savings deposits at financial institutions.

Cash Basis of Accounting: A method of accounting that records transactions in the period in which funds are actually paid or received.

Cash Flow: The inflow of cash resulting from receipts and the outflow resulting from disbursements.

Central Accounting System (CAS): A central system administered by the Receiver General for Canada consisting of the Central Data Bank, the Central Agencies Information System (CAIS), the Departmental Reporting System (DRS), their associated input subsystems, and all output therefrom.

Commitment Accounting: A method of accounting that records the amount to be reserved out of an available spending authority in the period when an obligation for a future payment is first foreseen without regard to when the good or service concerned is delivered, paid for, or consumed.

Controllable Cost:(1) An element of cost is controllable if the amount of cost incurred in (or charged to) a responsibility center is significantly influenced by the actions of the manager of that responsibility center.

Controllability: Controllability refers to the presence of procedures and mechanisms within the total system environment that ensure the accuracy and completeness of the system and its output.

Cost-based Reporting: A refinement of accrual accounting that reports expenses in the period in which the goods and services were consumed.

(1) Management Accounting Principles, R.W. Anthony, p. 345, R.D. Irwin Inc., 1970.

Cost Centre: A recognizable organizational unit, normally located one level below a responsibility centre, for which budgets can be assigned and costs determined.

Cost Element: The lowest level of measurable and recognizable contribution of a responsibility centre to an output or group of outputs that can be identified without having to resort to arbitrary allocations of individual transactions.

Costs, direct: Items of cost that can be reasonably identified with specific outputs, services, operations, or cost centres.

Cut-off: A break in continuity of the recording of transactions, to isolate and aggregate transactions for a given accounting period.

Departmental Bank Account: A bank account, approved by the Receiver General and established by a department, pursuant to Treasury Board authority, with a chartered bank in Canada or such other financial institution as designated by the Minister of Finance, using an advance from the Consolidated Revenue Fund in order to provide a payment facility where this service cannot be made available by the Receiver General in a sufficiently expeditious manner.

Departmental Reporting System (DRS): A subsystem of the Central Accounting System that produces appropriation statements, management support statements, and management statements for departments and agencies in accordance with their particular specifications.

Data Base:(1) A data base is a form of data organisation which attempts to store data in a manner suitable for use for more than one application.

Economic Object: A government-wide standardized set of object classes for the classification and economic analysis of expenditures and non-tax revenues.

Estimates (The): Presentations to Parliament of proposed budgetary expenditures and non-budgetary loans, investments, and advances for a specific fiscal year.

Expenditures: 1. From a departmental perspective, all charges to appropriations (compare Budgetary Expenditure, Cost, Expense). 2. In the Accounts of Canada and the Public Accounts, the term 'expenditures' refers to budgetary expenditures only.

Expense: A cost properly identified with the operations of a period or with revenues earned during that period, or that is not identifiable with the operations or revenues of a future period or periods. An expired cost.

(1) An Audit Approach to Computers, p. 19, Jenkins & Pinkney, Institute of Chartered Accountants in England and Wales.

Financial Systems:(1) Financial systems are systems through which financial information is used to account for the operations of an organization, to control its assets and liabilities, and to exercise management control and accountability. These systems encompass both financial administrative systems and program-related financial systems.

Financial Administrative Systems:(1) Financial administrative systems are those financial systems which the financial element of an organization uses to meet its responsibility for financial administration.

Financial Systems - Program Related:(1) Program-related financial systems are those financial systems which the program managers of an organization use to meet their responsibilities as program managers.

Fiscal Year: An accounting period, usually consisting of 12 consecutive calendar months. The fiscal year for the Government of Canada begins on April 1 and ends the following March 31.

Fixed Asset: Tangible long-term assets, including major additions or alterations thereto, from which benefits are expected to be derived during their useful life. Four types are recognized by the federal government: land; engineering structures and works which form part of the infrastructure of the nation; buildings and other facilities; and machinery and equipment.

Government of Canada Banking and Accounting Branch (GCBAB): A branch of the Management Services Sector of Supply and Services Canada.

Line Object: A departmental classification of expenditure and revenue at source. It is either coincident with the economic object or represents a sub-division of it.

Management Accounting: The branch of accounting that provides information to assist the management of an organization to make operational decisions. In contrast to financial accounting, rules are not so rigidly applied and financial data are often integrated with quantitative and performance measurement data.

Management Statements: An optional output of the Departmental Reporting Systems produced for client departments and agencies on a cash, accrual, or commitment basis, according to the client specifications and requested frequency.

Payment: The settlement pursuant to an appropriation, of a debt, contractual or statutory obligation, guarantee, subsidy, or other liability or obligation assumed by the Government of Canada.

(1) TB, Guide on Financial Administration for Departments and Agencies of the Government of Canada, March 1981, Chapter 8.



Period 13, 14 15: At year-end, to allow for the recording of outstanding transactions and other adjustments, additional accounting periods known as 13, 14 and 15 are opened.

Pre-audit: A control verification process based on a set of standards and related procedures to ensure that the requirements of sections 26 and 27 of the Financial Administration Act, related Treasury Board Regulations, and other relevant authorities are met relative to any transaction involving a payment or other charge against an appropriation.

Program: A group of related departmental activities designed to achieve specific objectives authorized by Parliament.

Program-related systems:(1) Program-related systems are those systems which are required for the operational or technical needs of a program and which are the primary responsibility of the program managers of an organization.

Public Accounts: The annual financial report of the Government of Canada prepared by the Receiver General for Canada and tabled in the House of Commons by the Minister of Finance as required by section 55 of the Financial Administration Act. The report covers the fiscal year of the government which ends on March 31, and is prepared from data contained in the Accounts of Canada and from more detailed records maintained in departments and agencies.

Receipts: Receipts consist of: 1. Public moneys deposited to the credit of the Receiver General. 2. Public moneys collected but still in transit or otherwise not yet deposited to the credit of the Receiver General. 3. Credits resulting from Interdepartmental Settlement Advices or journal vouchers, issued in settlement of debts owed by other departments and agencies within the government. Of these categories, the third does not lead to any receipts into the Consolidated Revenue Fund.

Receiver General Cheques: Negotiable instruments issued as a demand on the Receiver General for payment. They are honoured as "cheques" by the banking system and cleared through the Bank of Canada, which is then reimbursed by cheques drawn on the bank accounts of the Receiver General.

Receiver General for Canada: The Minister of Supply and Services.

Reporting Object: A non-standard grouping of objects used for departmental financial reporting purposes. For government-wide reporting purposes, however, a reporting object is a standardized grouping of economic objects.

(1) TB Guide, Op. Cit.

Responsibility Centre: A recognizable organizational unit, the manager of which has been delegated the financial flexibility and authority to manage financial resources in such a way as to achieve specific outputs.

Revenue: Revenue includes all tax and non-tax receipts that affect the budgetary deficit or surplus of the government and all proceeds from charges for the provision of goods or services internal to the government.

Standard Object: A grouping of reporting objects for parliamentary and executive control over expenditures and non-tax revenues.

Subsidiary Ledger: A ledger in which individual detailed accounts of the same type are kept, the sum of which is maintained in a control account in the general ledger.

Transaction: Represents the interaction of two or more transactors, who exchange money or things for their own purposes, at a particular place and at a specific point in time.

Transactions, Financial: A financial transaction is the record in terms of money or some other unit of measurement of an operation or agreement that has been transacted between two or more parties or between other entities within an organization.

Variance: The difference between the actual and the budgeted, the expected, or the standard.

Vote: 1. A petition to Parliament for an appropriation. 2. The identification given to a specific parliamentary appropriation for accounting purposes.

EXTERNAL AFFAIRS  
TASK FORCE  
FINANCIAL MANAGEMENT

WORK PLAN

ACTIVITY	DESCRIPTION	MONTH		
		START	STOP	FINAL
01.00.00	<u>TASK FORCE ORGANIZATION</u>			
01.01	- determine the resources needed by the Task Force for the remainder of Fiscal Year 1982-83, and Fiscal Year 1983-84;	08	04	05
01.02	- obtain the services of a specialist Task Force member and provide him with the required background information;	11	12	05
01.03	- develop conceptual framework;	11	03	04
01.04	- develop work plan;	11	11	12
01.05	- engage Junior consultant for compilations, tables and report writing;	03	04	05
01.06	- obtain full time services of typist - word processing operator, office administrator;	11	12	04
01.07	- engage specialists for personnel/classification/training, as required;	11	04	06
01.08	- liaison with Office of the Comptroller General;	11	07	08
01.09	- progress reports/presentations, as required.	11	07	08
02.00.00	<u>PREVIOUS STUDIES</u>			
02.01	- study the findings of the last two reports of the Auditor General and of the IMPAC survey of the Department;	09	01	05
02.02	- obtain briefings and documentation on the departmental strategic overview, on the MYOP process and on the MYOPs already submitted to the central agencies;	01	05	06

02.03	- review pertinent previous BMC studies;	01	01	02
02.04	- become conversant with the information needs of the Cabinet Committee on External Affairs and Defence with regard to financial management;	02	04	05
02.05.00	<u>IMPAC</u>			
02.05.01	- receive briefings on the progress of the departmental IMPAC coordination process and, more specifically, progress on the following IMPAC projects:	03	04	07
02.05.02	- corporate planning process,			
02.05.03	- departmental mandate,			
02.05.04	- powers and responsibilities,			
02.05.05	- delegations to Heads of Posts,			
02.05.06	- programme delivery and operational support,			
02.05.07	- programme activity structure,			
02.05.08	- management information systems,			
02.05.09	- measures to strengthen departmental financial systems, procedures and controls;			
04.00.00	<u>FINANCE BRANCH - ORGANIZATION</u>			
04.01	- examine in detail the organization of the Finance Branch and the current responsibilities of Branch staff;	01	04	06
04.03	- identify the different kinds of financial management carried out in Ottawa at various types of Posts;	01	04	06
04.04	- examine the effectiveness of locally hired staff involved in financial management at the Posts;	03	06	06
04.05	- analyse financial management relationships and divisions of responsibilities between the Director General of Finance, the area managers, the area comptrollers, the Heads of Posts and financial agents at the Posts;	01	05	06
04.06	- examine the organization and classification levels for the Department's financial staff in Ottawa and abroad;	03	06	07
04.07	- examine current training and development programmes for both financial and non-financial staff performing financial functions;	03	06	07

04.08.00	- examine the current involvement of senior financial officers in the selection, appointment and evaluation of all staff outside the Finance and Management Services Branch who perform financial functions;	05	06	07
04.09.00	- examine the quality and quantity of resources required for financial management in the Department.	05	06	07
06.00.00	<u>FINANCIAL REPORTING - ACCOUNTING</u>			
06.01.00	- study the current reporting system (April 1, 1983):			
06.01.01	- Headquarters	12	04	06
06.01.02	- Posts	12	04	06
06.02.00	- study the proposed reporting system (April 1, 1984):			
06.02.01	- Headquarters	02	05	06
06.02.02	- Posts	02	05	06
06.03.00	- examine the financial interface with DSS;	02	05	06
06.04.00	- review the interface with central agencies (OCG, T.B., other).	02	06	06
08.00.00	<u>PROGRAMME PLANNING AND ACTIVITY STRUCTURE</u>			
08.01	- receive briefing on definition of "programme";	01	02	03
08.02	- receive briefings on the existing programme and programme element structure of the Department, with particular attention to the degree of integration of external relations and commerce activities;	01	02	06
08.03	- be apprised of departmental decisions and planning concerning the eventual integrated programme structure;	01	04	07
08.04	- receive briefings on the current linkage between the programme structure and the organization, with particular attention to managerial accountabilities;	02	05	06

08.05.00	- in the context of the planned programme structure, receive briefings on the intended accountabilities for programme delivery;	02	05	06
08.06	- receive briefings on the departmental programme planning and approval process;	02	04	06
08.07	- receive briefings on the current process for reporting programme activity to senior departmental management, including the reporting of variances;	02	04	06
08.08	- learn the current process for establishing priorities;	02	04	06
08.09	- become aware of the degree of predictability/unpredictability in programme activity;	02	04	06
08.10	- study the financial planning and financial approval processes;	02	04	06
08.11	- examine the current means of reporting to senior management departmental information concerning capital and O&M funding, including variance reporting;	02	04	06
08.12	- examine the current state of the Department's financial MIS and its relationship to DSS, with particular attention to divisions of responsibilities, the degree of financial autonomy within the Department and the EDP implications of DSS requirements;	01	04	06
08.13	- receive briefings on the current process and authorities for transferring resources between programmes and between programme elements;	01	03	06
08.14	- receive briefings on the current linkages between budget classifications and programmes and any planned changes in these linkages;	02	04	06
08.15	- in liaison with programme and financial managers, develop options for an optimal alignment of financial classifications and programme structure;	02	05	07

09.00.00	<u>MANAGEMENT REPORTING (MANAGEMENT SERVICES BRANCH)</u>			
09.01.	- receive briefings on current reporting system;	01	03	04
09.02.	- receive briefings on proposed reporting system;	01	03	04
10.00.00	<u>INTERVIEWS AND QUESTIONNAIRE - HEADQUARTERS AND POSTS</u>			
10.01	- develop questionnaire;	10	12	12
10.02	- prepare list of individuals to be interviewed;	11	01	01
10.02.01	- Headquarters			
10.02.02	- Posts			
10.03	- study the latest inspection reports for a number of posts and particularly the following large Posts: Washington, New York, London, Paris, Brussels, Tokyo, Geneva, Bonn, Rome, Peking and Mexico City;	11	01	05
10.04	- interview test - key personnel of Finance and Management Services Branch and the Washington Embassy;	01	01	01
10.06	- discuss findings arising from the Washington visit with the Director General of Finance, the Chief of Inspection Services and other departmental officials as appropriate;	01	02	03
10.09	- interview key programme managers, area managers and area comptrollers;	01	04	06
10.10	- examine Post involvement and accountabilities with regard to the delivery of multiple or partial programmes;	01	06	07
10.11	- draw up a visit plan and consult the Director General Finance, the Inspector General and other senior officers;	11	12	06
10.12	- carry out visits to selected Posts;	01	06	06

12.00.00	<u>CODING STRUCTURE (ACCOUNTING)</u>			
12.01	- study the April 1, 1983 financial coding structure and classification of accounts, with particular attention to discretionary and non-discretionary budgets, inventory control and issuing of pay;	01	05	06
16.00.00	<u>EDP PROCESSING (FINANCIAL APPLICATIONS)</u>			
16.01	- examine the current use of EDP and communications systems and the state of planning for improvements or follow-on systems;	01	05	05
16.02	- receive briefings on:			
16.02.01	- commitment control;	01	03	07
16.02.02	- EDP network;	02	04	07
16.02.04	- distributed processing;	02	06	06
16.02.05	- word processing (accounting functions);	02	05	06
16.02.06	- mini/micro computers;	02	05	06
16.02.09	- financial planning/forecasting.	02	03	06
18.00.00	<u>PRELIMINARY ANALYSIS</u>	03	05	06
19.00.00	<u>SITUATION REPORT - MARCH 31, 1983</u>	03	03	03
20.00.00	<u>PRELIMINARY RECOMMENDATIONS - JUNE 1983</u>	06	06	06
20.01	- make preliminary recommendations and, if possible, propose options concerning:			



20.00.01	- linkages between financial management and programme management,			
20.00.02	- budget classifications,			
20.00.03	- budget time-phasing,			
20.00.04	- financial forecasting,			
20.00.05	- reporting of financial commitments,			
20.00.06	- reporting of expenditures,			
20.00.07	- reporting of variances,			
20.00.08	- identifying the financial implications of any implemented or proposed programme change,			
20.00.09	- ventilating the required information to senior management,			
20.00.10	- a process to identify financial resources for possible reallocation,			
	- the division of responsibilities between programme management and financial management for the preparation of budgets and for financial forecasting;	06	06	06
20.02.00	- for the options identified and keeping in mind the need for timeliness of reporting, the Task Force will develop, where they are lacking, inadequate or ill-adapted to current circumstances, suggested processes for:	06	07	07
20.02.01	- financial forecasting,			
20.02.02	- reporting of financial commitments,			
20.02.03	- reporting of expenditures,			
20.02.04	- reporting of variances,			
20.02.05	- identifying the financial implications of any implemented or proposed programme change,			
20.02.06	- ventilating the foregoing activities to senior management;			
20.03	- the Task Force will propose a process for identifying financial resources for possible reallocation between programmes or programme elements;	06	07	07
20.04	- the Task Force will propose a division of responsibilities between programme management and financial management with regard to the preparation of budgets and financial forecasting;	06	07	07

20.05.00	- the Task Force will identify the EDP implications of the options identified;	05	07	07
20.06.00	- taking into account current and planned programme management systems, the Task Force will:			
20.06.01	- make preliminary recommendations on the most appropriate financial management and control systems;	05	07	07
20.06.02	- recommend organization and classification levels for the Department's financial staff in Ottawa and abroad;	05	07	07
20.06.03	- recommend training and development programmes for both financial and non-financial staff performing financial functions;	05	07	07
20.06.04	- recommend the role that senior financial officers should play in the selection, appointment and evaluation of all staff outside the Finance and Management Services Branch who perform financial functions;	05	07	07
20.06.05	- make recommendations concerning the quality and quantity of resources required for financial management in the Department;	05	07	07
20.06.06	- the Task Force will discuss preliminary recommendations with senior management.	06	07	07
22.00.00	- <u>INTRODUCTION OF REVISED FINANCIAL SYSTEMS AND STRUCTURES</u>			
22.01.00	- on the basis of approved Task Force recommendations, assist MFP in adopting the revised financial management and control system;	06	08	08
22.02.00	- assist MFP in modifying the Branch organization and the classification levels for financial officers in Ottawa and at the posts in accordance with approved Task Force recommendations;	05	07	07

22.03.00	- ensure the training programmes approved for financial staff and non-financial staff performing financial functions become part of departmental personnel management policies and practices;	06	08	08
22.04.00	- ensure that the approved mechanisms for the involvement of senior financial staff in the selection, appointment and evaluation of all personnel outside the Finance and Management Services Branch involved in financial management become part of department personnel management policies and practices.	06	08	08

- Mr. A. Richer
- Mr. K. Cochrane
- Mr. H.C. Burrill
- Mr. L. Lepage
- Mr. G. Sutherland
- Mr. R. Beardsley
- Mr. R. Pearce
- Mr. B. Gossau
- Mr. J. Hughes
- Mr. C. Zimmerling
- Mr. J. Bell
- Mr. R. Morissette
- Mr. A. Rogers
- Mr. B. Brisco
- Mr. B. Dore
- Mr. M. Craig
- Mr. P. Lapointe
- Mr. G. Stodowick
- Mr. J. Turley
- Mr. J. Beaudoin
- Mr. A.B. Asselin
- Mr. T. Flewing
- Mr. H. Leith
- Mr. J. Marcil
- Mr. E. Black
- Mr. R. Lotimer
- Mr. X. Jenkins
- Mr. C. Charland



TASK FORCE ON FINANCIAL MANAGEMENTPERSONS INTERVIEWED

- Mr. D. Bresnahan	A/USSEA Financial Management and Services
- Mr. H. Mathews	Accounting and Financial Services
- Mr. D. Gordon	Resource Planning and Analysis
- Mr. P. Dunseath	Management Services
- Mr. B. McNeely	Systems Administration
- Mr. L. Currie	HQ Financial Adviser
- Mr. M. Lavigne	Comptroller (Trade)
- Mr. Grenier	Accounting and Financial Services
- Mr. A. Richer	Accounting Operations
- Mr. K. Cochrane	Post Accounts
- Mr. H.C. Burrill	Estimates and Budgets
- Mr. L. Lepage	Area Comptrollers
- Mr. G. Sutherland	Area Comptroller Western Hemisphere
- Mr. R. Beardsley	Resource Planning and Analysis
- Mr. R. Pearce	HQ Accounts
- Mr. R. Goneau	Financial Analysis
- Mr. J. Hughes	Washington Embassy
- Mr. C. Zimmerling	Washington Embassy
- Mr. J. Bell	New York Consulate General
- Mr. R. Morissette	New York Consulate General
- Mr. A. Rogers	High Commissioner, Bridgetown
- Mr. D. Brisco	Bridgetown High Commission
- Mr. B. Dare	Bridgetown High Commission
- Mrs. M. Craigg	Bridgetown High Commission
- Mr. P. Lapointe	London High Commission
- Mr. D. Stockwell	London High Commission
- Mr. J. Turley	London High Commission
- Mr. J. Beaudoin	Brussels Embassy
- Mr. A.B. Asselin	Brussels Embassy
- Mr. T. Fleming	Bonn Embassy
- Mr. M. Leith	Paris Embassy
- Mr. J. Marcil	Paris Embassy
- Mr. E. Black	PFZ
- Mr. R. Latimer	PTT
- Mr. W. Jenkins	PTE
- Mr. C. Charland	PTD

- Mr. G. Mathieu PUM
- Mr. G. Shortliffe PUR
- Mr. A. Eyton PUA
- Mr. D. Molgat GEP
- Mr. G. Warren CMP
- Mr. R. Tait CIP
- Mr. R. Sandor DOJ
- Mr. R. Dorrett DPP
- Mr. C. Stuart TSP
- Mr. T. Sheehan MAP
- Mr. D. Small MGP
- Mr. K. Plowman MRP
- Mr. C. Marshall MIP
- Mr. M. Perron APP
- Mr. M. Doyle Acting UCP
- Mr. A. Price Correctional Services Canada
- Mr. A. Lockie Supply and Services Canada (FINCON)
- Ms. L. Hotlby and staff Supply and Services Canada
- Mr. Nolet and staff Supply and Services Canada
- Major General R. Ringma and staff Comptroller General, National Defence
- Mr. R. Legros Deputy Comptroller CIDA
- Mr. E. Rowe Office of the Auditor General
- Mr. M. McLaughlin Office of the Auditor General

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CHAPTER II

FINANCIAL INFORMATION NEEDS

	<u>Page</u>
Introduction .....	27
Information needs arising from the Accounts of Canada (Central Accounts) .....	27
Information needs arising from the Policy and Expenditure Management System (PEMS) .....	28
Financial information currently produced for the Department .....	29
Additional financial information needs .....	31
Findings and Conclusions .....	34
Annex A Role of Responsibility Center Managers .....	37
Annex B Example - Responsibility Center Report .....	38
Annex C Summary of Managers' Comments on Weaknesses of Current Financial Information .....	39
Annex D Example - Allocation of Salaries and Wages by Responsibility Center and Cost Center .....	40
Annex E Example - Budget Status .....	41
Annex F Example - Summary Report .....	42
Annex G Example - Commitment Status Report .....	43

C. LaFrance  
K. Larkin



## INTRODUCTION

2.1 The unsatisfactory quality of financial information available to the External Affairs managers is a major problem in the Department. Before examining current and proposed systems to provide the required information, however, it is necessary to examine the financial information needs these systems are intended to satisfy.

2.2 In External Affairs, there has not been a consensus among users concerning their specific needs for financial, accounting and administrative information. For instance, there is no Department-wide agreement on the required content and frequency of specific reports.

2.3 Annex A to this Chapter is an extract from the TB Guide on Financial Administration for Departments and Agencies of the Government of Canada concerning the role of responsibility center managers. On the basis of these responsibilities, the Task Force has identified the principal financial management information needs in the Department. The translation of these needs into information system specifications will have to take into account the new programme/planning element/sub-planning element structure (OPF), the broad delegations of authority to HOPs and the new Headquarters organization. A detailed definition of user requirements in a large and complex Department is a major undertaking requiring several person-years; it will eventually need to be done, preferably after some experience has been gained with the new programme/activity and organizational structures.

### Purpose

2.4 The purpose of this Chapter is to describe and analyse: the needs of the Department in terms of overall financial information requirements; the financial information currently available to the Department; and the additional financial information needs which are not met at this time.

### INFORMATION NEEDS ARISING FROM THE ACCOUNTS OF CANADA (CENTRAL ACCOUNTS)

2.5 It is by its use of the DRS of Supply and Services Canada that the Department of External Affairs meets the statutory requirement to report to the Receiver General on its financial transactions. External Affairs financial information in the DRS meets the full requirements of Central Accounts. At the end of the fiscal year, the DRS generates the reports which contain the information from which the Department prepares its statements for the Public Accounts of Canada; in his report on the 1982 comprehensive audit of the Department, the Auditor General pointed out that this year-end financial statement for Public Accounts is the only complete one produced by the Department.

## Monthly DRS Reports

2.6 The DRS reports are issued monthly by Supply and Services Canada to External Affairs managers at both Headquarters and the Posts. These statements are not intended to serve as management reports and are not used for that purpose by the Department's managers who use them for reconciliation purposes. On a monthly basis, the detailed transaction reports of the DRS are examined by managers or their subordinates to ensure that all transactions submitted through the Department to Supply and Services have been recorded in the statements and that no transaction has been incorrectly charged to Headquarters or Post accounts. Since these reports do not have commitment information and periodic budget up-dates, they do not provide a complete picture of the Department's expenditures, free balances and variances from budgets for review by senior management<sup>(1)</sup>.

### INFORMATION NEEDS ARISING FROM THE POLICY AND EXPENDITURES MANAGEMENT SYSTEM (PEMS)

2.7 The PEMS ventilates the manner in which a Department pursues its long-range objectives and strategies through its programmes, activities and projects<sup>(2)</sup>. It must be possible to identify clearly:

- a) "how each programme and activity contributes to the objectives of the Department;
- b) the benefits and results - quantified, where possible, and related to resource inputs - anticipated for each programme and activity for each year over the planning period;
- c) the manner in which the efficiency and effectiveness of programmes and activities can and will be evaluated as part of the Department's programme evaluation plan; and
- d) historical and projected future trends of the level of demand for programme benefits or services and the associated costs"<sup>(3)</sup>.

2.8 The Department does not now identify costs in terms of programme activities and sub-activities. In his report of the 1982 audit, the Auditor General drew attention to this deficiency, pointing out that the "Department has not translated its mandate into a set of goals or activities (operational plans) that are results oriented,

(1) Auditor General, Report to the House of Commons - 1982, p. 482.

(2) TB Guide to the Policy & Expenditure Management System, p. 21.

(3) TB Guide, op. cit. p. 21.

clearly linked to resource needs and that can be evaluated in terms of effects. Budgets are not prepared on the basis of costing operation plans". The report of the Auditor General adds: "...the MYOP does not provide the information specified in the TB Guide to the Policy Expenditure Management System in that it does not detail how each program and activity contributes to the objectives of the Department, how resources are linked to activities and how programs and activities can and will be evaluated. The departmental MYOP is an identification of resource requirements without a clear identification of how resources will be used"<sup>(1)</sup>.

2.9 Eventually (for the OPF), it is quite possible that some of the resources now considered part of Post overhead will have to be allocated to specific programmes in accordance with a new formula which would be developed. There could be at least two factors driving an evolution in that direction:

- a) the need of senior programme managers in Headquarters to monitor resource utilization in relation to planned performance and to substantiate additional requests for resources; and
- b) the need to ensure that the calculated overhead of the Posts reflects reality and does not include costs which should be charged to specific programme elements.

2.10 From the responses to the questionnaire and from the interviews, the members of the Task Force concluded that the implications of the PEMS, of the eventual OPF and the resulting reporting requirements are not well understood by the Department's managers. In several instances, managers assumed that these developments would increase their administrative workload and therefore divert time and energies from their programme activities.

## FINANCIAL INFORMATION CURRENTLY PRODUCED FOR THE DEPARTMENT

### Responsibility Center Structure

2.11 At this time, the financial information produced in and for the Department is limited to that available in the standard responsibility center and reporting object structure. In Annex B to this Chapter, the Task Force submits an example of a management financial report - operations and maintenance - as the minimum information required on a monthly basis by each responsibility center in Headquarters and at the Posts.

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(1) 1982 Report of the Auditor General of Canada, pp. 26, 27.

2.12 Since the reports produced by the DRS of Supply and Services Canada generally deal with cash transactions, Departments have a need to develop supplementary accounting systems to provide reports that include additional management information, such as budgets, commitments, variance analyses and detailed costing information. External Affairs has chosen to develop its FMS which meets this requirement only partly.

#### Weaknesses of Current Information

2.13 As Annex C to this Chapter summarizes, the responses to the Task Force questionnaire and interviews have revealed several major weaknesses and limitations to the financial information available to management:

- a) the system is labour-intensive in responsibility centers, at Headquarters and in the Posts;
- b) the limited information produced monthly by DRS arrives too late at the Posts to be of interest other than historical;
- c) the commitment/de-commitment mechanism (which, at the time of writing served only Headquarters managers) is cumbersome - delays in this regard have an effect on the accuracy of the reports and, consequently, managers rely on their own manual or automated systems;
- d) the DRS reports with transactions listings do not provide sufficient detail (descriptions and identification numbers) to allow managers to quickly identify the transactions listed in the reports;
- e) the detailed status of the Departmental reserves is not presented to senior management much before the end of the calendar year and, consequently, senior management does not always have time to take any required remedial programme and/or budget action before the end of the fiscal year;
- f) a complete accounting statement (budget, expenditures, commitments) of all transactions for the period is not available on a monthly basis for each responsibility center; and
- g) of course, the current system does not make (or even permit) a linkage between planning, resource utilization, activities and results.

2.14 The consequences of these weaknesses and limitations are that, with reference to Annex A to this Chapter, many responsibility center managers are unable to:

- a) carry out adequate financial planning, monitoring and control with regard to their principal activities and functions;
- b) identify, within their areas of responsibility, all the projects, processes and operations for which cost and output data can be meaningfully measured;
- c) forecast with adequate accuracy the cost of the human and physical resources they will need;
- d) ascertain in good time the causes of significant variances between planned and actual costs;
- e) use the available financial reports in the management of their operations and ensure these reports reflect known events; and
- f) verify the bases of cost allocation.

2.15 Classification of accounts and coding of transactions are central in meeting those information requirements<sup>(1)</sup>: they determine the manner in which data are identified, verified, accounted for, accessed, aggregated, and reported. Classification determines the quality of the information - a classification scheme should answer five basic questions:

- a) by what authority was the transaction undertaken?
- b) for what purpose was the transaction made?
- c) who was responsible for the transaction?
- d) who was affected by the transaction? and
- e) what was acquired, collected or discharged?

### ADDITIONAL FINANCIAL INFORMATION NEEDS

#### Needs at Senior Levels

2.16 After interviewing several Assistant Under-Secretaries and most of the ADMs of the Department, the members of the Task Force concluded that the most demanding information needs (in terms of comprehensiveness, degree of detail and timeliness) are felt primarily at the Assistant Under-Secretary (now renamed Director General) level. Indeed, it is usually at that level that opposition to proposed budget cuts and support for requested budget increases are centered. At lower levels in the organization, the information is tailored for specific needs; at higher levels, the information generally needs to be aggregated in broader planning element categories. When ADMs need to study the details of particular budgets or financial transactions, they normally use the information available to their Directors General.

(1)Source: Comptroller General - Specifications for Departmental Systems, Chapter 110.

2.17 Departmental managers need, and will continue to need, the financial information related to the reporting object structure which also has the geographic dimension of the Department; of course, the weaknesses in the provision of this information outlined in paragraph 2.13, above, should be resolved.

#### Needs arising from the implementation of the OPF

2.18 Although senior managers are not yet able to define their precise financial information needs arising from a future OPF, it is clear that its implementation will generate additional ones, i.e., additional classifications and aggregations of financial information. Unless the OPF is to coincide exactly with the responsibility center structure of the new organization and this relationship is to be retained in any future evolution of the Department, the Task Force sees a need to expand, by activity and sub-activity, the Department's present accounting and coding structure. This expansion would permit the recording of expenditures and commitments by the activities and sub-activities of the OPF.

2.19 Since the required linkage is between resource utilization (not only expenditures) and activities, it will be necessary to link P-Y utilization (and ultimately salary costs) to activities. Except in a few instances involving professional services, term employees or overtime, the senior managers of the Department are not particularly interested in the salary costs of their employees since they do not manage these costs. They are rather more interested in the numbers of P-Ys they can count on. The salary costs of the Department are captured but, at this time, these costs are not related to activities; this will have to be done.

#### Salaries and Wages

2.20 Approximately 60% of the operational expenditures of the Department are for salaries and wages and it is essential to determine how they should be allocated for financial management and accountability purposes (Annex A to this Chapter refers). The Task Force has reviewed this issue with senior management both at Headquarters and at the Posts visited. For the Posts, a straightforward and practical method which was proposed and generally accepted during these discussions would be to allocate the salary and wages costs on the basis of P-Ys as detailed in the annual Post Plan - Summary of Deployment of Personnel by Programme. An illustration of this approach is the Schedule of Allocation of Salary and Wages Expenditures - on a P-Y formula basis - by Post responsibility center and cost center; this example is set out in Annex D to this Chapter.

#### Resource Utilization by Projects

2.21 The members of the Task Force have discussed with the managers interviewed and several finance specialists the advisability of capturing resource utilization by projects. Projects could be



Department-wide (e.g. the Department's involvement in the preparation of the Prime Minister's travels to the Pacific Rim or a potential Papal visit) or they could be limited to a Branch or Bureau (e.g. Fisheries negotiations with the U.S.). Exhibits B and C in Chapter 4 of the TB Guide on Financial Administration are examples of activity structures for project-type operations and combined project/process operations.

2.22 This need to capture resource utilization by projects is not recognized by all the senior managers in the Department: some see many advantages in a capability of this kind whereas others fear that it could generate a heavy and needless administrative workload. The members of the Task Force consider that, with a modern data processing system, a capability to identify resource planning and utilization by project could be obtained without creating a significant administrative burden. This capability would be available as an option to be used only if and when directed by the Executive Committee or senior managers. At the moment, this capability exists in a rudimentary form only: the project has to be an activity involving only one responsibility center and the identification of project resource utilization is a substantial administrative burden for the project manager.

2.23 The members of the Task Force interpret the statement of responsibility center managers in the TB Guide on Financial Administration as requiring this capability (Annex A to this Chapter refers). Accounting by project will be particularly useful for the management of activities that were not predicted and/or are non-discretionary; it would allow the Department to explain variances and, if required, justify requests for supplementary allocations of resources.

#### Posts - Resource Utilization by Activity

2.24 At the Posts, some activities and some resource expenditures are clearly related to programme delivery (e.g. immigration and consular activities), others much less so (e.g. staff quarters rentals and maintenance, HOP travels, etc). The members of the Task Force consider that those activities which are clearly programme-related should be so identified in the OPF and that the others should be in various categories of Post overhead, e.g., Post properties (rentals, upkeep, etc.), Post administration, HOP expenses, etc.

#### Other Information Needs

2.25 At this time, there is little performance measurement information available to the Department's managers. What is available in this regard (statistics, prices, volumes and mix) must be generated manually by the responsibility center managers.

#### Controllable and Non-Controllable Costs

2.26 Task Force interviews at Headquarters and the Posts indicated that controllable costs were generally perceived as:

- a) travel;
- b) overtime; and
- c) hospitality.

2.27 The following were perceived as non-controllable costs:

- a) salaries and wages for Canada-based staff;
- b) rents for the Chancery and staff quarters; and
- c) electrical and other utilities.

2.28 The members of the Task Force noted that several managers responsible for long term projects make decisions in one fiscal year which will have an impact on their financial planning for subsequent fiscal years thus reducing their discretionary margin for planning purposes. The linkage of resource utilization to OPF activities will greatly assist these managers in analysing past activities and their costs so as to better forecast the future impact of their current decisions.

2.29 To discharge their responsibilities, the Department's managers need information about their budgets, expenditures and commitments. Specifically, they need information on:

- a) their budget status (example at Annex E);
- b) a summary report on their budget, expenditures, commitments and uncommitted balance (example at Annex F); and
- c) a commitment status report with the details of commitments (example at Annex G).

## FINDINGS AND CONCLUSIONS

### Findings

2.30 In their study of financial information needs, the members of the Task Force find that:

- a) it is through the DRS of Supply and Services Canada that the Department meets the requirements of the Central Accounts and Public Accounts - this requirement is mandatory;
- b) the detailed status of the Departmental reserves is not presented to senior management much before the end of the calendar year;
- c) the defence of budget requests and programme adjustments to stay within budget are activities that are usually managed at Director General level in the Department;

- d) the DRS reports currently received by managers in the Department are considered in the Department to be lacking in accuracy, timeliness and detail;
- e) there is no consensus among senior managers of the Department concerning their needs for financial information;
- f) at this time, generally, the managers of the Department do not yet know the financial information they will need when they are held accountable in terms of specific OPF activities;
- g) currently, financial accounting and reporting in the Department is limited to the standard responsibility center and reporting object structure;
- h) the managers of the Department consider that the present system has several major weaknesses - notably, the reports it produces lack detail, readability and timeliness;
- i) the Department's managers are not receiving on a monthly basis a comprehensive report on their financial position;
- j) the Department is not providing to responsibility center managers all the information they need to discharge their responsibilities as set out in the TB Guide on Financial Administration since the information provided does not permit the financial planning, monitoring, reporting and analysis of the Department's functions in terms of programme activities and sub-activities (Annex A to this Chapter refers); and
- k) performance measurement information is sketchy and produced manually within responsibility centers.

### Conclusions

2.31 These findings lead the members of the Task Force to conclude that, in terms of detail, comprehensiveness and timeliness, the most demanding financial information requirements center at the Director General level. They also conclude that the Department's managers must receive information (which, at this time, is primarily in the managers' own records) permitting them to:

- a) know, at least once a month, the up-to-date status of their budgets, expenditures and uncommitted balances;
- b) plan, budget, commit and expend funds by reporting objects as they do now and, in addition, relate these reporting objects to the OPF activities and sub-activities for which they will be responsible as well as by projects when appropriate;

- c) control their utilization of P-Ys in the context of the OPF activities, sub-activities and projects - in addition, the Department's financial information system must capture salaries and wages by OPF activity and sub-activities;
- d) relate Post expenditures to programme activities when possible and, when this is not possible or practical, to various categories of Post overhead costs; and
- e) whenever appropriate, obtain performance measurement information from an automated system.

2.32 The Department's present coding structure of the classification of accounts should be expanded to include fields for OPF activities and sub-activities. This classification should not only provide the information to answer the five questions listed in paragraph 2.15, above, but it should also meet the information needs summarized in the previous paragraph. The next Chapter discusses possible financial systems in terms of their capabilities to meet these information needs.

Findings

Conclusions

The Department's present coding structure of the classification of accounts should be expanded to include fields for OPF activities and sub-activities. This classification should not only provide the information to answer the five questions listed in paragraph 2.15, above, but it should also meet the information needs summarized in the previous paragraph. The next Chapter discusses possible financial systems in terms of their capabilities to meet these information needs.

## ROLE OF RESPONSIBILITY CENTRE MANAGERS (1)

Many aspects of financial administration are the responsibility of the responsibility centre managers to whom financial authority is assigned. The basic role of these officers is to manage the human and physical resources, for which they spend financial resources, to obtain output or benefits that are consistent with and contribute to the programme objectives of the department or agency. They are called upon to perform this role in a manner that maximizes benefits and minimizes costs.

Classification of Accounts: Identifying, within their areas of responsibility, the various projects, processes, and operations for which cost and output data can be meaningfully measured.

Budget Preparation: Forecasting human and physical resources for which finances are required in relation to planned accomplishment based on established performance criteria.

Budgetary Control: Ascertaining the causes of significant variances between planned and actual costs in relation to output. Initiating appropriate action in response to problems indicated by variances to adjust the level of resources, or to reduce costs, or to increase efficiency.

Departmental Financial Reporting: Informing financial officers of requirements with respect to format, content, and timeliness of financial reports. Utilizing financial reports in the management of their operations and reviewing the reports to see that they are in line with known events.

Financial Systems and Controls: Identifying the cost information required and verifying the bases of cost allocation.

Accounting and Control of Expenditures: Identifying the extent of delegation of financial authority required to enable lower levels of management to properly fulfil their responsibilities. Exercising delegated spending authority for entering into commitments, incurring expenditures, and confirming satisfactory contract performance under section 27 of the Financial Administration Act.

Accounting and Control of Revenue and Accounts Receivable: Ensuring that prompt billing action is taken when goods or services are provided on a fee-for-service basis. Participating with financial staff in setting billing rates. Assisting in the follow-up and collection of delinquent accounts receivable.

(1) TB Guide on Financial Administration for Departments and Agencies of the Government of Canada.



EXAMPLE  
MONTHLY FINANCIAL REPORT - O & M  
HEADQUARTERS AND POSTS

<u>REPORTING OBJECT</u>	<u>REVISED BUDGET</u>	<u>YEAR TO DATE EXPENDITURES</u>	<u>COMMITMENTS</u>	<u>PLANNED* EXPENDITURES</u>	<u>FREE BUDGET</u>
	(A)	(B)	(C)	(D)	(E) A-(B+C+D)
01. Salaries & Wages					
03. Part-time salaries					
04. Overtime					
05. Allowances & Benefits					
07. Entitlements					
09. Travel					
12. Freight					
13. Postage					
14. Communications					
15. Telephones					
16. Other Communication					
17. Advertising and Publications					
18. Professional Services					
19. Protection Services					
21. Other Services					
22. Honorary consuls					
25. Rental of Lands and Buildings					
26. Other Charges - Crown-held property					
27. Rental of Vehicles					
28. Other rentals					
29. Repairs & Maintenance - Chancery					
30. Repairs & Maintenance - Official Residence					
31. Repairs & Maintenance - Staff Quarters					
32. Repairs & Maintenance - Vehicles					
33. Repairs & Maintenance - Others					
35. Utilities					
36. Materials & Supplies					
37. Parts & Tools					
39. Other Expenditures					
 Total amounts					

\* Optional. Planned expenditures could be detailed and included in the commitment column as a blanket commitment.

EXAMPLE  
MONTHLY FINANCIAL REPORT - O & M  
HEADQUARTERS AND POSTS

REPORTING OBJECT	YEAR TO DATE		PLANNED* EXPENDITURES	FREE BUDGET
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07. Entitlements				
09. Travel				
12. Freight				
13. Postage				
14. Communications				
15. Telephones				
16. Other Communication				
17. Advertising and Publications				
18. Professional Services				
19. Protection Services				
21. Other Services				
22. Honorary consult				
25. Rental of Lands and Buildings				
26. Other Charges - Crown-held property				
27. Rental of Vehicles				
28. Other rentals				
29. Repairs & Maintenance - Chancery				
30. Repairs & Maintenance - Official Residence				
31. Repairs & Maintenance - Staff Quarters				
32. Repairs & Maintenance - Vehicles				
33. Repairs & Maintenance - Others				
35. Utilities				
36. Materials & Supplies				
37. Parts & Tools				
39. Other expenditures				
Total amounts				

\* Optional. Planned expenditures could be detailed and included in the commitment column as a blanket commitment.

A-(B+C+D)  
(E)



SUMMARY-MANAGERS COMMENTS

WEAKNESSES OF CURRENT FINANCIAL INFORMATION

ITEM	ISSUE	RAISED BY
1	- DRS reports late, unreliable, lacking in detail take too long to correct errors;	MAP - PUM - MRP - PFZ - DPP - PTD - Post - APP - CIP - PUR
2	- Commitment/de-commitment system too slow, cumbersome;	Posts -CIP - DPP - PUA - PUM - PFZ - UCP - MGP - MAP
3	- Information on Headquarters charges against Post budgets arrives too late at Posts;	Posts
4	- Resource allocation by project needed;	PTD - GEP - PUM - PFZ - TSP - PUR
5	- Delays in capturing costs of activities;	GEP - PUM
6	- Uncommitted balance not up-to-date;	GEP - PUM
7	- Lack of information on overtime;	PUA - Posts
8	- Records do not permit relating resource allocation to activities (lack of detail);	MRP - DOP - MGP - DPP - PUR - PTD - PTE - Posts
9	- Must keep own records;	GEP - DPP - PFZ
10	- Delays in obtaining reimbursements from other Departments;	Posts
11	- Lack of detail on documentation from CIDA	Posts

Sources: - Questionnaire to Responsibility Centre managers and Posts  
 - Interviews with Assistant Under-Secretaries  
 - Interviews with Assistant Deputy Ministers

WEAKNESSES OF CURRENT FINANCIAL INFORMATION  
SUMMARY-MANAGERS COMMENTS

ITEM	ISSUE	RAISED BY
1	- DRS reports late, unreliable, lacking in detail take too long to correct errors;	MAP - PUM - MRP - PFZ - DPP - PTD - Post - APP - CIP - PUR
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3	- Information on Headquarters charges against budget arrives too late at Posts;	Posts
4	- Resource allocation by project needed;	PTD - GEP - PUM - PFZ - TSP - PUR
5	- Delays in capturing costs of activities;	GEP - PUM
6	- Uncommitted balance not up-to-date;	GEP - PUM
7	- Lack of information on overtime;	PUA - Posts
8	- Records do not permit relating resource allocation to activities (lack of detail);	MRP - DPP - MGP - DPP - PUR - PTD - PTE - Posts
9	- Must keep own records;	GEP - DPP - PFZ
10	- Delays in obtaining reimbursements from other departments;	Posts
11	- Lack of detail on documentation from CIDA	Posts

Sources: - Questionnaire to Responsibility Centre managers and Posts  
 - Interviews with Assistant Under-Secretaries  
 - Interviews with Assistant Deputy Ministers

EXAMPLE

ALLOCATION OF SALARY & WAGES EXPENDITURES  
ON A PERSON-YEARS FORMULA BASIS\*

<u>Programme</u>	<u>Person Years</u>		<u>Dollar Amount</u>
	<u>Personnel Programme</u>	<u>Personnel Support</u>	
. Consular	0.4	0.7	17,000
. Customs & Excise	-	-	-
. Defence Relations	-	-	-
. Employment & Immigration	3.1	3.0	18,000
. General Relations	1.9	1.4	110,000
. International Development Assistance	6.5	2.7	290,000
. Police Liaison	-	-	-
. Information & Cultural	0.2	0.7	16,000
. Science, Technology & Environment	-	-	-
. Tourism	-	-	-
. Trade	0.2	0.2	12,000
. Transport, Communications & Energy	-	-	-
. Administrative Services	0.7	13.3	270,000
	<u>13.0</u>	<u>22.0</u>	<u>\$895,000</u>

\* Based on External Affairs Post Plan - Summary of Deployment of Personnel by Programme. (To be adjusted in terms of the June reorganization).



EXAMPLE\*

BUDGET STATUS

HEADQUARTERS - FINANCIAL SERVICES

ON-LINE INQUIRY

MANAGEMENT OBJECT	DESCRIPTION	ANNUAL BUDGET	BUDGET TRANSFERS	ADJUSTED BUDGET
010	SALARIES	1,000,000	500,000	1,500,000
020	ALLOWANCES	<u>30,000</u>	<u>20,000</u>	<u>50,000</u>
TOTAL	SALARIES	<u>1,030,000</u>	<u>520,000</u>	<u>1,550,000</u>
020	TRAVEL EMPLOYEES	250,000	(30,000)	220,000
025	OTHER SERVICES	75,000	10,000	85,000
027	PROFESSIONAL SERVICES	25,000	-	25,000
030	PRINTING	<u>8,000</u>	<u>0</u>	<u>8,000</u>
TOTAL	GENERAL OPERATING	<u>3,000,000</u>	<u>1,500,000</u>	<u>4,500,000</u>

END OF ENQUIRY

\* Based on an "On-Line Inquiry Report" of Correctional Service Canada



EXAMPLE\*

SUMMARY REPORT

HEADQUARTERS - FINANCIAL SERVICES

ON-LINE INQUIRY

MANAGEMENT OBJECT	DESCRIPTION	ADJUSTED BUDGET	YTD EXPENSES	OUTSTANDING COMMITMENTS	AVAILABLE BUDGET	% FREE
	OTHER SERVICES	A	B	C	A-(B+C)	
010	SALARIES	1,500,000	1,100,000	0	400,000	27
020	ALLOWANCES	<u>50,000</u>	<u>0</u>	<u>0</u>	<u>50,000</u>	100
TOTAL	SALARIES	<u>1,550,000</u>	<u>1,100,000</u>	<u>0</u>	<u>450,000</u>	
020	TRAVEL EMPLOYEES	220,000	100,000	0	12,000	
025	OTHER SERVICES	85,000	60,000	10,000	15,000	18
027	PROFESSIONAL SERVICES	25,000	-	25,000	-	0
030	MISCELLANEOUS	<u>8,000</u>	<u>2,000</u>	<u>0</u>	<u>6,000</u>	75
TOTAL	GENERAL OPERATING	<u>4,500,000</u>	<u>1,400,000</u>	<u>700,000</u>	<u>2,400,000</u>	

END OF ENQUIRY

\* Based on an "On-Line Inquiry Report" of Correctional Service Canada





EXAMPLE\*

COMMITMENT STATUS REPORT  
HEADQUARTERS - FINANCIAL SERVICES  
ON-LINE INQUIRY

COMMITMENT NUMBER	DESCRIPTION	CURRENT COMMITMENT	YTD EXPENSES	OUTSTANDING COMMITMENTS	DELIVERY DATE
	OTHER SERVICES	A	B	A-B	
10015400136	SUPPLY AND SERVICE	60,000	60,000	0	26-09-83
10015400103	DRAKE PERSONNEL	5,000		10,000	
10017400106	PERRY INC.	<u>5,000</u>	_____	_____	
TOTAL	OTHER SERVICES	<u>70,000</u>	<u>60,000</u>	<u>10,000</u>	

END OF ENQUIRY

\* Based on an "On-Line Inquiry Report" of Correctional Service Canada



3

4

5



CHAPTER III

FINANCIAL SYSTEMS

	<u>Page</u>
Introduction .....	45
Current Financial Systems Serving the Department .....	47
FINCON .....	51
Need for a Formal Policy .....	52
Proposed Integration of Accounting Systems .....	53
System Options .....	54
Data Bases .....	55
Proposed Data Processing in Headquarters and at the Posts .....	55
Commitments - Control and Levels of Reporting .....	56
An Upgraded FMS .....	57
Automation - Impact at the Posts .....	60
Automation - Impact at Headquarters .....	61
The Proposed Enhanced FMS in Relation to the Objective of Systems .....	61
The Proposed Enhanced FMS in Relation to Task Force Yardsticks ..	62
Annex A Current Flow of Financial Data .....	63
Annex B The Departmental Reporting System of Supply and Canada .....	64
Annex C Task Force Field Trip - London .....	66
Annex D Task Force Field Trip - New York .....	68
Annex E Task Force Examination of FINCON .....	69
Annex F Draft Policy for the Development of a Financial Management System .....	72
Annex G General Approach to Systems Development .....	75
Annex H Suggested Financial Data Flow with Two Data Bases .....	78
Annex I Proposed Financial Data Flow at Posts and Headquarters .....	79

C. LaFrance  
K. Larkin



## INTRODUCTION

3.1 The previous chapter identifies the current financial information provided to the Department's managers, the major financial information needs, the required enhancements to the quality of the current information and the required additions. As the Comptroller General has pointed out<sup>(1)</sup>, the "enormous volume of transactions, the differences in departmental information requirements resulting from varying responsibilities, areas of concern, and management styles, and the requirement for non-financial data reflecting departmental operations have precluded the use of a single system to serve all the financial reporting needs of government". The Comptroller General concludes that Departments need their own financial systems.

3.2 It is now appropriate to examine the objective of financial systems for Departments as articulated by the Comptroller General as well as the current and possible systems to meet this objective and provide the financial information required in the quality required. Possible systems include the Supply and Services FINCON; the Task Force examined how it serves Correctional Service Canada and Environment Canada.

3.3 From its examination of possible alternatives, the Task Force has concluded that the Department should greatly enhance its existing financial management system (FMS). This Chapter describes the financial management and control system seen as most appropriate for the Department of External Affairs; it also includes a proposal for an integrated, cohesive and practical policy for, as well as an approach to the development of a financial management, control and reporting system for the Department. In doing so, the Task Force directed a sharp, but not exclusive, focus on the services the Posts require because these needs place the greatest demands on the system.

### Objective of Financial Systems<sup>(2)</sup>

3.4 The main objective of financial systems is to satisfy the requirements of Parliament and of departmental management for accountability and control of resources. Other objectives relate to such matters as the optimum use of resources and the provision of appropriate information to facilitate decision-making. More specifically, financial systems should assist in:

- a) ensuring that all charges to appropriations meet the test of probity and propriety and are in accordance with authorities granted and limits imposed by Parliament;

(1) Comptroller General, Specifications for Departmental Systems in the Government of Canada, Chapter 105.

(2) Source: Comptroller General, Op. Cit.

- b) safeguarding assets and resources against waste, loss, or improper or unwarranted use by providing internal controls;
- c) ensuring that all financial claims are collected and/or properly accounted for;
- d) providing visibility, accountability, and control;
- e) promoting efficiency and economy of operations;
- f) providing management with adequate information for effective decision-making;
- g) providing an accurate and reliable basis for developing and reporting cost of performance by major organizational segments, budget activities, and programmes; and
- h) ensuring the accuracy, completeness, reliability and timeliness of financial, statistical, and other reports.

#### Criteria

3.5 "Selection of a particular combination of systems depends upon the size and complexity of the Department and the nature of its operations and its management process. At a minimum, most Departments have a requirement for systems for planning and budgeting, human resource accounting, expenditure management, and reporting"<sup>(1)</sup>. In judging how well existing and potential systems meeting the objective set out in the previous paragraph also meet or could meet Departmental needs, the Task Force used as criteria the following yardsticks based on the information needs described in the previous Chapter and on the needs identified in Chapter 105 the Comptroller General's Specifications for Departmental Systems in the Government of Canada:

- a) how well would the proposed system correct the current information weaknesses identified in paragraph 2.13, above?
- b) how well would the proposed system assist the Department's managers in fully meeting their major responsibilities (paragraphs 2.14 and 2.31, above, refer) and in carrying out the following tasks:
  - i) estimating the cost of implementing a programme;
  - ii) identifying and reporting the various costs associated with operating a programme;
  - iii) measuring programme costs against associated benefits or outputs;

(1) Comptroller General Specifications for Departmental Systems in the Government of Canada, Chapter 105, section 3.



- iv) determining whether the government should undertake a project directly or contract it out to the private sector;
  - v) determining appropriate charges for services offered on a recoverable basis; and
  - vi) comparing government performance with similar activities in other jurisdictions?
- c) would the proposed system provide adequate input, processing and output control mechanisms?
- d) would the proposed system provide a one-time capture of data as close as possible to their source?
- e) given the decentralized nature of the Department's organization, would the proposed system be adequately economical in the use of communications facilities? and
- f) when cost effective, would the proposed system provide users at all levels with automated assistance in the performance of their financial administration and control functions?

### CURRENT FINANCIAL SYSTEMS SERVING THE DEPARTMENT

3.6 In broad terms, the generation and channeling of financial information is currently as follows. Responsibility centers at Headquarters and Posts report their expenditures (and, at Headquarters, commitments) to the Departmental FMS; the Posts send that information through the Telegraphic Input Data (TID) System. The information is edited, errors are corrected or queried, and the information is entered in the FMS data base. This information is processed by the FMS computer (the Departmental DEC 20 which also serves other information systems) which produces a tape every month for the transfer of data to the DRS. In turn, the DRS produces monthly returns and sends them directly to the Department's responsibility centers, including the Posts. An overview of this flow of financial data is presented at Annex A to this Chapter.

#### Supply and Services DRS

3.7 The Task Force examined the DRS with senior officers of the Financial Reporting Evaluation and Development Division (FRED) of the Government of Canada Banking and Accounting Branch. It is through this system that the Department of External Affairs responds to the financial information requirements of the Public Accounts and Parliament of Canada. The Task Force was briefed on some DRS options available on request, at no additional cost to the Department of External Affairs; these details are set out in Annex B to this Chapter.

3.8 Senior project officers of the Government of Canada Banking and Accounting Branch met with the Task Force to review the status of

the DEEP-ADIS improvements to the DRS. DEEP (Data Element Exploitation Project) enlarges the DRS capacity so that it can accept 204 numerical characters of coding input data from Departments. ADIS (Accounting Data Input System) will permit some preliminary editing of codes and fields prior to the entry of data in the DRS data base. Additional information on these enhancements is provided in Annex B to this Chapter.

3.9 Even with all the available enhancements, however, the DRS cannot fully meet the Department's information needs, nor is it designed for that purpose. This system does not provide the level of detail and the timeliness of reporting to fully meet the objective of Departmental financial systems (see paragraph 3.4, above) and the yardsticks listed in paragraph 3.5, above: it cannot meet the needs of External Affairs managers for reliable, timely and readily usable information, nor does it have a commitment system which would meet all Departmental needs, nor a provision of on-line inquiry services to users (Post and other responsibility center managers). Since the DRS receives data centrally from the Department, it cannot have a provision for the one-time capture of data close to their source, nor can it have edit and control mechanisms for the first entry of data.

#### External Affairs - Financial Management System (FMS)

3.10 Since April 1, 1980, the FMS has been designated the principal External Affairs system for processing and reporting financial information. Budgets, expenditures and commitments (for Headquarters responsibility centers only) are recorded on the FMS. The DEC-20 computer on which the system operates is owned by the Communications Branch of the Department. The FMS is currently being expanded in terms of the applications it can perform and the information it can provide. As of July 1983, the FMS was not issuing monthly reports to the responsibility centers and, therefore, was not being used by Headquarters programme officers as the primary financial management and reporting system.

3.11 At this time, Post accounting transactions are recorded in automated (FMOs) or manual systems and expenditure data are forwarded from the Posts to Ottawa on the TID. This information is edited, entered into the FMS, transferred to DRS by magnetic tape and then returned to responsibility center managers in DRS reports. Annex A refers.

3.12 The principal strengths of the FMS are that it:

- a) allows some front-end input validation at Headquarters;
- b) has a capability to respond to some on-line inquiries from Headquarters;
- c) can provide outputs in a number of formats;
- d) is owned by the Department and therefore permits departmentally controlled software and programming changes;
- e) has the capability to transfer data through machine-readable media; and
- f) has the capability to process foreign currencies.

3.13 As pointed out in paragraph 2.5, above, the Department can obtain a complete picture of Departmental expenditures only once a year. The information used for this purpose (such as salary costs) is provided largely by the DRS - by itself, the FMS cannot provide this information. The practical difficulties encountered in the day-to-day use of the FMS are as follows:

- a) the linkage between expenditures and activities is not available;
- b) the linkage between P-Y utilization, P-Y costs and activities is not made;
- c) major enhancements would be required for the system to fully meet the needs of the Department's managers (paragraphs 2.14 and 2.31 above, refer);
- d) neither the computer nor the communications systems are dedicated to FMS purposes so that growth potential and computer time for necessary experimentation are constrained; and
- e) the system is not designed to provide detailed accounting information to the Posts and cannot do so.

3.14 In the future it is intended to:

- a) provide additional detail in the financial reports to Headquarters managers;
- b) record commitments for both Headquarters and the Posts;
- c) report on commitments (Headquarters responsibility centres only);
- d) transfer pay data into the FMS by tape;
- e) use the FMS to replace some of the manual systems in Headquarters; and
- f) automate various employee-related functions, e.g., allowances.

3.15 Even with the foregoing enhancements, the FMS will not meet all user needs for financial information, nor will it distribute comprehensive financial reports directly to responsibility centre managers. The FMS provides for the capture of expenditure data close to their source, but the information has to be entered twice at the Posts (by the accountant and the communicator) and must be reviewed and edited in Headquarters. Thus, the system does not have edit and control mechanisms for the first entry of data, nor does it provide an on-line entry and inquiry facility and automated assistance to users; even with currently planned enhancements, therefore, the FMS will not overcome all the difficulties listed in paragraph 3.13, above.

#### Financial Data Processing - Washington

3.16 The Task Force travelled to the Washington Embassy and reviewed the accounting functions processed through a service bureau (American Management Services - AMS). New applications envisaged for the Embassy include the processing of advances, security deposits,

detailed commitments records and, possibly, project accounting. The cost of this service is approximately \$60,000 per year. Washington processes accounting transactions for the New Orleans Post and the New York Consulate General. Two terminals and a printer are installed in the Embassy's accounting office. DRS statements are not distributed in the Embassy, but the AMS monthly budget reports are distributed to managers.

#### Financial Data Processing - London

3.17 In London, the accounting functions are processed through the Post computer. It is intended by the Finance Bureau that the London Financial Management Office (FMO) will soon carry out the financial administration of the Copenhagen Post. The London FMO now does the financial administration and the issue of cheques for the two Consulates in the UK (Birmingham and Glasgow). These two consulates physically send their documents to London, but they retain their own commitment recording systems. Detailed findings and conclusions of the Task Force arising from this trip are set out in Annex C to this Chapter.

#### Financial Data Processing - New York

3.18 The Task Force also examined the manual accounting system of the New York Consulate General. At that Post, the DRS financial reports are used only by the accountant and are not presented to the Consul General. The only costs reviewed at Administrative Committee meetings are: rentals, travel, hospitality and overtime. At the time of the Task Force trip, the financial administration of this Post was being transferred to the Washington FMO. Task Force findings arising from this trip are set out in Annex D to this Chapter.

#### Financial Data Processing - Bridgetown

3.19 From their travel to Bridgetown, the Task Force members concluded that:

- a) the information requirements arising from the adoption of the OPF will impose substantial additions to the local manual ledger and, should accounting remain manual, cause a large increase in the number of transactions to be posted to subsidiary accounting ledgers to record transactions by programmes, activities and sub-activities;
- b) on an ad hoc basis, managers at this Post are beginning to process a number of local manual applications (budgets, commitments, accounts payable locally) on a CIDA computer; and
- c) training for managers and accountants on financial and computer operations must be upgraded - for this purpose, the use of video packages with case studies would be welcomed by the staff.

### Financial Data Processing - Posts

3.20 The automated systems of the Washington and London Posts meet some of the Task Force criteria in terms of the current information needs of Post users (essentially: standard objects, reporting objects and line objects by responsibility centers), but they do not in terms of accounting reports, commitments or OPF activities and sub-activities. At Headquarters, this information is not aggregated in the FMS for the Headquarters managers who need to be aware of certain Post expenditures, e.g., the Physical Resources Bureau (paragraphs 2.14 and 2.31, above, refer).

3.21 The manual systems at the New York and Bridgetown Posts are the means by which data are captured close to their source but, as indicated in 3.15, above, the information is entered more than once. This system provides timely information to HOPs, but Headquarters' users do not generally have this information. By definition, these systems cannot provide automated assistance.

### FINCON

3.22 Developed by Supply and Services Canada, FINCON is an on-line financial commitment control and reporting system which can be adapted to meet the needs of most Departments and agencies. FINCON is also a cheque requisition system for the payment of invoices. Cheques are issued through District Services Offices throughout Canada. Annex E to this Chapter provides a detailed description of FINCON and of the experience of Correctional Service Canada and Environment Canada with this system.

### FINCON and the Department of External Affairs

3.23 It is clear to the members of the Task Force that FINCON is a financial control and management reporting system which is or will be very useful for many, if not most, Government Departments. It is equally clear, however, that the system would have difficulty meeting the global requirements of External Affairs with its world-wide deployment. In relation to the specific needs of this Department, the limitations of FINCON are seen as follows:

- a) FINCON is designed for Departments with operations in Canada; cheques are issued through the District Service Offices of Supply and Services Canada - they cannot be issued in foreign currencies abroad; and
- b) for the foreseeable future, FINCON will be unable to meet the commitment and reporting requirements of the Posts.

3.24 For the foregoing reasons, the Task Force has discarded FINCON as a viable option in the foreseeable future and has placed a focus on

an analysis of possible, practical and cost-effective improvements to: the FMS, the transmission of financial information between Headquarters and the Posts and automation of the administration of controllable costs at the Posts. In implementing these improvements, many of the features of FINCON can serve as models.

Recommendation. The Task Force recommends that:

1. The Department of External Affairs not rely on FINCON as a Department-wide financial control and reporting system.

#### NEED FOR A FORMAL POLICY

3.25 An official has only recently been brought into the Finance and Management Services Branch from TB Secretariat to document the information requirements of the Department; at this time, External Affairs lacks a formal policy for the development and maintenance of information systems, including accounting and financial systems. Without such a policy, it is difficult to evaluate the current status of existing systems and assess where the Department is headed in the provision of accounting and financial information.

3.26 The members of the Task Force consider it essential that policies and procedures be adopted without delay in the Department to govern the coordination and approval of revisions to existing financial systems, the development of new ones and the deletion of obsolete systems. A draft formal policy for this purpose is submitted as Annex F to this Chapter; this policy could be integrated in a broader one for all the systems of the Department. The authority for this proposed policy on financial systems is derived from the TB Guide on Financial Administration for Departments and Agencies of the Government of Canada and from TB Administrative Policy Manual, Chapter 440 - Electronic Data Processing.

3.27 For the development of systems, the Management Services Division of the Finance and Management Services Bureau follows an orthodox seven step procedure similar to the standard Supply and Services sequence outlined in Annex G to this Chapter; this will be articulated in a policy paper being developed within the Bureau and will conform to TB Guide on Administrative Policy, chapter 440.

3.28 Although the development of financial systems and procedures is a responsibility of the DG Finance and Management Services, it is important for this DG to receive up-to-date and detailed information concerning the needs of the Department's managers in this regard, particularly after the OPF is introduced and these needs become clearer. To that end, the Task Force recommends that a mechanism (e.g. a liaison network, the use of an existing Committee/sub-committee or the creation of a special committee) be developed by which representatives

of the users - essentially the ADMs - will have opportunities to contribute to the development and enhancement of systems for the processing and transmission of financial information. This activity would be coordinated with those of the Departmental EDP committee.

Recommendations. The Task Force recommends that:

2. In the context of Department-wide efforts to coordinate systems development, the Department adopt a formal policy based on Annex F to Chapter III to control and coordinate the design and implementation of accounting and financial systems.
3. The Department develop a mechanism to obtain the contributions of users in the exploitation of opportunities for the development of accounting and financially oriented systems within the context of the Operational Planning Framework.

#### PROPOSED INTEGRATION OF ACCOUNTING SYSTEMS

3.29 At the present time, the major accounting systems serving the Department are:

- a) DRS of Supply and Services Canada;
- b) FMS of External Affairs
- c) Post manual records.

3.30 Departmental systems should be designed so that data are captured only once and financial and non-financial information on all resources used in conducting activities is incorporated into an integrated scheme from which data for planning, controlling and reporting can be derived<sup>(1)</sup>. In External Affairs, therefore, financial and non-financial management information should be captured only once at source, transmitted and entered in the FMS electronically and then entered in the DRS, also electronically. In short, the output of one system would become an input into a second one without further processing and data could be transferred in both directions; if these conditions were met, the systems would be considered integrated. In External Affairs, these conditions are not met, neither between the DRS and the FMS nor between the FMS and the Posts. Since the FMS is purely an accounting system, it does not capture or integrate non-financial management information.

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(1)Source: Comptroller General, Specifications for Departmental Systems, Chapter 110.

3.31 In the case of Posts other than the FMO Posts, accounting transactions are recorded manually in ledgers. The expenditure information (only part of the Post accounting data) is then entered by the Post Communicator on the TID and forwarded to Ottawa; after it is received, this information is edited by a specialized terminal operator and then entered into the FMS by an electronic reader. The data are transferred by tape from FMS to Supply and Services Canada for entry into the DRS system. This current flow of data is illustrated in Annex A to this Chapter.

3.32 Since the systems are not automatically linked, there is a built-in time lag between the recording of a transaction in a Post manual ledger and the reporting of this entry in both the External Affairs FMS and the DRS. The lag is greatly lengthened when a correction needs to be made after the monthly report is produced. Each of these three systems may contribute to this time lag which can easily extend beyond one month and which is one of the principal reasons why most managers in the Department rely to a large extent on their own manual records; the time lag and managers' dependence on manual records mean that, with the present systems, the linkage of resource allocations to OPF activities/sub-activities would occur too late to be of use in decision-making.

#### SYSTEM OPTIONS

3.33 In a widely dispersed Department such as External Affairs, there are three basic data processing system options and various combinations of these options: a centralized system in which all data processing would take place at Headquarters, a de-centralized (distributed processing) system in which data processing would take place both centrally and at responsibility centers and a system of stand alone data processing facilities at responsibility centers. At the present time, the Departmental FMS is a centralized system with regard to all the responsibility centers except the FMOs which process their financial information manually or by automated systems before making inputs to the FMS.

3.34 For any one of these system options, there are three implementation alternatives: upgrade the FMS, use central Government services (enhanced DRS, FINCON) or use private sector facilities (off-the-shelf software, service bureaux, etc).



### DATA BASES

3.35 Although it may be possible to meet the information needs outlined in Chapter II with one data base(1), it is also possible that the Department will require an additional one which, although linked, could be programmed independently; this has been the case in at least one other Department, Correctional Service Canada.

3.36 With two data bases, one would process budgets, commitments, expenditures and calculate free balances; users would enter data into this system and access information from it, on an on-line basis when justified. This information would be transferred to a second data base (which would not receive entries from users) where the linkages to programmes and activities would take place for financial management purposes; the reports generated by this data base would show managers the relationship of their resource utilization to their activities, sub-activities, projects, etc., at any given time (a "snapshot"). This second data base could be extracted at a later time from the first one. A suggested data flow for two data bases is submitted in Annex H to this Chapter.

Recommendation. The Task Force recommends that:

4. The Department establish a financial data base from which a second one can later be extracted if necessary. If two data bases are required, one (with on-line capabilities) would record budgets, commitments, expenditures and free balances; the second would be for financial management information (response to enquiries) and would link resource utilization to activities (provision of performance measurement data).

### PROPOSED DATA PROCESSING IN HEADQUARTERS AND AT THE POSTS

3.37 The proposed integration of accounting systems with data base(s) linking resource utilization to programmes and activities would fully meet the objective formulated by the Office of the Comptroller General for such systems (paragraph 3.4, above). Such a system connected to all the major Posts by automated systems would measure up very well against the yardsticks set out in paragraph 3.5, above.

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(1) A data base is a data organization and storage in a form suitable for more than one application. An Audit Approach to Computers, B. Jenkins & A. Pinkney - Institute of Chartered Accountants in England and Wales - 1978.

3.38 To ensure that Posts have direct and immediate access to information about their local expenditures, the following applications must continue to be maintained at the Posts either on a manual or on an automated basis;

- a) budget;
- b) commitments;
- c) expenditures - local payments;
- d) salaries - locally engaged staff;
- e) advances; and
- f) other applications as deemed necessary.

3.39 Similarly, Headquarters Responsibility Centers will continue to report on the status of their budgets, expenditures, commitments, advances and other programme - related information.

3.40 Once captured, the data would be electronically transferred to the FMS (or, when that would not be possible, by mailing tapes or diskettes) for processing and further distribution of information as may be required by the OPF (e.g. by programme, activity, sub-activity, project, geographic area, etc.) and ultimately for entry in the DRS. This flow of information would ensure the control of local expenditures at Posts and eliminate the necessity of entering data twice. This concept is illustrated in Annex I to this Chapter.

3.41 It must be emphasized that the recommended system in its fully automated configuration is proposed as an eventual goal to be reached after an evolution of several years; moreover, it must be expected that, at some Posts, it may never be practical to automate the processing of financial data. It is important, however, that a long term objective in this regard be approved at this time when the Department is in the process of developing an OPF which will require specific provisions in the financial data processing system. This topic is discussed in detail in paragraphs 3.42 to 3.51, below.

Recommendation. The Task Force recommends that:

5. The Department integrate its accounting system with a financial management information system so that the two elements will function as one in support of the OPF, the eventual goal being to achieve full electronic processing and transmission of this information to serve Headquarters and the Posts.

#### COMMITMENTS - CONTROL AND LEVELS OF REPORTING

3.42 An effective commitment system performs two functions: it permits the control of transactions and reports on them. Simply stated, the control function enables users of the system to plan expenditures, record and amend commitments, and pay for services and goods. Users can usually determine immediately the status of their commitments.

Since there are many users, a hierarchy of levels of classification is designed into the system: the highest level represents the parliamentary vote and any additional classifications made by TB allotment; lower levels provide information to responsibility centers and cost centers in progressively greater detail. Aggregations by regions, activities, sub-activities and projects are also possible. Correctional Service Canada has set up 11 reporting levels and Environment Canada 10 (in addition to the normal reporting requirements by standard reporting and line objects).

3.43 The number of required reporting levels will have to be determined on the basis of the allocation of OPF programme elements, activities and sub-activities in the organizational structure of the Department. Experience in the other Departments examined by the Task Force suggests that a meaningful financial management information system requires approximately ten reporting levels. The current Headquarters commitment reporting system is not designed to report on commitments at various organizational levels by programme, activity, sub-activity, responsibility center, cost center and project.

Recommendations. The Task Force recommends that:

6. The number of reporting levels required in the Department be determined on the basis of the responsibilities to be allocated for OPF activities/sub-activities and other operational requirements.
7. The hierarchy of the FMS commitment control system be expanded to provide information to Headquarters managers at all the required levels.
8. The Departmental commitment control system be made up of two processes. One would be for Posts with an automated system (in non-automated Posts, commitment information would continue to be kept manually). The other element would serve Headquarters managers, providing details of Headquarters commitments and summaries of commitments of both Headquarters responsibility centers and the Posts.

#### AN UPGRADED FMS

3.44 As pointed out in paragraphs 3.33 and 3.34, above, there are a few system and implementation options open to the Department. The Task Force members consider that the current combined centralized/de-centralized data processing system best meets Departmental needs, but that it should evolve toward greater de-centralization, i.e., more Posts should be given the capability to process the financial data.

Consequently, the Task Force examined in some detail the implications of upgrading the FMS.

3.45 After determining precise user requirements in the new organization and in the context of the OPF, the next priority, in the judgment of the Task Force members, must be the technical assessment of the need to acquire (by the rental or purchase of software and/or hardware) a central electronic data processing capability for accounting and financial management purposes; the system acquired should have the capability to receive direct inputs from and provide access to managers at Headquarters and the Posts.

3.46 Automation at the Posts would proceed as it does now, but at an accelerated pace and in accordance with a formal plan: priorities being determined by a combination of programme needs and accounting and financial management workload (size of Post budget and number of monthly Post transactions). Automated processing at the Posts would: reduce or eliminate the need for manual records, standardize accounting procedures, decrease the numbers of entry errors and limit the quantity of financial data to be transmitted to Headquarters for processing, thus cutting down the communications workload.

3.47 The External Affairs DEC 20 computer was purchased in the mid-seventies, primarily to meet a departmental need for central indexing of substantive material, some of it classified. At the time, there was spare capacity in the DEC 20 and it was decided to also use it to process data on personnel, materiel and financial matters. Since 1978, various components have been added to the original computer so as to provide additional storage capacity and speed up retrieval.

3.48 For a few years, it would be possible to keep on expanding the current EDP system on an ad hoc basis; it must be kept in mind, however, that the departmental requirements for information on OPF activities and sub-activities will increase substantially in the near future and that the data processing requirements in relation to personnel, materiel and financial management will also increase. Moreover, the linkage between resources and activities will literally multiply the requirement for data processing and information storage. Because of all the adds-on to the DEC 20, it has been necessary to integrate into it a data quick retrieval feature; should an attempt be made to satisfy additional requirements by expanding the present DEC 20, there would still come a time (probably in less than five years) when the system would become very unwieldy, difficult (and expensive) to programme while lacking the capacity to permit further development work. Moreover, such a course of action would perpetuate the undesirable juxtaposition of unclassified resource data with other information, the nature of which limits access on an "on-line" or "dial-up" basis.

3.49 For these reasons, the members of the Task Force consider that the Department should review its need for additional computer capacity. Task Force interviews with programme managers, accounting specialists and system managers in the Department indicate that additional computer capacity is in fact required for the management of resources; it would

contain unclassified data, link the resources to the new programme structure, permit ready access by managers and transmit OPF reports to responsibility centers at Headquarters and the Posts. This would leave the current DEC 20 dedicated to the role for which it was initially purchased.

3.50 The Department has already begun doing the financial administration of some small Posts at larger (FMO) Posts, e.g. in England, France and the United States, a process called "regionalization" in the Bureau; this is an advantage only when the FMO involved is automated. The Bureau and the Task Force are aware of U.S. and Australian experience in this regard and applicable lessons have been duly registered. Although the Task Force members agree that such regionalization is cost effective and should be expanded, they caution that it should be consistent with the Departmental policy of delegation of authorities and accountabilities to HOPs: it should not introduce an additional level of management. To that end, satellite Posts that have their financial transactions processed in FMOs should have quick access as required to the computer and rapid accounting of any cheque issue originating from the FMO. The eventual objective should be to connect the satellite Posts to their FMO by terminals for direct data entry and access to information.

3.51 The members of the Task Force have studied the findings of a comprehensive and lengthy examination of off-the-shelf software in the Department of National Defence (DND) for financial management purposes. The DND findings indicate that one of the programmes studied would likely meet DND requirements; this programme, or another of those studied, may meet some of the needs of this Department. The Task Force has passed a copy of the DND feasibility study to the Management Services Division of the Finance and Management Services Bureau.

Recommendations. The Task Force recommends that:

9. In view of the additional information needs generated by the implementation of the Departmental OPF activity and sub-activity structure, the long-term cost effectiveness of obtaining a separate and central computer capability for the processing of administrative data, including financial data, now in the Department's DEC 20 be determined without delay.
10. Should it be determined that such a separate computer capacity is required, a high priority be attached to the project of obtaining it. The system adopted should permit direct access to the Headquarters and Post managers who require it. In the first instance, the possibilities of leasing the required services or buying "off-the-shelf" software should be explored.

11. Should it not be possible to meet these requirements on a timely or cost-effective basis, the Department rely on the DRS with DEEP-ADIS and other enhancements to partially meet the financial information needs of the Department.
12. Regionalization of Post financial data processing be accompanied by arrangements to permit rapid access as required by the satellite Posts to their financial and cheque issue information, by terminals wherever practicable.

#### AUTOMATION - IMPACT AT THE POSTS

3.52 Introducing computers at the Posts for financial management will in turn introduce training and equipment maintenance needs. The training needs are addressed in Chapter IV of this report. With regard to equipment maintenance needs, a small center of technical computer expertise could be established in each region (e.g. on each continent) to assist the Posts of the region in their operation of computers and in resolving technical difficulties.

3.53 At the Posts, the use of computers for financial administration will have two main advantages: it will ease the accounting and communications workloads and provide data for Post and Headquarters purposes. The workload reduction is not likely to yield much of a saving in person-years since most Posts have only one accountant and one communicator; it will, however, free accountants to spend more time on the analysis of financial management information for HOPs (i.e., relating resource utilization to programme and Post overhead activities). Moreover, the automation would avoid the heavy administrative burden at the Posts that would be created by the requirement to cost OPF activities and sub-activities.

Recommendations. The Task Force recommends that:

13. Accounting and financial management at all FMO Posts be fully automated with capabilities to electronically transfer their financial information to the Headquarters computer at specified cut-off times.
14. Wherever it is cost-effective to do so, accounting and financial management at the other Posts be eventually automated over time. The programmes for the computers or the formatted financial management word processor diskettes would be centrally controlled in the Finance and Management Services Bureau.

15. The practicality of establishing small centers of computer technical expertise in each region to serve the Posts in the area be examined.

AUTOMATION - IMPACT AT HEADQUARTERS

3.54 Several Headquarters managers will need frequent access to the resource data base to: monitor and report on their activities, expenditures, commitments and free balances; receive information on resource utilization at Posts; obtain historical data on selected previous projects and activities; prepare their budgets; and justify their need for additional resources when necessary. The needs of some of these managers may warrant a dedicated terminal; for others, the majority, a central terminal will suffice for the entry of data and the production of print-outs.

Recommendation. The Task Force recommends that:

16. Some Headquarters managers be provided with direct access as required to the resource data base, with dedicated terminals when justified by their needs for frequent, detailed and up-to-date information on the status of Departmental budgets.

THE PROPOSED ENHANCED FMS IN RELATION TO THE OBJECTIVE OF SYSTEMS

3.55 Paragraph 3.4, above, sets out the Comptroller General's articulation of the objective of systems. The proposed enhanced FMS would meet this objective in that it would provide managers with the information to:

- a) ensure that all charges to appropriations are proper;
- b) properly safeguard the resources entrusted to them;
- c) ensure that all financial claims are properly accounted for;
- d) provide the required visibility, accountability and control;
- e) promote efficiency and economy of operation;
- f) be effective in decision-making;
- g) develop and report costs of performance by major organizational segments, budget activities, and programmes; and
- h) ensure the accuracy, completeness, reliability and timeliness of reports.

THE PROPOSED ENHANCED FMS IN RELATION TO TASK FORCE YARDSTICKS

3.56 The proposed enhanced FMS would measure up well against the Task Force yardsticks (paragraph 3.5, above, refers); it would:

- a) receive, process and provide access to the required information (see paragraphs 2.13 and 2.31, above);
- b) provide the required input, processing and output control mechanisms;
- c) permit the one-time capture of data at source; and
- d) provide automated assistance to responsibility centers at Headquarters and the Posts when it is cost-effective to do so.



OVERVIEW

EXTERNAL AFFAIRS

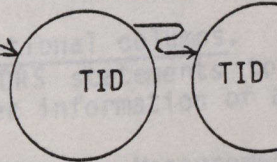
CURRENT FLOW OF FINANCIAL DATA

POSTS		EXTERNAL AFFAIRS OTTAWA		SUPPLY AND SERVICES OTTAWA
ACCOUNTANT	COMMUNICA- TIONS CLERK	COMMITMENT ACCOUNTING	FINANCIAL REPORTING	

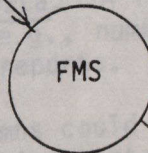
STEP 1



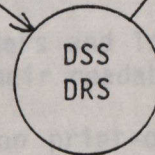
STEP 2



STEP 3



STEP 4



LEGEND

- STEP 1 - POST ACCOUNTANT RECORDS TRANSACTIONS MANUALLY IN LEDGERS.
- STEP 2 - POST COMMUNICATOR ENTERS EXPENDITURE INFORMATION ON TELEGRAPHIC INPUT DELIVERY NETWORK, DATA ARE RECEIVED IN OTTAWA.
- STEP 3 - FMS CLERKS EDIT AND ENTER INFORMATION RECEIVED FROM TID INTO THE FMS SYSTEM
- STEP 4 - INFORMATION FROM FMS TRANSFERRED VIA TAPE TO DRS SYSTEM.



THE DEPARTMENTAL REPORTING SYSTEM (DRS) OF  
SUPPLY AND SERVICES CANADA

1. The Task Force was briefed on some specific DRS options available on request, at no additional cost to the client Department. Although the system is not intended to meet all the information needs of managers, even with these options, these are set out hereunder because some of them can be incorporated in a new Departmental financial data processing system:

- a) Commitments. A summary of commitments can be recorded in the monthly DRS reports through a journal voucher (as of 1st April 1983, External Affairs began submitting a transfer tape with commitment information for HQ purposes).
- b) Accruals. The amounts of monthly salaries originating from the Public Service Commission for Canada-based employees can be accrued.
- c) Columns for explanations. The format(s) of DRS reports could be modified to accommodate additional columns in which managers could record significant amounts spent or committed since the cut-off date for the statements.
- d) Additional columns. Additional columns could be provided on DRS statements to record forecast(s), variance(s) or other information of a material nature.
- e) Performance Measurement Data. A limited selection of DRS performance indicators, e.g., numbers of cheques issued, could be recorded on DRS reports.
- f) Shading of Columns. Columns could be shaded to assist the reader in quickly identifying certain items.
- g) Column Headers and Logos. Column headers and logos could be printed on DRS reports to improve their readability.
- h) Sequence of Print-Out. The sequence on print-outs could be altered, e.g., the name of a contractor could be listed before the coding bloc.
- i) Budget Matrix. A budget matrix with a monthly distribution based on a pre-determined formula could be included in DRS reports. This option is available at various levels, not lower than responsibility centers.

2. The Task Force reviewed the status of the DEEP-ADIS improvements to the DRS. DEEP (Data Element Exploitation Project)

enlarges the DRS capacity so that it can accept 204 numerical characters of coding input data from Departments. ADIS (Accounting Data Input System) will permit preliminary editing of codes and fields prior to the entry of data in the DRS data base.

3. In 1983/84, all Government Departments will be able to use a batch mode to enter transactions into DEEP-ADIS; on a phased basis, Departments will be able to use the transactions mode in the future. The advantage of the latter mode is that user Departments will know the validity of their entries immediately rather than having to wait for month-end reports before finding out whether or not transactions have been accepted by the system.

4. In the pay system, salary cost data are restricted to one line per employee. Some project accounting with related salary costs could be developed.

- d) Accruals. The amount of monthly salaries originating from the Public Service Commission for Canada-based employees can be accrued.
  - c) Columns for explanations. The format(s) of DRS reports could be modified to accommodate additional columns in which managers could record significant amounts spent or committed since the cut-off date for the statements.
  - b) Additional columns. Additional columns could be provided on DRS statements to record forecast(s), variance(s) or other information of a material nature.
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  - f) Shading of Columns. Columns could be shaded to assist the reader in quickly identifying certain items.
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  - h) Sequence of Print-Out. The sequence on print-outs could be altered, e.g., the name of a contractor could be listed before the coding bloc.
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- The task force reviewed the status of the DEEP-ADIS improvements to the DRS. DEEP (Data Element Exploitation Project)

TASK FORCE FIELD TRIP - LONDON

1. In the London High Commission, the accounting functions are processed through the Post computer. Programme managers in the London High Commission have discretionary powers in relation to the following:

- a) overtime;
- b) travel;
- c) professional services;
- d) other services;
- e) hospitality;
- f) other programme related expenditures.

2. The remainder of Post activities are considered overhead and the total cost could be allocated to the various programmes on a percentage basis related to the Post P-Y allocation. As experience is gained with the OPF, it may become desirable to identify specific elements of the overhead for allocation to particular programmes. At this time, the overhead could consist of the following:

- a) rentals;
- b) taxes;
- c) utilities;
- d) maintenance;
- e) costs associated with Post administrative personnel and personnel with responsibilities for more than one programme; and
- f) the LES salaries and the overtime connected with overhead (particularly property management).

3. The London Post needs the information for the payroll of all External Affairs employees in the UK. In Birmingham, the annual salary bill is \$1,055,000 and the operating costs are \$3,048,000. In Glasgow, the salary bill is \$2,012,000 and the operating cost is \$2,018,000.

4. The London computer has close to the maximum number of terminals it can accommodate (including some for Immigration). This capability could be expanded with a new board which could cost £1,800. Since the control of computer expenses is retained in Ottawa, authority would be required from Headquarters. At the moment, the High Commission commitment system is manual; it is considered to be working well and the intention is to computerize it next Autumn.

5. Programme changes could be done centrally (from Ottawa) if there were a dial-up feature; this is already being done on an experimental basis. There would be a theoretical possibility of using commercial lines (e.g., Exxon, Bell Canada, General Electric).

6. There is only one computer specialist, no back-up. It may be advisable to have a center of computer expertise in Europe (presumably London or Paris) which would do some trouble-shooting and preventive maintenance throughout Europe.

7. At the moment, some resources (Expenditures and P-Ys) are clearly identified with programme deliveries e.g., Immigration, Cultural Relations, Foreign relations, Trade, etc. The remaining costs of administration (residence, staff quarters and chancery, etc.) are not divided by programme but constitute what may be called Post overhead. There is a need to continue the current identification of resources by programmes, the remainder of the resources utilized at the Posts need to be identified as an overhead in several categories (e.g., real estate costs, rentals, utilities, etc).

8. The Post needs the capability to identify resource utilization by projects when required by Post senior managers. These projects could be within a particular Post Division, could involve more than one Post Division or, alternatively, they could involve several Posts and/or Headquarters.

- a) rentals;
- b) taxes;
- c) utilities;
- d) maintenance;
- e) costs associated with Post administrative personnel and personnel with responsibilities for more than one programme; and
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TASK FORCE EXAMINATION OF FINCON

1. FINCON is an on-line financial commitment control and reporting system which can be adapted to meet the needs of most Departments and agencies. FINCON is also a payment system for invoices; information is entered into the system and then transferred to the DSS Accounts Payable system. Management reports can be generated weekly from the FINCON data base, but new clients are not provided reports on an overnight basis.

TASK FORCE FIELD TRIP - NEW YORK

1. The limitations of DRS in relation to the Consulate General are seen as follows:

- a) print-outs from the system often include major discrepancies due to coding and data errors;
- b) making corrections takes a long time; and
- c) the Consulate General is not always informed of charges against the Post budget which are generated at Headquarters.

2. Details of payments to locally engaged staff (LES) are recorded on form 208, Employees Pay Certificate. This pay sheet is entered in a word processing machine and an up-date for each employee is provided to the accountant. At month-end, she enters a summary of charges on the Post financial return report.

3. Arrangements have recently been made to process in Washington the invoices for payment and salaries of the New York LES. The possibility of acquiring for New York an on-line terminal and a cheque printer connected to the Washington AMS should be examined. Such an arrangement would provide the Post with the current and detailed information that the Departmental policy of HOP accountability implies.

4. CSC uses FINCON as a commitment control, on-line inquiry and reporting system. The information in the FINCON data base is transferred to another data base in Toronto for additional processing of data by programme and activity. Financial management reports are produced from this data base. Additional information needs for PERS are met by manual operations. The status of budgets, commitments, and expenditures can be requested by terminals on an on-line basis. CSC has 55 responsibility centers served by 25 terminals.

5. It took approximately two and a half years to develop and install this financial reporting and control system. Reports can be generated for 9 financial data bases.

- a) fiscal accounts;
- b) Treasury Board Accounts;
- c) CSC NO;





TASK FORCE EXAMINATION OF FINCON

1. FINCON is an on-line financial commitment control and reporting system which can be adapted to meet the needs of most Departments and agencies. FINCON is also a payment system for invoices: information is entered in the FINCON data base and then transferred to the DSS Accounts Payable System. Cheques are issued through District Services Offices throughout Canada. Management reports can be generated weekly from the FINCON data base, but new clients are not promised reports on an overnight basis.

2. To use FINCON, Departments incur certain costs:

- a) administrative charges for client liaison and maintenance (amounts being based on the size of the data base);
- b) costs of hardware for terminals, printers and modems (clients have the choice to purchase or lease);
- c) communications costs to cover network charges and usage (through the client's terminals) of the data base;
- d) processing costs when there is a need to update the FINCON data base;
- e) charges for FINCON transaction inquiries and/or management reports; and
- f) other costs such as charges for training (\$200 per day) - in this regard, several users may be able to identify common requirements and share costs.

FINCON in Correctional Service Canada (CSC)

3. CSC uses FINCON as a commitment control, on-line inquiry and reporting system. The information on the FINCON data base is transferred to another data base in Toronto for additional processing of data by programme and activity; financial management reports are produced from this data base. Additional information needs for PEMS are met by manual operations. The status of budgets, commitments and expenditures can be requested by terminals on an on-line basis. CSC has 55 responsibility centers served by 35 terminals.

4. It took approximately two and a half years to develop and install this financial reporting and control system. Reports can be generated for 9 financial data levels:

- a) fiscal account;
- b) Treasury Board Accounts;
- c) CSC HQ;

- d) regions;
- e) responsibility centers - institutions;
- f) managers (new level for 83/84);
- g) Impulse Activity Center;
- h) projects;
- i) management objects; and
- j) although not formal financial data levels, dummy fields are available to allow report initiation at the management object level.

5. CSC consider the following as strengths of FINCON:

- a) FINCON is a system already developed at a cost of several millions of dollars;
- b) the system uses a data base rather than merely a file;
- c) the user can develop and/or modify the data base structure to generate reports for accounting, managing and planning purposes;
- d) in terms of costs, other comparable systems (such as some commercially available) are two to three times as expensive as FINCON;
- e) management reports can be issued directly from terminals; and
- f) details of allotment and budget are available on a on-line basis, both at institutions and at Headquarters.

6. From a CSC point of view, the main limitations of the system are:

- a) FINCON experiences difficulty providing support services;
- b) approximately seven full-time system analysts and programmers were required to develop the CSC Inmate Accounting system on FINCON; and
- c) the CSC FINCON data base receives limited details of salary costs from DSS.

7. FINCON does not monitor person years. This is a function of the Supply and Services Personnel Administration Report System (PARS) and the Manpower Utilization Report System (MURS).

8. CSC are in the process of developing their own cash forecasting capability based on amounts already in the FINCON data base. Performance Measurement information is generated by Headquarters staff;

the proration of costs by various activities is done at Headquarters for all CSC institutions. The operation of FINCON on a CSC-wide basis is carried out by FI-04s and, in some instances, by FI-02s.

FINCON in Environment Canada

9. One Division of Environment Canada has been using FINCON since 1978-79 and the five others came on stream April 1, 1982. At the moment, the principal financial management reporting system of the Department operates through the FINCON data base. The Department has spent approximately \$1 million on training and system implementation.

10. The Department has 112 terminals connected to FINCON, 90 intelligent (ONTEL trademark) and 22 non-intelligent (Televideo) terminals. The Department processes \$1 billion in expenses through the system - a large portion of which is pay. It should be noted that, in a strict sense, the pay content is not controlled in FINCON, it is merely reported upon. Every year, some 350,000 to 400,000 cheques are issued by the Department through FINCON.

11. Environment Canada pays annual FINCON costs in excess of \$1 million for:

- a) communications;
- b) overhead - (support, service manuals);
- c) computer main frame usage;
- d) rental of terminals & printers; and
- e) dial-up tools.

12. There are nine (9) levels of reporting data in FINCON. For Environment Canada, FINCON has the following strengths:

- a) well designed controls for the data base structure;
- b) centralized as well as decentralized controls;
- c) good front-end validation;
- d) easy and quick reaction for cheque requisition; and
- e) on-line inquiry and report capabilities.

13. For Environment Canada, FINCON has the following limitations:

- a) does not meet all reporting needs;
- b) costs are high, particularly communication costs;
- c) does not provide information for person-year control (it should be noted that FINCON is not intended for this purposes);
- d) is limited in the number of foreign currencies it can process; and
- e) does not report monthly results, only year-to-date data.



EXTERNAL AFFAIRS

DEVELOPMENT OF FINANCIAL MANAGEMENT SYSTEMS

DRAFT POLICY PAPER

SUBJECT: External Affairs Financial Systems Policy

TITLE: Design and Approval of Financial Systems

OBJECTIVE

To establish a Departmental policy and procedures for the development, coordination and approval of revisions to existing financial systems, the development of new financial systems and the deletion of obsolete systems.

AUTHORITIES

The External Affairs policy on Financial Systems conforms to the following guidelines:

- a) Treasury Board Guide on Financial Administration for Departments and Agencies of the Government of Canada; and
- b) Treasury Board - Administrative Policy Manual, Chapter 440 - Electronic Data Processing.

FINANCIAL SYSTEMS

"Financial systems are systems through which financial information is used to account for the operations of an organization to control its assets and liabilities and to exercise management control and accountability"(1). These systems capture, process, transmit and report upon financial information for the Department.

POLICY(1)

As the senior financial officer of the Department, the Assistant Deputy Minister Administration shall ensure that the design and operation of the Department's financial systems satisfy the needs, with timeliness, detail and accuracy, for the information required by: External Affairs managers at all levels for the efficient and effective

(1) TB, Guide on Financial Administration for Departments and Agencies of the Government of Canada, March 1981, Chapter 8.

operation of the Department; the Department of Supply and Services for the discharge of its Receiver General responsibilities relating to the Consolidated Revenue Fund and the Public Accounts of Canada; and the central agencies as determined from time to time. All financial and financially related systems in the Department must achieve the fullest practicable degree of integration with each other to avoid duplicate data capture and storage and problems in reconciliation.

Through the DG Finance and Management Services, the Department's senior financial officer shall ensure that financial systems are used to account for, control and report on the financial, human and physical resources of the Department. To that end:

- the ADM Administration is to be provided, on request, with all information needed to evaluate systems development proposals;
- qualified financial personnel are to be directly involved in specifying, designing, testing, obtaining user acceptance and monitoring such systems;
- controls are to be incorporated and maintained to ensure the completeness, accuracy and authority of all information provided by such systems; and
- each system will be designed to complement and support Departmental financial management.

### INSTRUCTIONS

Financial systems should address the specific needs of users. Where user needs cannot be satisfied through the use of existing systems, the options will be either to modify an existing system or develop a new one. Before beginning to design a new system, the officials tasked to do so shall examine the Catalogue of Financial Systems (Office of the Comptroller General) and the Hardware/Software Directory (Government EDP Standards Committee). A structured approach to the approval of systems development activities is necessary to ensure that user requirements, which vary with the assignment of responsibility to various officers in the Department, are satisfied.

To facilitate the coordination of financial systems development activities in the Department and to ensure that the needs of the eventual users of the systems are taken into account, the DG Finance and Management Services is to obtain the views of representatives of the ADMs in the development or enhancement of financial systems. If and when a Departmental committee is created to coordinate all External Affairs information systems, the development of financial systems will need to be monitored by such a Committee.

A general financial system development approach is described in Annex G to this Chapter. The approach is structured so that sufficient time is spent on the earlier phases of project formulation; this means that users, designers and managers are required to articulate their needs and specifications in progressively more detail before the resource consuming steps of implementation are taken.

The DG Finance and Management Services will maintain and monitor the status of financial system development projects. This monitoring will keep track of definitions, descriptions, plans and status for all financial and financially related system development projects in the Department.

#### 7. Post-Installation Review

8. Following is a summary of the purpose and principal functions of each phase.

#### Project Initiation

3. This phase of a project includes a definition of management's requirements and an authorization to carry out the project. The documentation should include:

- a) a statement of the problem, authorized by the managers who initiated the project;
- b) formal terms of reference for the project; and
- c) description of the problem area and nature of changes desirable, as disclosed by preliminary analysis.

#### Feasibility Study

4. This phase of a project is to present an analysis of practical alternatives and, based on this analysis, to recommend the most appropriate solution. The documentation should include:

- a) the specific terms of reference for the feasibility study;
- b) identification of alternative approaches to address the need, and analysis of alternative approaches to determine the most feasible alternative;
- c) the cost and benefits addressed by the study; and
- d) the conclusion of the study.

#### General Design

5. This phase includes the definition of system objectives and analysis of system requirements, building an overview of the basic structure of the new system in terms of data collection and processing.

(1) Source: Treasury Board Guide on Financial Administration for Departments and Agencies of the Government of Canada, March 1981, Chapter 6.





## GENERAL APPROACH TO SYSTEM DEVELOPMENT

Treasury Board have recommended an approach to the development of financial systems(1). There are seven distinct and sequential phases to this plan:

1. Project Initiation
2. Feasibility Study
3. General Design
4. Detailed Design
5. Implementation (Development)
6. Installation
7. Post-Installation Review

2. Following is a summary of the purpose and principal functions of each phase.

### Project Initiation

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- d) the conclusion of the study.

### General Design

5. This phase includes the definition of system objectives and analysis of system requirements, building an overview of the basic structure of the new system in terms of data collection and processing

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(1)Source: Treasury Board Guide on Financial Administration for Departments and Agencies of the Government of Canada, March 1981, Chapter 8.

requirements, information flows, and reporting requirements. The documentation should include:

- a) the general specification of requirements;
- b) an overview of the system design;
- c) reports or minutes of meetings or discussions with management and the user(s) of the system; and
- d) explanation of all unresolved matters arising from the general design phase.

### Detailed Design

6. During this stage of development a system design will be produced to the point where it will reflect all financial controls, and the details of data collection, storage and processing, and information enquiry and reporting. The documentation should include:

- a) evidence that control features designed address fully:
  - i) legislative and regulatory requirements;
  - ii) TB policies;
  - iii) departmental financial control requirements; and
  - iv) specific control requirements of the individual application; and
- b) a detailed description of the system design, including flow charts and narratives.

### Implementation (Development)

7. This phase includes development activities such as computer programming, system testing, development of procedural and other documentation, and training. In a large part, the financial officers' role will be covered with that of the other participants in the system development project. In most cases the financial officer will not be involved in the programming aspect of the implementation phase unless significant changes are being made to the detailed design, in which case the points addressed in detail design should be reviewed in the light of new information. Normally, emphasis by the financial officer will be on the documentation from which the programming will be done, on the testing procedures for programmed routines and, later, on the validation of test results. The documentation should be thoroughly reviewed for all internal control aspects and significant mathematical operations in the system.

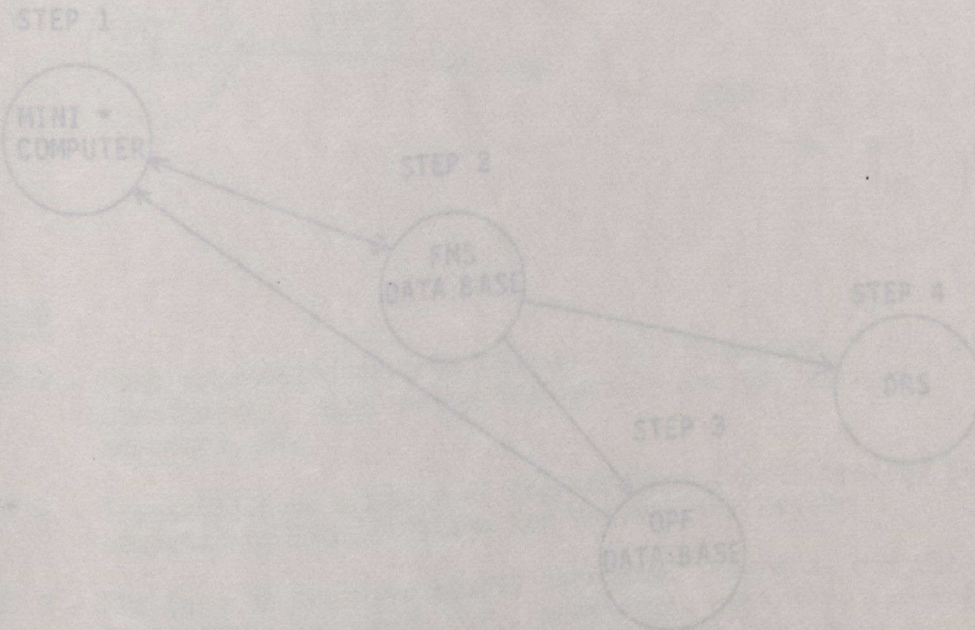
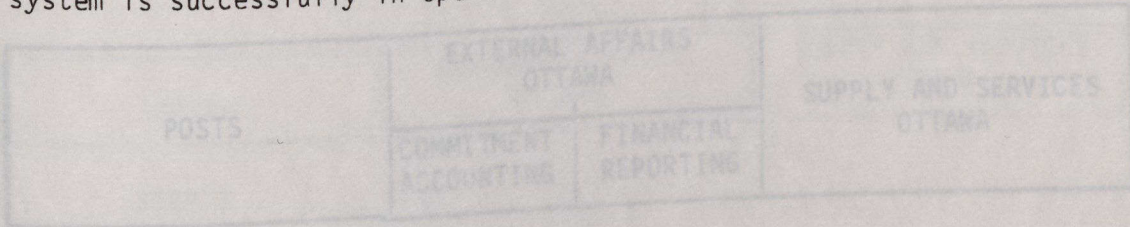
### Installation

8. In this phase, the financial officer will ensure that procedures as outlined in the detailed design phase have been implemented and are operating as intended. In the installation of a new system, a conversion process may be required to bridge the gap between the new system and its predecessor, in which case the conversion process

will be a critical factor as to accuracy of the data upon which the new system will depend.

Post-Installation Review

9. This final phase of the development project is concerned with ensuring that the management-approved objectives for the system have been met, the financial controls are reassessed and adjusted, and the system is successfully in operation and maintenance mode.



LEGEND

STEP 1 - Post accountant processes transactions in system, i.e., budget, commitments, local payments.

STEP 2 - FMS data base in Ottawa designed for on-line processing of all Headquarters accounting transactions i.e., budgets, commitments, Canadian payments and summaries of Post transactions.

STEP 3 - Information received from Posts and Headquarters processed in separate data base for financial reports and OPF requirements, i.e., programs, activity, sub-activity, geographic area, etc.

STEP 4 - FMS data transferred to DRS.

\* Or word processor



EXTERNAL AFFAIRS

SUGGESTED FINANCIAL DATA FLOW WITH TWO DATA BASES

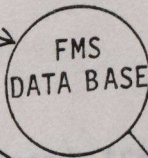
(COMMITMENT/EXPENDITURE ACCOUNTING AND FINANCIAL REPORTING)

POSTS	EXTERNAL AFFAIRS OTTAWA		SUPPLY AND SERVICES OTTAWA
	COMMITMENT ACCOUNTING	FINANCIAL REPORTING	

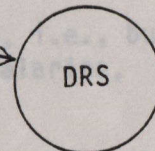
STEP 1



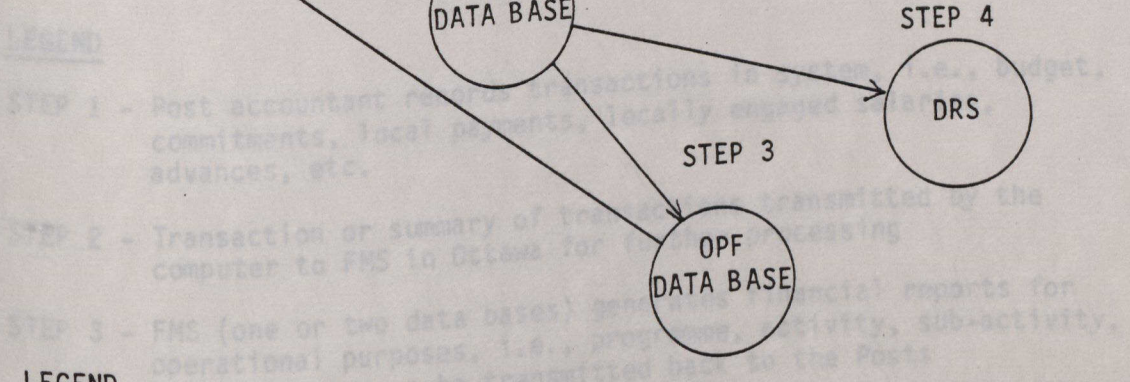
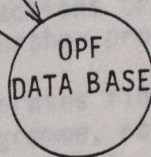
STEP 2



STEP 4



STEP 3



LEGEND

- STEP 1 - Post accountant processes transactions in system, i.e., budget, commitments, local payments.
- STEP 2 - FMS data base in Ottawa designed for on-line processing of all Headquarters accounting transactions i.e., budgets, commitments, Canadian payments and summaries of Post transactions.
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- STEP 4 - FMS data transferred to DRS.

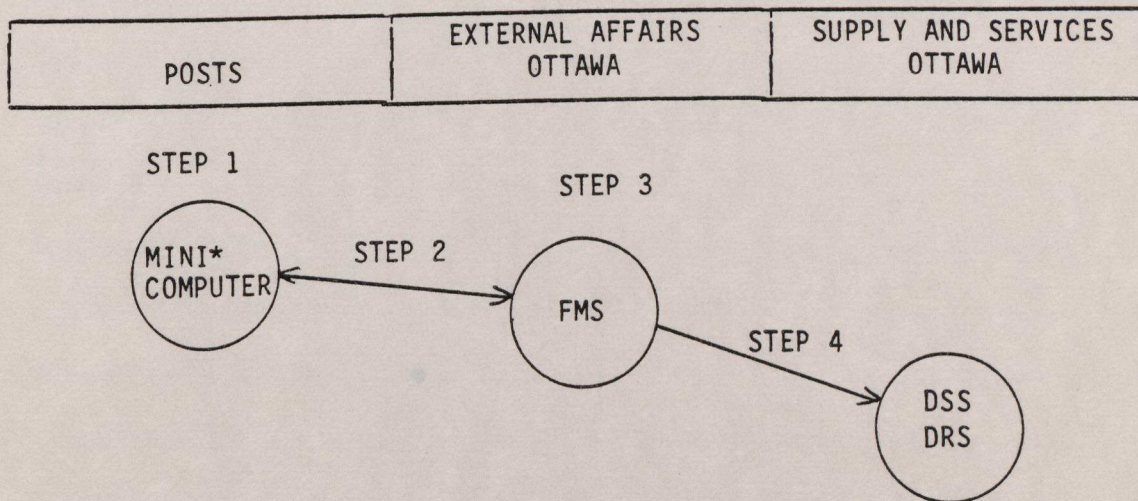
\* Or word processor



EXTERNAL AFFAIRS

CONCEPTUAL OVERVIEW

PROPOSED FINANCIAL DATA FLOW AT POSTS AND HEADQUARTERS



LEGEND

- STEP 1 - Post accountant records transactions in system, i.e., budget, commitments, local payments, locally engaged salaries, advances, etc.
- STEP 2 - Transaction or summary of transactions transmitted by the computer to FMS in Ottawa for further processing
- STEP 3 - FMS (one or two data bases) generates financial reports for operational purposes, i.e., programme, activity, sub-activity. These reports can be transmitted back to the Posts
- STEP 4 - FMS information transmitted to the DRS.

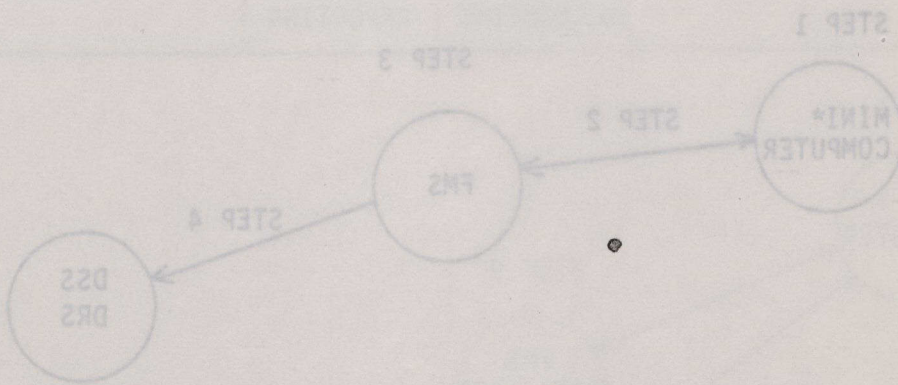
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EXTERNAL AFFAIRS  
CONCEPTUAL OVERVIEW

PROPOSED FINANCIAL DATA FLOW AT POSTS AND HEADQUARTERS

POSTS	EXTERNAL AFFAIRS OTTAWA	SUPPLY AND SERVICES OTTAWA
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LEGEND

- STEP 1 - Post accountant records transactions in system, i.e., budget, commitments, local payments, locally engaged salaries, advances, etc.
- STEP 2 - Transaction or summary of transactions transmitted by the computer to FMS in Ottawa for further processing
- STEP 3 - FMS (one or two data bases) generates financial reports for operational purposes, i.e., programme, activity, sub-activity. These reports can be transmitted back to the Posts
- STEP 4 - FMS information transmitted to the DRS.

\* Or word processor



4

5



CHAPTER IV

ORGANIZATION AND TASKS - FINANCE BUREAU

	<u>Page</u>
Introduction .....	81
Accounting and Financial Services Division .....	83
Resource Planning and Analysis Division .....	86
Management Services Division .....	90
Manuals .....	92
Proposed Financial Policy Division .....	92
Proposed Financial System Implementation Team .....	93
Financial Training .....	93
Classification Levels .....	97
Selection and Evaluation of Financial Administration Personnel ..	99
Annex A Mandates - Finance and Management Services Bureau .....	101
Annex B Present Division of Responsibilities - Finance and Management Services Bureau .....	102
Annex C Suggested Division of Responsibilities - Finance and Management Services Bureau .....	109
Annex D Office of the Comptroller General - Representative Departmental Management Cycle .....	116
Annex E Suggested Division of Responsibilities between the Resource Planning and Analysis Division and the Central Corporate Planning Staff .....	117
Annex F Detail of Duties - Budget and Programme Forecast Section .....	118

C. LaFrance  
K. Larkin  
M. D'Auray-Spattz



## INTRODUCTION

4.1 The Bureau of Finance and Management Services consists of three Divisions: Accounting and Financial Services, Resource Planning and Analysis, and Management Services. This kind of basic distribution of responsibilities is orthodox and is found in one way or another in most Government Departments. To this organization, the Task Force recommends modifications which, inter alia, would add a financial policy division without making fundamental changes in the structure of the Bureau.

4.2 The financial system proposed in the previous Chapter would upgrade the quality of the financial information available to managers so as to meet current and future needs. Automated systems would have a central part in the production of this information and the specific tasks of many in the Finance and Management Services Bureau would be different. Moreover, the implementation of such a system would require the creation of a project team. Finally, like the Auditor General, the Task Force members see the need for greater attention to the development of financial policies.

4.3 In general terms, the members of the Task Force consider that the structures of the Divisions should reflect: the anticipated decrease in the number of transactions to be audited by the Accounting and Financial Services Division, the greater involvement of the corporate planning coordination staffs in the preparation of the MYOPs and in resource allocation activities, the need to make major enhancements to the FMS, the need to place emphasis on the development and implementation of financial policies, the need to improve financial training, the required adjustments to some position classifications in the Bureau and the required involvement of the Bureau in selecting and evaluating personnel with financial responsibilities.

4.4 To that end and to meet the requirements of the Task Force mandate (Annex A to Chapter I), the purpose of this Chapter is to:

- a) examine the mandates, organizations and tasks of the Bureau Divisions and recommend modifications;
- b) recommend the creation of a new Bureau Division responsible for the development of financial policies;
- c) propose an implementation team for the recommended automated financial system;
- d) recommend means to meet the Department's financial training requirements;
- e) identify those positions in the Finance and Management Services Bureau, the classification of which appears inadequate; and

- f) recommend Bureau involvement in the selection and evaluation of personnel with financial administration responsibilities.

4.5 In the preparation of this Chapter, the Task Force studied the following:

- a) the mandates of the Bureau and each of its Divisions: the Accounting and Financial Services Division (MFF), the Resource Planning and Analysis Division (MFR) and the Management Services Division (MFS) - these mandates are reproduced in Annex A to this Chapter;
- b) the available job descriptions and the classification levels for the key positions in each Division;
- c) several other documents outlining the responsibilities of the Management and Programme Branch (now the Administration Branch) and of the Sector and Corporate Planning Branch (now the Policy Co-ordination Branch);
- d) the report of the Auditor General of Canada to the House of Commons for the fiscal year ended 31<sup>st</sup> March 1982;
- e) the proposed new organization of the Department as set out in the Under-Secretary's memorandum dated 8 July 1983;
- f) the organizations, divisions of responsibility, organizational structures and operations related to financial administration in other Departments and agencies;
- g) the current provisions for financial administration training to prepare Department personnel proceeding to Posts where they will have responsibilities related to financial administration; and
- h) a cost-effective way of providing training to LES personnel who have financial responsibilities.

4.6 In this Chapter, each Division of the Bureau is examined in turn; judgments concerning the tasks that need to be carried in the Division and the organization and classification called forth by these tasks are made on the basis of the factors outlined in paragraphs 4.2, 4.3, and 4.4, above. More specifically, those judgments are made in the context of the financial system proposed in Chapter III. Annex B to this Chapter lists the current allocation of tasks and Annex C lists the allocation recommended by the Task Force (the proposed changes are identified by an asterisk in the latter Annex).

## ACCOUNTING AND FINANCIAL SERVICES DIVISION

### General Responsibilities

4.7 The Accounting and Financial Services Division is responsible for the accounting operations of the Department as set out in Annexes A and B. This is an all inclusive function related to the issue of cheques, accounts receivable, authorities to spend and audits of Post and Headquarters responsibility center accounts. The Division is responsible for the entry of financial data into the FMS DEC 20.

4.8 This Division has signing responsibility under Section 26 of the Financial Administration Act for the reconciliation of accounts, for the billing of other Departments which use External Affairs services abroad, and for the management of loans to Post personnel. As indicated in Annex B, some of the tasks carried out by this Division result from statutory requirements. The volume and scope of other tasks (marked by "X" in Annex B) could be considerably reduced when the quality of the accounting function is upgraded at the Posts and an automated financial information system such as that recommended in Chapter III of this report is introduced.

### Section 26 Authority - Delegation to Posts

4.9 In his report of the 1982 audit, the Auditor General concluded that, although the Posts (other than FMO Posts) have not been formally delegated section 26 authority, they are in fact exercising it by issuing cheques; thus, expenditures are already made when the documentation reaches Headquarters. Bureau representatives disagree with this conclusion, pointing out that the Posts spend from a working capital advance which is reimbursed after audit. The Auditor General does not make a recommendation in this regard, but the Department need not adopt one solution for all the Posts. Several options are open, including at least those hereunder - different solutions may be adopted for different Posts, depending on the size of the Post budget and the degree of proficiency demonstrated by the Post accountant:

- a) perpetuate the current situation - Posts make payments from their working capital advance, samples of Post batches of transactions are submitted to Headquarters for examination and the Posts are re-imbursed;
- b) introduce additional Canada-based FIs at Posts on a single transfer basis - these FIs would have delegated signing authority under section 26 and a Post working capital advance would not be required;
- c) delegate section 26 authority to qualified Canada-based AS staff (a newly re-introduced rotational programme) and, subject to TB approval, to LES accountants at some Posts so that a Post working capital advance would not be necessary; or

- d) for limited periods of time, when some Posts are encountering particular accounting difficulties, delegate signing authority under section 26 for the expenditures of these Posts to a FMO in the region - a financial officer from the FMO could visit the Post and/or receive its accounting documents for audit and payment purposes - when necessary, it would be easier and more economical to augment the financial staff of one FMO than that of several small or medium Posts.

#### Post Account Audits

4.10 In his report of the 1982 audit, the Auditor General recommended that the mandate, role and goals of the Post Accounts Section be reviewed to reduce the scope of its activities. Yet, the interviews conducted by the Task Force, the actual variances for 1982-83 between the planned and actual financial performance of responsibility centers and the numbers of errors in financial returns which need to be corrected (63.5%) indicate that the overall quality of financial and accounting operations at the Posts leaves a great deal of room for improvement. Thus, any reduction in the scope and depth of this Division's activities should be made prudently.

4.11 The audit task carried out in this Division, both for Headquarters accounts and the Posts, absorbs a large number of P-Ys (36 P-Ys, paragraph 4.13, below, refers). The errors commonly found in Post account audits are:

- a) coding errors;
- b) missing signatures;
- c) signature without authority to sign;
- d) wrong numbers on the documents;
- e) funds not available;
- f) documents missing;
- g) amount listed different from that paid (contracts);
- h) lack of knowledge of claims procedures;
- i) charging wrong costs, particularly for rentals; and
- j) keying errors.

4.12 Automating the accounting tasks by the use of word processors, mini-computers or terminals connected by modems or by mailed diskettes and tapes to the Department's central processing unit, as proposed in Chapter III, would eventually lighten the work of administrative and financial agents in Headquarters and at the Posts. This would give these agents more time for planning, monitoring and analyzing financial management information for senior managers: relating financial performance to programme plans. Automating would enable some "front-end" editing of financial data at the Posts by the agents making the entries on terminals on behalf of responsibility centers (Headquarters and Posts); moreover, data would be entered only once, thus eliminating an additional transcription which is a source of mistakes. The reduction in numbers of errors would result in financial



information that would be both more accurate and more timely. "Front-end" editing would be an internal control eliminating, or at least reducing, the number of entries with the following kinds of errors:

- a) coding errors;
- b) funds not available;
- c) wrong account numbers on cash statements; and
- d) most keying errors.

4.13 The Post Audit Section in this Division has an allocation of 36 P-Ys. Firm and continuing requirements exist for a Section Chief (1 P-Y), the finance function (5 P-Ys - tasks listed in sub paragraph 8b of Annex A), and activities to satisfy the statutory requirements to which paragraph 4.8, above, refers (6 P-Y). Of the remaining 24 P-Ys, 23 carry out the auditing of Post accounts and one edits the data produced by the Posts. Some of these 24 P-Ys will gradually become available for re-allocation, depending on: (a) progress toward the full automation which, as recommended by the Task Force in Chapter III, will eventually permit better control, accuracy and data integrity at the collection point, (b) a better monitoring of accounting transactions through an increased regionalization of Post accounting, (c) better accounting training for Post staffs, and (d) the use of audit techniques such as the establishment of a materiality threshold (in terms of dollar amounts, types of transactions and other standard audit criteria) for transactions to be audited, as recommended by the Auditor General.

4.14 On 1st April 1983, the Department had 4 FMO Posts (not audited on a routine basis) and later added a fifth, 9 Posts audited every quarter, 40 Posts audited every two months and 63 Posts audited every month, for a total of 1032 full Post audits during the year. In addition, the reconciliation of Post accounts with their bank accounts must take place every month for all Posts, including those not scheduled for a full audit. Even with the best of systems and training programmes, it will still be necessary to carry full audits of Post accounts from time to time, albeit less frequently, this to give confidence that the system is working well and to deter fraud.

4.15 As indicated in paragraph 4.12, above, an automated system as recommended by the Task Force would have a "front-end" editing feature and would electronically transfer data into a central system; when most of the Posts have this capability, the need for someone at Headquarters to perform a detailed verification of codes and of many imperative fields would be eliminated. Such a system, the measures discussed in paragraphs 4.12 and 4.13, above, and the improved financial training for Post staffs recommended in later paragraphs should eventually allow the Department to reduce the scope and depth of Post audits at Headquarters. Detailed audits could still be carried out at the Posts by travelling auditors. Nonetheless, it will always be necessary to maintain a residual Post audit capability in Headquarters to examine problem accounts as may be required.

4.16 As mentioned earlier, it will be necessary to proceed cautiously in reducing the Headquarters Post audit capability; as a first step, while other measures are being taken to improve the quality of accounting at the Posts, it would be prudent to reduce only by half the frequency of routine full Post audits. This could be done on the basis of a systematic assessment of the quality of accounting at the Posts. For instance, not only 9 Posts would be audited every quarter, but so would the 40 Posts now audited every two months; the 63 Posts now audited every month could be audited at two month intervals. During the intervals, samples of certain Post transactions could be audited. This would reduce the number of full Post audits to be carried out each year from 1032 to 574 per year.

4.17 At the moment, the Post audit function is carried out by two audit units. The establishment of a materiality threshold for various kinds of transactions to be audited and a decrease in activities as suggested in the previous paragraph would allow one audit unit to carry out this function. Although no detailed task analyses are available, it can be estimated that half of the current workload consists of partial audits of Post accounts, i.e., those transactions which must be channeled through Headquarters. If the remaining workload is halved by reducing the frequency of the full audits and by establishing a materiality threshold, it is estimated that one quarter of the Post audit P-Ys would become available for re-allocation: 6 P-Ys.

Recommendations. The Task Force recommends that:

17. A materiality threshold (in terms of dollar amounts, types of transactions and other standard audit criteria) be established for Post accounts verifications, thus reducing the workload.
18. The number of full Post account audits carried out each year be reduced from the current 1032 to 600 or less.
19. An analysis of each Post be carried out with regard to the delegation of signing authority under section 26 so as to formally make the arrangements best suited to each Post.

#### RESOURCE PLANNING AND ANALYSIS DIVISION

##### General Responsibilities

4.18 As indicated in Annex A and detailed in Annex B, this Division prepares the departmental budget, develops financial systems requirements, and prepares the multi-year operational and budget plans. This Division is also responsible, at departmental level, for the

control of expenditures, the production of financial reports and the administration of the data base of the financial system. With few exceptions, the tasks carried out in this Division are similar to those of equivalent Divisions in the finance organizations of other Departments.

4.19 As Annex B also indicates, the Resource Planning and Analysis Division is divided in four sections: Estimates and Budget (preparations of MYOPs and TB submissions), Headquarters Financial Adviser (preparation and control of annual budgets), Financial Analysts (development and control of financial systems, liaison with Supply and Services Canada) and Systems Administration (managing the FMS). Improvements or changes to the Department's financial systems require a great deal of time and effort on the part of both the central planning staffs and the Resource Planning and Analysis Division. The required expertise has been lacking in the central planning staffs and this Division has lacked the personnel to carry out the analysis of financial reports and the development of financial policies and procedures on a continuing basis.

4.20 This Division is best able to assess the requests and needs of managers and the Task Force was advised that it provides a central contact point to: receive, evaluate and act upon requests from managers for generic types of financial information; and control the development of, or modifications to, financial reports. The Task Force noted, however, that the existence of this contact point is not generally known so that its potential value is not realized.

#### Financial Planning

4.21 Within the Resource Planning and Analysis Division, two sections share the financial planning functions: one is responsible for the preparation of the current year budget; the other develops MYOPs and prepares submissions to TB. The Task Force noted the lack of linkage between Division activities and Departmental operational planning and control; this is discussed in the following paragraphs.

4.22 In his 1982 report, the Auditor General pointed out that, in the Department, operational planning is directed almost exclusively at identifying resource levels. At this time, the Department is in the early stages of developing an OPF and has just approved a major reorganization. In this new structure, the ADM Policy Coordination will be responsible for the development of global strategies, strategic overviews, multi-year operational plans and for submitting them to the Executive Committee. The corporate planning staffs have not had the expertise to analyse the resource and allocation proposals submitted by the Resource Planning and Analysis Division which, as a result, has been filling a vacuum: carrying out some corporate planning activities (e.g., resource planning and allocation) which are normally a responsibility of corporate planning and policy coordination staffs. The exchange of information between the Division and the corporate planning staffs has not taken place on a continuing basis through a formal mechanism.

4.23 The preparation of the MYOP requires the participation of responsibility centre managers to determine the objectives, the resource needs and, when possible, performance yardsticks. Another group must also be involved: financial experts who review and, where appropriate, check estimated costs against past experience, unit costs where available, inflation factors, currency fluctuations, and advise managers as required. It is this group that must prepare the final document, the budget for the current year (the Spring Update to the MYOP) and the submission to TB and then submit these documents to the staff of the ADM Policy Co-ordination; this group also reports on the budget for the current year. The Comptroller General's representative Departmental management cycle reproduced as Annex D to this Chapter shows the linkage between these activities. The members of the Task Force have indicated on this model by an asterisk (\*) the two main activities for which, in their view, the Finance Bureau should be primarily responsible in the recently re-organized External Affairs Headquarters.

4.24 In accordance with normal practice, the central financial staff of External Affairs has the responsibility to provide financial advice to managers in the preparation of their plans. It is that staff which receives the plans of all the managers and articulates their cost implications; the analysis of the MYOPs should be carried out in cooperation with the planning staff to ensure that the plans reflect the overall strategies as well as the departmental policies and priorities, while determining that estimated costs are within the approved level of expenditures. When the corporate planning staffs have obtained from the Executive Committee the required statements of policies, priorities and resource allocations, the central financial staff prepares the MYOP in accordance with TB requirements.

4.25 Although the process of re-organization in External Affairs is not complete and inter-Bureau negotiations are in progress, the members of the Task Force were given to understand that the Department will in fact take the general approach described in the preceding paragraph. It is understood that the central strategic planning unit to be under the ADM Policy Coordination in the new departmental organization will be responsible for the following:

- a) in cooperation with the Resource Planning and Analysis Division of the Finance and Management Services Bureau, developing guidelines for the preparation of the MYOPs;
- b) in cooperation with the Resource Planning and Analysis Division, carrying out the analysis of the MYOPs; and
- c) supported by the Resource Planning and Analysis Division, presenting and defending these plans in the Executive Committee.

4.26 Thus, the preparation and defence of the Departmental strategic overview and MYOP will be under the jurisdiction of the Policy

Coordination Branch, with the Finance Bureau in a supporting role. In short, policy coordination will establish long term policies, objectives, strategies and programmes to implement these plans whereas the Finance Bureau will prepare the Spring Update to the MYOP in accordance with the resource allocations issued by the policy coordination staff. Annex E shows the division of these responsibilities between the Resource Planning and Analysis Division and the central corporate planning staff of the new organization as seen by the Task Force.

4.27 By assuming this responsibility, the corporate planners would carry out some tasks which are now being done by the Resource Planning and Analysis Division. A total of 7 P-Ys are currently assigned to the estimates and budget analysis function of the Division: a Chief of Budgets and Programme Forecasts (FI-5), two Budget Analysts (FI-3) and four Estimates and analysis Officers (FI-4). Without pre-judging the outcome of the inter-Bureau negotiations in progress, it can be foreseen that the involvement of the corporate planning staff will lighten the Division workload. Annex F to this Chapter sets out the specific duties of the Chief, Budgets and Programme Forecasts (1 P-Y), of the Budget Analysts (2 P-Ys) and of the Estimates and Analysis Officers (4 P-Ys). The single asterisks (\*) indicate those activities in which the corporate planning staff is likely to become involved and the double asterisks (\*\*) indicate the activities in which the Financial Policy Division proposed by the Task Force would be involved (see paragraphs 4.34 and 4.35, below). If this occurs, it is estimated that up to three P-Ys in this Division may become available for re-allocation.

Recommendations. The Task Force recommends that:

20. The Resource Planning and Analysis Division be responsible for:

- a) assisting the staff of the Policy Co-ordination Branch in the preparation of the Strategic Overview, MYOP and other documents for presentation to the Executive Committee;
- b) on behalf of the Executive Committee, distributing the guidelines for the preparation of MYOPs;
- c) receiving, compiling and analyzing the financial data for the Budget Year (Spring Update to the MYOP) and developing costing alternatives where appropriate;
- d) assisting the staff of the Policy Co-ordination Branch in the preparation and analysis of the MYOPs; and

e) on the basis of inputs from the Policy Co-ordination Branch and responsibility center managers, preparing the budget for the current year and monitoring variances.

21. Given the greater involvement of the Policy Co-ordination staff in the preparation of the MYOP and in analysis tasks, up to three P-Ys from the Budget and Programme Forecast Section be re-allocated.

22. The existence of the central point of contact in the Resource Planning and Analysis Division to receive, evaluate and act upon requests from managers for generic types of financial information be made known to the Department's managers and reminders be issued to them at least yearly.

### MANAGEMENT SERVICES DIVISION

#### General Responsibilities

4.28 As shown in Annexes A and B to this Chapter, the Management Services Division is responsible for controlling the format of administrative publications and publishing them, developing management information systems and providing consultant services in the Department.

4.29 Some managers, many at Posts, fail to keep their publications amended and then request new complete issues; the Division does not have the P-Ys for such a task and, consequently, it does not meet expectations in this regard. The Division does not have the staff to review, consolidate and up-date the Department's publications; by all accounts, this task is overdue and the necessary P-Ys should be assigned to it.

4.30 This Division develops and acquires the instruments which record and update much of the information requirements of management. It must assess the possible impact of automated office technology within Headquarters and at the Posts. In some Departments, such units are separate from the organization for financial management; in others, they are within it. The members of the Task Force see no problem arising from this situation in External Affairs provided that this activity is kept separate from the identification of overall Departmental information system requirements. Separating the responsibility of planning information systems from that of developing and acquiring them will ensure that, in this regard, daily priorities are not allowed to detract from long term planning.

### Departmental Information Needs

4.31 The Finance and Management Services Bureau acquired the services of an information systems specialist responsible for the definition of management information system requirements, i.e., overall corporate systems planning; this official reports directly to the Director General. The Bureau is in the process of defining his responsibilities and, consequently, the eventual relationship between him and the Division is not yet precisely known. The project will encompass all the Department's information systems: financial systems, financial administrative systems, personnel systems, programme-related financial systems and programme-related systems.

4.32 The individual tasked to identify overall information needs must, in the view of the Task Force members and some system specialists, have a background and perspective different from that of the systems developer. The former studies matters related to the broad strategic orientations of the Department and of the technology, whereas the latter must focus on problems of a technical and more immediate nature. Some (but not all) specialists believe that systems development tends to follow organizational lines rather than functional ones; keeping the systems planning function separate ensures that the competing arguments are assessed objectively. In the view of Task Force members, the system planners must not be unduly influenced by the short term expedients that systems developers must inevitably adopt from time to time; moreover, systems planners must be as close as possible to the central Departmental planners. The lack of past involvement of the Department's central planning coordination staff in information systems can be traced to the fact that they have not been charged with the responsibility for overall information system planning.

Recommendations. The Task Force recommends that:

23. The Management Services Division be assigned the P-Ys required for a complete review, consolidation and updating of the Department's publications.
24. The function of defining Departmental needs for information systems and the Bureau official tasked with this responsibility be transferred to the Branch of the ADM Policy Co-ordination in the Department's new organization so that the incumbent may have ready and full access to the broadest Departmental planning issues.

MANUALS

4.33 In his report on the 1982 comprehensive audit, the Auditor General noted that the Department's Financial Management Manual is not up-to-date. In the Finance Bureau, the responsibility for updating this Manual is not assigned to a specific Division or individual: Financial Management Letters are issued on an ad hoc basis. Any of the three Divisions may be involved, depending on the subject matter. The Task Force interviews and questionnaires confirm the Auditor General's assessment that this Manual needs to be updated. The following section of this Chapter contains a recommended allocation of responsibility in this regard.

4.34 In addition, the Task Force has identified a need in Headquarters and Posts for an Accounting Operations Manual setting out the steps for recording and processing accounting data in the manual and automated systems. In several Departments, responsibilities for such manuals are in a financial policy Division. The following section of this Chapter contains a recommendation in this regard.

PROPOSED FINANCIAL POLICY DIVISION

4.35 Several Departments with financial responsibilities comparable to those in the Department of External Affairs have Divisions tasked to develop and monitor the implementation of financial policies. The Task Force has examined the organization and tasks of such Divisions in Agriculture Canada, the Employment and Immigration Commission, the Canadian International Development Agency, Customs and Excise and the Department of Veterans Affairs.

4.36 From the foregoing study, the Task Force proposes a list of tasks for a Financial Policy Division in the Bureau of Finance and Management Services. These tasks are listed in Annex C to this Chapter and they indicate that the Director should probably be at the SM level.

Recommendations. The Task Force recommends that:

25. A Division to be responsible for financial policy be created in the Bureau of Finance and Management Services.
26. The Financial Policy Division be responsible for the tasks listed in paragraph 17 of Annex C to Chapter IV, including the responsibilities for the Financial Administration and Accounting Operations Manuals.



### PROPOSED FINANCIAL SYSTEM IMPLEMENTATION TEAM

4.37 In view of the major task that the development of an integrated and automated financial management system will be (see Chapter III), it appears appropriate for this purpose to create a special project team composed of the required mix of experts and reporting to the Director General. To that end, it may be necessary to hire experts with the required expertise; experience in other Departments with financial tasks of a magnitude comparable to that in External Affairs indicates that 7 to 10 highly qualified specialists may be required for such a team. If the study of central information requirements indicates that a comprehensive resource (P-Ys, finances, administration and materiel) system should be developed, and should such a course of action be approved by the Executive Committee, this team could be expanded to take on the additional task or, alternatively, it could coordinate its activities with another team tasked to develop the financial administrative system. Clearly, this grouping of expertise for a project would be time-limited, the need eventually disappearing.

4.38 As shown in Annex B to Chapter III, it is important to clearly distinguish the different steps in the adoption of information systems: overall planning and design to meet corporate information needs (on the basis of needs identified not only in the corporate center, but also in the various branches), system development (including costing at some stages) and implementation. In the new Headquarters organization, overall Departmental system policy and planning should be a responsibility of Policy Co-ordination Branch staff. After they are approved in principle, broad plans for financial or administrative systems would be passed to the Implementation Team for (a) system development, design, costing, and (b) implementation. The Team would obtain approval and funding of the design.

Recommendations. The Task Force recommends that:

27. Using some of the resources of the Computer System and Management Consulting Sections and with additional expertise as required, a Financial System Implementation Team reporting directly to the Director General be created to develop and implement an integrated and automated financial management system.

### FINANCIAL TRAINING

4.39 The Task Force makes the distinction between the financial training requirements of senior managers (including HOPs) and those of administrative and accounting officers. One view expressed to the Task Force in this regard is that the Bureau should have a policy and training section responsible for all training; Task Force views are different. The two types of training require different kinds of financial expertise: the first being related to the tasks of the

Resource Planning and Analysis Division, the second to those of the Accounting and Financial Services Division. Each Division can identify training needs in its area of responsibility and each one stands to benefit from the results of the training in its functional area. The members of the Task Force consider that each Division should be involved in providing training related to its activities.

4.40 The best way to reduce the training load is, of course, to recruit individuals with the right kind of qualifications - specialists of the Finance Bureau should be involved in this activity (paragraphs 4.53 to 4.56, below, refer). As the Auditor-General has recommended, the Department should also develop a formal plan for training and evaluating financial officers.

4.41 At the moment, the three week pre-posting briefings to future Heads of Posts, sponsored by the Personnel Branch, include only one and a half hours on financial management. This time allocation is not at all adequate to allow HOPs to understand the full scope of their roles and responsibilities as managers accountable for financial management. At the time of writing, these courses are being improved, but their final make up is not yet firm. The Resource Planning and Analysis Division has an interest in ensuring that the HOPs are exposed to an appropriate financial training.

4.42 Before proceeding on assignment, Heads of Posts and other FS and AS officers who will be involved in the accounting function could review some highlights of the training package intended for accountants (paragraph 4.44, below, refers) and study a different one intended specifically for them and senior Headquarters managers on: the preparation of operational plans and budgets, budget control, signing authorities, the required division of responsibilities in the expenditures process, the payment cycle, and on their overall responsibilities as financial managers. The training package for the planning, budgeting and resource allocation process would be the responsibility of the Resource Planning and Analysis Division which, in this regard, would need to establish a close liaison with the Branch of the ADM Policy Co-ordination. It is considered that the senior financial analyst could take on that task if he were assigned one assistant. Various Task Force interviews and actual Departmental financial management performance in 1982-83 indicate that this training should cover the financial aspects of the preparation of operational plans and budgets, budget control, signing authorities, and divisions of responsibilities in the expenditure and payment processes.

4.43 Although not specifically set out in its terms of reference, the Accounting and Financial Services Division carries out accounting training for Headquarters and Post personnel. This task has required 1.5 P-Y from the Division although no P-Y is formally allocated for this purpose. Administrative agents and other non-financial specialists who will have financial administration responsibilities at Posts are required to take a three week course with an adequate accounting content, but the scheduling of these events has not provided sufficient

lead time to the Bureau and the individuals concerned; the net result is that many of these agents proceed on transfer without the required training in financial administration tasks. The Accounting and Financial Services Division has a vital interest in ensuring that this training takes place and is of a high quality.

4.44 Given the far-flung distribution of the Department's personnel and the need for flexibility during the pre-assignment routine of individuals, training packages consisting of video-cassettes, accounting documents used at the responsibility centers of Headquarters and the Posts (depending on the group targeted) and a self-study book could provide much of the required financial training. These packages should be available to both financial specialists and others at Headquarters, to Post LES accountants and to rotational personnel before they proceed on assignment. The training programme would be administered by a cadre of instructors who would update the video packages in the light of training experience and modifications which are made from time to time to the financial administration system. The packages should also be circulated to the Posts for refresher training as required. At some Posts, it may be advisable to retain a package on a permanent basis.

4.45 The preparation of the video portion of such packages can be quite costly. It will be important, therefore, for the training team to examine the video tape library of Supply and Services Canada and obtain copies of any tape which has a usefulness in this Department; in addition, the training team should draw on the expertise and material in the Office of the Comptroller General for the development of these packages. The remaining training requirements could be met by documents that the training team would prepare. Gradually, over a period of years, some documents would be replaced by video tapes for additional flexibility and/or savings in instructor time and travel costs.

4.46 It should be noted that, if the Department adopts the recommendations of the Task Force to automate the accounting operations in Ottawa and at the Posts, the training of financial agents would need to cover some EDP subjects. At Headquarters, the training should prepare for the use of a terminal and familiarize with procedures for the entry of data, the updating of accounts and the retrieval of data; at Posts, it would be necessary to teach the various steps for entering data into the system, transmitting it to Ottawa and obtaining access to data. Recommendation 26 refers to the development of an Operational Manual for that purpose.

4.47 Thus, the accounting training tasks would involve: the preparation of training packages consisting of video tapes, supporting documents and self-study books to provide training in the operation of the recommended new automated system, the training of rotational personnel who will have financial administration responsibilities and the provision of refresher training as required to LES accountants. It is estimated that this task will require a team of four FIs headed by a senior financial officer (4 P-Ys). After dealing with an initial peak workload (the preparation of training material and actual instruction),

these instructors would also be available for special accounting assistance at Posts when required. The four training positions could be offset by the savings identified in paragraph 4.17, above.

Recommendations. The Task Force recommends that:

28. The Resource Planning and Analysis Division be formally tasked to develop financial management training packages for Heads of Posts and other senior managers on the preparation of operational plans and budgets and budget control. In this task, the Division would examine the video libraries of the PSC and Supply and Services Canada to obtain any copies of pertinent tapes and would commission additional tapes when the flexibility requirements and potential manpower savings warrant the additional costs.

29. A training assistant be provided to the senior financial analyst of the Resource Planning and Analysis Division who would be tasked to provide financial management training to future Heads of Posts and to Headquarters responsibility center managers - the classification level of that position should be re-assessed in that light. This position would be offset by the P-Y savings resulting from the reduction in the Post account audit workload.

30. A team of 4 specialists in the Accounting and Financial Services Division be formed and tasked to:

a) examine the video tape library of Supply and Services Canada to identify training tapes relevant to the financial administration and management of External Affairs;

b) using the available tapes and the expertise and material in the Office of the Comptroller General, develop and maintain complete and self contained audio-visual and documentary financial training packages for financial specialists and others at Headquarters for: Headquarters personnel who require this training (e.g. Branch administrative officers), rotational personnel before they proceed on assignments and Post accountants;

c) administer and maintain the training packages, up-dating and improving them on the basis of the experience gained with them; and

d) replace the documentary part of the packages with video tapes as required to improve flexibility in providing the training and to reduce instructor work and travel loads.

31. The training team serve as a pool of experts to provide on-site training as required and assist Posts with particular financial administration difficulties.

#### CLASSIFICATION LEVELS

4.48 Whereas the classification level of the Director of the Resource Planning and Analysis Division (EX 1) is considered appropriate and generally in line with equivalent positions in other Departments, the classification levels of the Directors of the Accounting and Financial Services and of the Management Services Divisions and of some other positions within the Bureau Divisions appear under-classified in relation to equivalent positions in other Departments; they should be re-assessed. The great variety of situations at widely separated Posts requires finance Directors with extensive experience.

4.49 The financial administration responsibilities in External Affairs are fully equal in magnitude and difficulty to those in the other Departments examined by the Task Force and greater than most; FI classification levels should be at least equal. In the other Departments examined by the Task Force, the financial agents responsible for activities related to the financial planning process (the cyclical activities) are usually at the FI-06, FI-05 and FI-04 levels. Those responsible for financial administration (the daily activities) are at the FI-05 and FI-04 levels. In this Department, the financial planning staff are at the FI-05(1), FI-04(1), FI-03(1) and FI-02(1) levels; the financial administration staff are at the FI-04(3), FI-02(5), AS-04(1) and AS-03(2) levels. It should be noted that, in the Accounting and Financial Services Division, the deputy Director (a rotational position) is at the FS-02 level; the position involves the supervision of Section chiefs at the FI-04 level and should justify a classification at the FI-06 level. Moreover, the incumbent should have served at a large Post.

4.50 In their travels to four Posts of very large, large and medium sizes, the members of the Task Force noted that the factors which should and do govern the current classifications of Post accountants are not only the size of Post budgets and numbers of monthly transactions, but also the degree of involvement of Post officers in financial administration. For instance, many LES accountant positions at Posts

with widely different budgets are at the same classification levels, notwithstanding the disparity in accounting responsibilities; this factor is offset by better office support and a greater involvement of senior administrative officers at the larger Posts. In the FMO Posts, or course, the accounting office is headed by a senior FI.

4.51 For many Posts in developing countries, the problem is not the classification of the accountant's position, but rather the difficulty of finding an employee with the required background, experience and capabilities. Thus, the members of the Task Force consider that raising classification levels would not necessarily be a solution to the accounting problems that arise at Posts from time to time. Rather, the solution is seen in the recommended Training Team which would upgrade the capabilities of particular accountants while helping to resolve local financial administration problems. For any chronic financial administrative problem at a given Post, an FI could be sent on a single assignment as suggested in sub-paragraph 4.9(b), above. In addition to resolving such problems, the FI would have the task of recruiting and training his successor.

4.52 With regard to the administrative and financial agents responsible for the administration of budgets at Headquarters responsibility centers, it is clear that the needs vary greatly. In the previous organization of the Department, some responsibility centers needed such officials whereas others did not; these needs should be re-assessed in the new organizational structure. The principal criterion in determining whether or not a particular responsibility center needs a dedicated budget administrator should be the degree of specific programme knowledge needed by the person administering the budget. For instance, a discretionary budget consisting largely of travel and overtime expenses should not justify such a dedicated administrator whereas a budget for grants to Canadian exporters probably would. Thus, the members of the Task Force consider that this need should be assessed separately for each responsibility center in the new organization of the Department.

Recommendations. The Task Force recommends that:

32. The Finance and Management Services Bureau review the classifications of the following positions with a view to submitting a request for upgrading them:

- a) Director, Accounting and Financial Services on the basis of the international scope of the incumbent's responsibilities and the added training responsibilities proposed;
- b) Director, Management Services Division on the basis of the expertise required to direct the Division and the international scope of the incumbent's responsibilities;

- c) the FI positions in the Resource Planning and Analysis Division on the basis of comparability with equivalent responsibilities in other Departments; and
- d) on the basis of comparability with equivalent responsibilities in other Departments, some of the FI positions in the Accounting and Financial Services Division as follows:
  - i) Deputy Director; and
  - ii) unit chiefs of the Financial Control and Revenue and Recoverable units.

#### SELECTION AND EVALUATION OF PERSONNEL - FINANCIAL ADMINISTRATION TASKS

4.53 As the Auditor General pointed out, senior financial officers should be involved in selecting, appointing, training, evaluating and promoting all staff performing major financial functions. A previous section deals with the proposed involvement of the Bureau in financial management and administration training. With regard to the selection and appointment of financial specialists, the Task Force has not detected any opposition in the Department to the involvement of senior members of the Bureau; the fact remains, however, that a mechanism to that effect does not exist.

4.54 With regard to promotions and the evaluations on which they are based, it is important to distinguish between the kinds of individuals involved. The Task Force members see the officials with financial responsibilities outside the Finance and Management Services Bureau in the following categories: HOPs, some senior Post personnel, Post accountants, Headquarters responsibility centre managers and their budget assistants and accounting clerks, where applicable.

4.55 The Finance and Management Services Bureau is in an ideal position to assess by objective criteria (e.g. numbers of entry errors, sizes of variances, etc.) the performance of all these officials - not only financial specialists - in purely financial administration tasks. Because of the nature of its responsibilities, the Bureau must keep records of accounting and other financial administration errors; it is therefore in a position to indicate the performance of responsibility centre managers, HOPs and their staffs as financial administrators.

4.56 It follows that the Finance and Management Services Bureau has an important contribution to make in the selection and evaluation of personnel although, of course, final decisions in this regard must remain in the Personnel Branch and the Executive Committee. In this regard, the Bureau can contribute a great deal to the implementation of

the Department's policy that, generally, managers must improve their performance in terms of financial administration.

Recommendations. The Task Force recommends that:

33. Mechanisms be set up to ensure that the DG Finance and Management Services:

- a) sends a voting representative of sufficiently senior rank to each recruitment, selection and promotion board involving financial specialists; and
- b) comments on the financial administration record of individuals selected for Head of Post positions and other positions with financial administration responsibilities at Posts and in Headquarters.

34. A formal system be adopted to ensure the DG Finance and Management Services will be consulted for all appointments to positions with accounting responsibilities.

35. The DG Finance and Management Services forward to the Personnel Branch comments on the financial administration performance of Heads of Posts and other personnel (including LES personnel) with financial administration responsibilities; these comments would cover the standard personnel reporting period and would be taken into account in the "financial control" section of performance evaluation reports.



MANDATES

FINANCE AND MANAGEMENT SERVICES BUREAU

The Bureau of Finance and Manager Services is responsible for all aspects of financial management including the allocation and utilization of resources and the provision of general management services and computer services to the Department in respect of Headquarters and all operations abroad.

The Accounting and Financial Services Division is responsible for directing the Department's expenditure accounting operations; directing the accounting and control of departmental revenue and accounts receivable; providing advice and guidance regarding the development, analysis, interpretation and revision of accounting policies, systems and procedures; directing the preparation of Public Accounts, Annual Reports and accounting information functions; directing the financial control of expenditures and advising and providing assistance and guidance to Headquarters Managers, Division Directors and Post Managers on all matters related to accounting operations and bank financing operations abroad.

The Resource Planning and Analysis Division is responsible for the design, development and operation of the Department's Financial Planning and Analysis System; for the analysis, preparation and presentation of the Department's Multi-Year Operational Plans, Main and Supplementary Estimates; for Departmental budget preparation, analysis and allocations and for the design, development, implementation and maintenance of world-wide financial and management information systems which are supportive to all aspects of management.

The Management Services Division is responsible for planning and providing a full range of management services to the Department, both at Headquarters and at Posts, including problem identification, analysis and problem solving in administrative and management problem areas in the fields of methods, procedures and organization; planning, analyzing, designing and implementing computer systems and providing computer services for all areas in the Department in Canada and abroad; and providing printing and publishing services for the Department including the editing and publication of manuals, circulars, booklets, etc. and forms design.

- c) coordinate financial training.
  - d) provide financial training for Post personnel with accounting responsibilities, and
  - e) carry out liaison with the departmental personnel staff.
5. The Financial Authorities officer is tasked to:



PRESENT DIVISION OF RESPONSIBILITIES  
FINANCE AND MANAGEMENT SERVICES BUREAU

- x: Indicates those Tasks which would be reduced in scope or made easier by upgrading the quality of Post accounting and the data processing system.

INTRODUCTION

1. As the name of the Bureau indicates, its responsibilities are grouped two main categories: finances and management services. The details of these tasks as set out hereunder describe the actual work carried out in the Bureau as described by the Bureau Directors; these details are not always consistent with the official job descriptions. In fact, certain tasks set out in the official job descriptions are not being carried because of lack of resources (time, availability of staff, etc.).
2. The Bureau consist of three Divisions: Accounting and Financial Services; Resource Planning and Analysis; and Management Services. Each one is discussed in turn.

Accounting and Financial Services Division

3. This Division consists of three sections which carry out the accounting function for the Department. In addition, there is a Financial Authorities officer who reports to the Assistant Director. The sections are:
  - a) Accounting Operations;
  - b) Headquarters Accounts; and
  - c) Post Accounts.
4. To assist the Director in the administration of his Division, there is an Assistant Director whose position is rotational. The Assistant Director is responsible to:
  - a) provide general direction to the three section heads;
  - b) coordinate all matters related to personnel management in the Division;
  - c) coordinate financial training;
  - d) provide financial training for Post personnel with accounting responsibilities; and
  - e) carry out liaison with the departmental personnel staff.
5. The Financial Authorities officer is tasked to:

- a) interpret the pertinent legislation, regulations and TB directives and guidelines;
- b) advise managers with regard to spending and payment authorities;
- c) prepare financial authorities documents for signature;
- d) maintain and up-date the schedule of official signing authorities;
- x e) analyse and compile data for the preparation of Public Accounts;
- f) prepare replies to questions and correspondence of a financial nature;
- g) advise managers on financial authorities, procedures and contracts; and
- h) prepare and review TB submissions.

6. The Accounting Operations Section is tasked to:

- a) monitor the funds approved by TB;
- x b) control accounting operations, systems, procedures, financial commitments and section 25 signing authorities;
- x c) maintain detailed records of revenues, expenses, balances, commitments and accounts receivable for the Department;
- x d) reconcile departmental accounts with the Government of Canada Banking and Accounting Branch (DSS);
- x e) prepare reports on cash forecasting for the Department of Finance;
- x f) prepare the financial reports for the Department;
- x g) operate the automated accounting data system of the Department (DEC 20);
- h) supervise the work of the system operators;
- i) control the re-entry of data initially rejected by the financial management system;
- j) check the creation of magnetic tapes for the transfer of data from the FMS to the Departmental Reporting System (DRS) of Supply and Services Canada;
- x k) administer the revenues and accounts receivable of the Department;
- x l) control and transfer funds received on behalf of other Departments;
- x m) issue and control loans, advances and other payments in accordance with entitlements;
- n) receive and deposit amounts received as a result of all transactions;
- o) administer requisition and payment of Foreign Service allowances;
- p) process personal cheques from Post personnel;
- q) transfer personal funds from Posts;
- r) issue salary advances as required;
- s) carry out liaison with the section responsible for the management of the DEC 20; and
- t) provide data for the preparation of the divisional budget.

7. The Headquarters Accounts Section is tasked to:

- a) provide typing services for the Division;
- b) file all accounts payable;
- c) receive and distribute certain cheques issued by Supply and Services Canada;
- d) verify and administer the allowances for personnel abroad;
- x e) verify and administer payments for grants and contributions, for accounts payable to suppliers and for the goods and services received;
- f) ensure that payments to non Public Service consultants are in accordance with the contracts;
- x g) in accordance with Foreign Service directives, control, process, follow-up and liquidate advances for temporary duty, removals, relocations and other benefits for members of the Senate and representatives of information media travelling in Canada or abroad on Departmental business;
- h) ensure recovery of accounts to the Department;
- i) codify support documents of journal vouchers for auditing;
- j) prepare correspondence for auditors; and
- k) every month, pre-audit, process and deposit to bank accounts foreign service allowance payments.

8. The tasks of the Post Accounts Section can be grouped in two categories: those arising from statutory requirements (and therefore permanent) and those tasks arising from organizational considerations such as data processing systems and organizational structure (and therefore subject to change):

- a) tasks arising from statutory requirements:
  - x i) verifying accounts received from the Posts;
  - ii) drafting observations arising from the audit of Post accounts;
  - x iii) reconciling Post accounts with Post bank accounts;
  - iv) verifying Post vouchers and monthly expenses;
  - x v) controlling the entry of telegraphic data into the computer;
  - vi) verifying that Posts have forwarded the supporting documentation with the status of their Post account and cash accounts;
  - vii) providing training in financial administration as required for Canadian personnel proceeding abroad and for Headquarters personnel; and
  - viii) providing training for LES accountants at the Posts.
- b). tasks arising from organizational considerations:
  - i) billing of other Departments and agencies for which External Affairs provides services;

- ii) making arrangements for bank accounts at the Posts;
- iii) controlling accounting methods and practices at the Posts;
- iv) reporting on irregularities detected;
- x v) controlling the departmental working capital account;
- vi) providing letters of credit and telegraphic transfers of funds;
- vii) providing emergency cash parcels, international air travel credit cards for emergencies;
- x viii) maintaining controls on shelter costs, education advances and LES;
- ix) transferring personal accounts abroad;
- x x) ensuring reimbursement of drawings against monthly letters of credit to the Royal Bank of Canada; and
- xi) controlling audit and accounting for funds prepaid by non-Government organizations.

Resource Planning and Analysis Division

9. This Division has a central role in the financial management of the Department; it consists of four sections:

- a) Estimates and Budget;
- b) Headquarters Financial Adviser;
- c) Financial Analysts Section; and
- d) Systems Administration Section.

10. The Estimates and Budget Section is tasked to:

- a) prepare guidelines for the development of annual budgets in the Department;
- b) prepare guidelines for the preparation of the MYOP;
- c) assist managers in the preparation of their operational budgets and long-term planning;
- d) analyze the budgets received from managers of the Department's responsibility centres;
- e) assist the regional advisers in their analyses of Post budgets;
- x f) compile budget data for the Department;
- g) prepare the final budget to be submitted to the Executive Committee;
- h) prepare and present the estimates to TB;
- i) recommend changes or modifications to Executive Committee with regard to the overall allocation of resources;
- j) monitor actual expenses in relation to approved budgets;
- x k) analyze variances between the budgets and expenditures of responsibility centres;
- x l) advise the Executive Committee of variances and recommend corrective action;

- m) advise the responsibility center managers on a regular basis of their financial status;
- n) monitor the rate of inflation and amend the budget as required;
- o) monitor the number of positions approved for LES personnel at Posts;
- p) up-date the inventory of LES positions; and
- q) as required, check that Post budgets allow any intended hiring of LES staff.

11. The Headquarters Financial Advisers Section is tasked to:

- a) prepare guidelines for the preparation of the annual budget;
- x b) analyse the budgets submitted by Headquarters managers and evaluate them in terms dollars and P-Ys;
- x c) prepare the annual budget for the Department;
- d) control the entry of data concerning the annual budget in the MFS;
- e) resolve problems related to the budget and the allocation of resources;
- x f) reconcile the DSS financial reports with the FMS reports;
- g) correct the reports as required;
- h) provide financial reports to managers;
- i) monitor requests for advances;
- j) keep the Executive Committee advised of requests for advances; and
- k) prepare the Division budget.

12. The Financial Analysts Section is tasked to:

- a) ensure a liaison with DSS for the distribution of the Departmental Reporting System (DRS) financial reports;
- b) control all changes made in the financial system;
- c) ensure that the External Affairs financial system (FMS) is compatible with the DRS and other related systems;
- d) advise DSS of changes made in the FMS;
- e) modify the coding system as required;
- f) advise the DEC 20 operators of any coding changes;
- g) as required, provide amendments to the Financial Management Manual;
- h) monitor expenditures;
- i) prepare monthly reports on currency exchange rates;
- j) at their request, provide to managers reports on their financial status;
- k) produce reports indicating the status of LES personnel;
- l) study the departmental needs with regard to financial information systems and management;

- m) carry out preliminary studies and initiate systems applications;
- n) participate in special projects related to financial management;
- o) act as resource persons in financial management training sessions;
- p) meet with representatives of central agencies and other Departments to discuss systems and government policies with regard to financial management.

13. The Systems Administration Section is tasked to:

- a) manage the FMS data base;
- b) control the FMS system;
- c) control the input and output of the FMS;
- d) ensure the implementation of any system change;
- e) monitor the work carried out by the DEC 20 operators;
- f) receive requests from managers for the preparation of reports;
- g) analyse the financial information needs of managers and follow up;
- h) provide resource persons for training on the operation of the financial system; and
- i) develop and articulate the FMS procedures.

#### Management Services Division

14. The Management Services Division consists of four sections and a Budget and Programme Control officer who reports to the Director. The sections are:

- a) the Administrative Publications Section;
- b) the Computer Systems Section;
- c) the Organization and Methods Section; and
- d) Management Improvement (office automation).

15. The Administrative Publications Section is tasked to:

- a) control the departmental printing budget;
- b) develop formats for administrative publications;
- c) edit and publish administrative publications for the Department;
- d) manage the departmental photocopy operation;
- e) design and control forms;
- f) manage and coordinate the departmental manuals;
- g) manage the departmental symbol system;
- h) provide an authorities index services; and
- i) process all TB and PCO submissions and authorities.



16. The Computer Systems Section is tasked to:
- a) design, develop, procure and maintain management information systems for the Department;
  - b) write the procedures for the operation of information systems;
  - c) ensure the smooth operation of the systems;
  - d) assist departmental Divisions in their plans for the development and implementation of systems;
  - e) participate as required in the EDP Committee; and
  - f) modify management systems as required to meet immediate departmental needs.
17. The Organization and Methods Section is tasked to:
- a) assist management in resolving organizational problems;
  - b) examine methods and work processes currently in use in the Department; and
  - c) undertake internal management consulting studies at the request of line managers in Headquarters and at Posts.
18. The Management Improvement Section is tasked to:
- a) prepare plans for office automation at Posts and in Headquarters;
  - b) undertake and monitor pilot projects;
  - c) budget for and procure word processing and microfilm equipment for the Posts;
  - d) manage the departmental videotape programme; and
  - e) as required, undertake O and M studies with the Organization and Methods section.
19. The Budget and Projects Control Section consists of one individual tasked to:
- a) provide administrative services to the Divisions;
  - b) prepare the divisional budget;
  - c) compile data on the current projects within the Division;
  - d) assist internal consultants in their projects; and
  - e) maintain a project control register showing the current status of all projects as measured against the project schedules.



SUGGESTED DIVISION OF RESPONSIBILITIESFINANCE AND MANAGEMENT SERVICES BUREAU

\* Indicates new tasks proposed by the Task Force.

Introduction

1. In the report, the Task Force makes recommendations concerning the organization and responsibilities in each Division of the Bureau. This Appendix illustrates the impact that these recommendations would have on the Bureau. Tasks marked by an asterisk (\*) are additional ones assigned to the section involved.

Accounting and Financial Services Division

2. This Division would consist of four sections instead of three. It would still be responsible to carry out the accounting function, but its training role would be formally recognized. The four sections would be:
  - a) Accounting Operations;
  - b) Headquarters Accounts;
  - c) Post Accounts; and
  - d) Financial and Accounting Training.\*
3. The Division would continue to have an Assistant Director with unchanged responsibilities to:
  - a) provide general direction to the three section heads;
  - b) coordinate all matters related to personnel management in the Division;
  - c) coordinate financial training;
  - d) provide financial training for Post personnel with accounting responsibilities; and
  - e) carry out liaison with the departmental personnel staff.
4. The Financial Authorities Officer would retain his current responsibilities except those related to financial policy:
  - a) prepare financial authorities documents for signature;
  - b) maintain and up-date the schedule of official signing authorities;
  - c) analyse and compile data for the preparation of Public Accounts;
  - d) prepare replies to questions and correspondence of a financial nature;

- e) advise managers on financial authorities, procedures and contracts; and
- f) prepare and review TB submissions.

5. The Accounting Operations Section would be responsible to:

- a) monitor the funds approved by TB;
- b) control accounting operations, systems, procedures, financial commitments and section 25 signing authorities;
- c) maintain detailed records of revenues, expenses, balances, commitments and accounts receivable for the Department;
- d) reconcile departmental accounts with the Government of Canada Banking and Accounting Branch (DSS);
- e) prepare reports on cash forecasting for the Department of Finance;
- f) prepare the financial reports for the Department;
- \* g) as a new task, administer and monitor the entry of data into the integrated financial management data processing system when it is in place;
- h) operate the automated financial data processing system of the Department;
- i) supervise the work of the system operators;
- j) control the re-entry of data initially rejected by the financial management system;
- k) check the creation of magnetic tapes for the transfer of data from the FMS or a follow-on departmental reporting system, to the Departmental Reporting System (DRS) of Supply and Services Canada;
- l) administer the revenues and accounts receivable of the Department;
- m) control and transfer funds received on behalf of other Departments;
- n) issue and control loans advances and other payments in accordance with entitlements;
- o) receive and deposit amounts received as a result of all transactions;
- p) administer requisitions and payments of Foreign Service allowances;
- q) process personal cheques from Post personnel;
- r) transfer personal funds from Posts;
- s) issue salary advances as required.
- t) carry out liaison with the section responsible for the management of the Department's automated financial data processing system;
- u) provide data for the preparation of the divisional budget;
- \* v) manage the financial data base;
- \* w) control inputs to and outputs from the financial data processing system; and
- \* x) ensure the implementation of any system change.

6. The Headquarters Accounts Section would continue to be responsible to:

- a) provide typing services for the Division;
- b) file all accounts payable;
- c) receive and distribute certain cheques issued by Supply and Services Canada;
- d) verify and administer the allowances for personnel abroad;
- e) verify and administer payments for grants and contributions, for accounts payable to suppliers and for the goods and services received;
- f) ensure that payments to non Public Service consultants are in accordance with the contracts;
- g) in accordance with Foreign Service directives, control, process, follow-up and liquidate advances for temporary duty, removals, relocations and other benefits on behalf of members of the Senate and representatives of information media travelling in Canada or abroad on Departmental business;
- h) ensure recovery of accounts for the Department;
- i) codify support documents of journal vouchers for auditing;
- j) prepare correspondence for auditors; and
- k) every month, pre-audit, process and deposit to bank accounts foreign service allowance payments.

7. The various measures recommended by the Task Force would reduce the workload of the Post Accounts Section which would then be responsible to:

- a) bill other Departments and agencies for which External Affairs provides services;
- b) make arrangements for bank accounts at the Posts;
- c) report on irregularities detected;
- d) control the Departmental working capital account;
- e) provide letters of credit and telegraphic transfers of funds;
- f) provide emergency cash parcels and international air travel credit cards for emergencies;
- g) maintain controls on shelter costs, education advances and LES;
- h) transfer personal accounts abroad;
- i) ensure reimbursement of drawings against monthly letters of credit to the Royal Bank of Canada;
- \* j) on an ad hoc basis, perform audits of Post accounts and draft the resulting observations;
- k) reconcile Post accounts with Post bank accounts;
- l) verify documentation forwarded to Headquarters with the status of the related Post accounts and cash accounts; and
- m) control the audit and accounting for funds prepaid by non-Government organizations.

8. The Financial and Accounting Training Section would be responsible to:

- \* a) identify training needs related to financial and accounting activities;
- \* b) examine the resources of DSS and the Office of the Comptroller General and design the training courses to be offered within the Department;
- \* c) schedule and provide courses to Headquarters and Post Staff;
- \* d) prepare audio-visual packages for the initial and refresher financial and accounting training in Headquarters and at the Post, this for managers, administrators and LES;
- \* e) as required, assist Posts with particular financial administration problems, and
- \* f) on the basis of objective criteria, assess the financial administration performance of the Department's responsibility centers.

#### Resource Planning and Analysis Division

9. This Division is the central point for the financial function of the Department. It would have three sections rather than four because financial policy responsibilities would be transferred to a new Division.

- a) Estimates and Budget;
- b) Financial Systems and Training; and
- c) Financial Planning.

10. The monitoring of LES positions and salary budgets would become the responsibility of the geographic ADMs and the Estimates and Budget Section would be responsible to:

- a) prepare guidelines for the development of annual budgets in the Department;
- b) assist managers in the preparation of their operational budgets and long-term planning;
- c) analyze the budgets received from managers of the Department's responsibility centres and evaluate them in terms of dollars and P-Ys;
- d) assist the regional advisers in their analyses of Post budgets;
- e) compile budget data for the Department;
- \* f) prepare the final budget to be submitted to the ADM Policy Coordination;
- \* g) prepare the estimates and submit them to the ADM Policy Coordination for presentation to the Executive Committee and TB;
- h) monitor actual expenses in relation to approved budgets;
- i) analyze variances between the budgets and expenditures of responsibility centres;
- \* j) advise the staff of the ADM Policy Coordination of variances and recommend corrective action;

- \* k) advise the responsibility center managers on a regular basis of their financial status;
- l) monitor the rate of inflation and amend the budget as required;
- \* m) control the entry of data concerning the annual budget in the FMS;
- \* n) reconcile the DSS financial reports with the FMS reports;
- \* o) correct the reports as required;
- \* p) monitor requests for advances;
- \* q) prepare the Division budget.
- \* r) provide financial reports to responsibility center managers; and
- \* s) prepare monthly reports on currency exchange rates and local inflation rates.

11. The Financial Planning Section would be responsible to:

- \* a) participate with the staff of the ADM Policy Coordination in the development of guidelines for inputs to the MYOPs;
- \* b) issue the guidelines;
- \* c) participate in the analysis of the MYOPs;
- \* d) cost the MYOPs;
- \* e) monitor any modifications to the MYOPs;
- \* f) prepare the final document for the Department in accordance with the TB format;
- \* g) submit the document to the central corporate planning staff;
- \* h) assist the central corporate planning staff in its MYOP and other resources allocation/re-allocation submissions to Executive Committee; and
- \* i) in liaison with the Office of the Comptroller General and DSS, develop and deliver a training package, including an audio-visual component, on the financial function of responsibility centre managers.

#### Management Services Division

12. The Task Force proposes the creation of a project Team to develop the required administrative data (including financial data) processing system. The Management Services Division would then consist of an Administrative Officer reporting to the Director, two sections and a System Team:

- a) Administrative Publications;
- b) Management Improvement (office automation); and
- c) Operational Systems Team.

13. The Administrative Publication section would need additional P-Ys to continue to be responsible to:

- a) control the departmental printing budget;

- b) develop formats for administrative publications;
- c) edit and publish administrative publications for the Department;
- d) manage the Departmental photocopy operation;
- e) design and control forms;
- f) manage and coordinate the Departmental manuals;
- g) manage the Departmental symbol system;
- h) provide an authorities index service; and
- i) process all TB and PCO submissions and authorities.

14. The Management Improvement section would be responsible to:

- a) prepare plans for Office Automation at Posts and in Headquarters;
- b) undertake and monitor pilot projects;
- c) budget for and procure word processing and microfilm equipment for the Posts;
- d) manage the departmental video tape programme;
- \* e) assist management in resolving organizational problems;
- \* f) examine methods and work processes currently in use in the Department; and
- \* g) undertake internal management consulting studies at the request of line managers in Headquarters and at the Posts.

15. The Operational Systems Team would be responsible to:

- \* a) develop and maintain integrated management information systems for the Department;
- \* b) ensure the smooth operation of the systems; and
- \* c) modify management systems as required to meet immediate Departmental needs.

16. The Administrative Officer would continue to:

- a) provide administrative services to the Division;
- b) prepare the divisional budget;
- c) compile data on the current projects within the Division;
- d) assist internal consultants in their projects; and
- e) maintain a project control register showing the current status of all projects as measured against the project schedules.

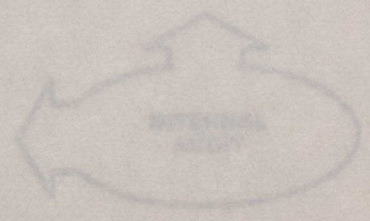
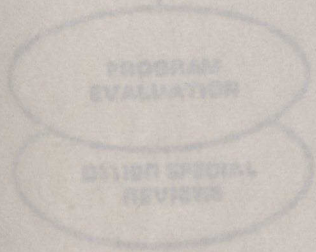
#### The Proposed Financial Policy Division

17. In many large Departments, it has been found necessary to set-up a financial policy staff. The members of the Task Force consider that such a staff is required in External Affairs, that it should be a Division in the Finance and Management Service Bureau and that a Director at the level of SM would probably be appropriate. The Division would be responsible for the following tasks:



REPRESENTATIVE DEPARTMENTAL

- \* a) develop and recommend Department policies and procedures related to financial administration;
- \* b) monitor the application of financial administration policies and procedures to ensure that Departmental financial and accounting systems are in accordance with Departmental policies and the requirements of central agencies;
- \* c) direct the research, design and implementation of an integrated set of financial policies, systems and procedures to ensure efficiency in the financial management of Department resources;
- \* d) establish the format of Departmental financial and other management reports and supporting statements;
- \* e) develop standards and guidelines for Departmental financial systems, internal control systems, working capital advances, revolving funds, inventory accounting and cost accounting;
- \* f) direct feasibility studies and articulation of specifications for financial and accounting systems;
- \* g) participate in special projects related to the implementation of an enhanced financial management system, ensuring it is compatible with the DRS and other related systems;
- \* h) review and follow-up on financial systems and procedures to ensure they are meeting the design criteria, control all changes to the financial system and advise Supply and Services Canada of changes;
- \* i) define the concepts of sound financial management and accepted accounting principles for the Department;
- \* j) formulate policies governing the delegation of financial and related authorities and maintain records of the Department's financial authorities;
- \* k) consult with heads of Branches, Bureaux and Divisions to determine their financial administrative support requirements and suggest options;
- \* l) develop the new Departmental classification of accounts and coding structure and relate it to the OPF;
- \* m) establish priorities and schedules for studies and projects related to financial administration;
- \* n) maintain a liaison with the financial administration staff of TB and with the Office of the Comptroller General;
- \* o) carry out a liaison with Supply and Services Canada for the distribution of DRS financial reports;
- \* p) direct the update of the Financial Management and operations Manuals and the issue of amendments; and
- \* q) monitor the follow-up of audit observations.

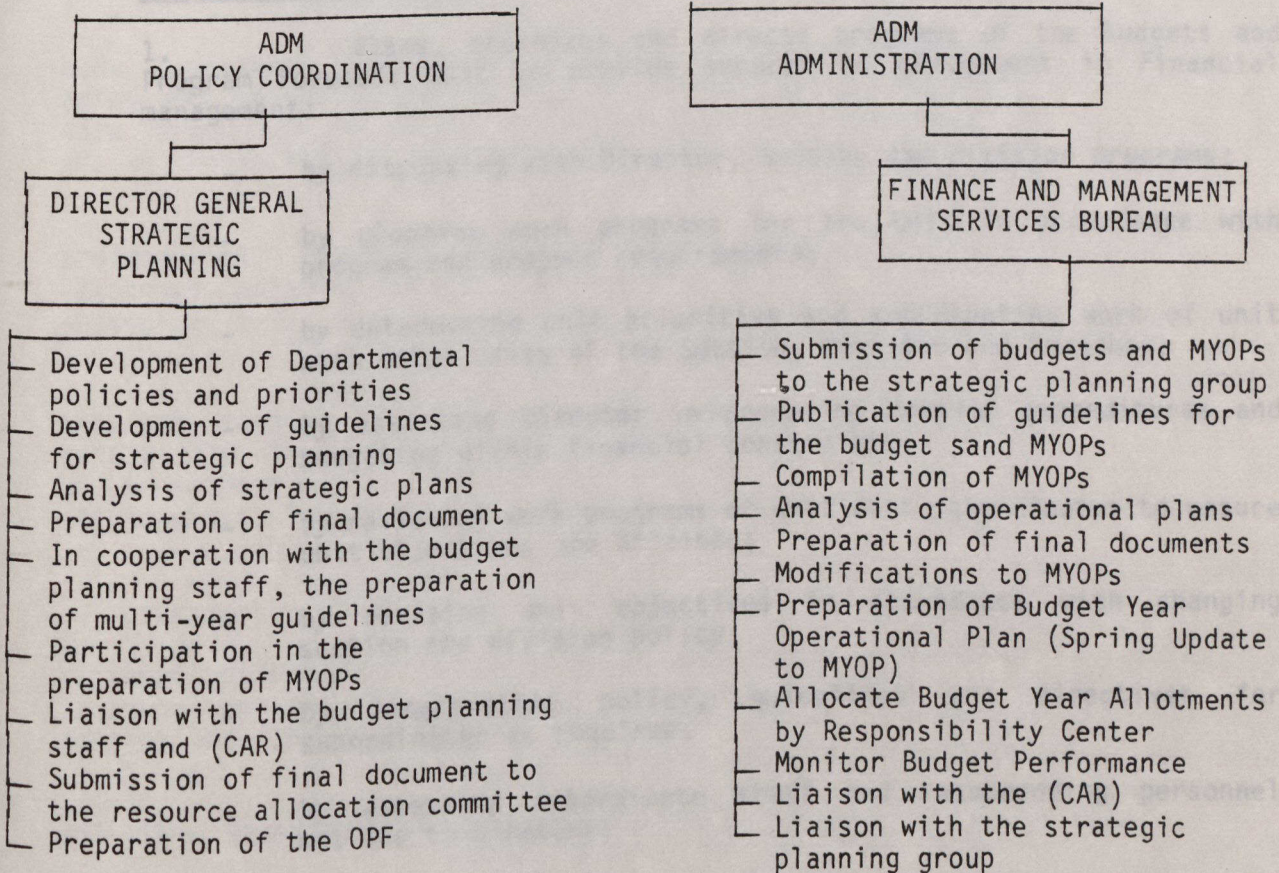








SUGGESTED DIVISION OF RESPONSIBILITIES BETWEEN  
THE RESOURCE PLANNING AND ANALYSIS DIVISION  
AND THE CENTRAL CORPORATE PLANNING STAFF  
(NEW ORGANIZATIONAL STRUCTURE)





DETAIL OF DUTIES  
BUDGETS AND PROGRAMME FORECAST SECTION

- \* Possible involvement of Policy Co-ordination staffs
- \*\* Possible involvement of a Financial Policy Division

Section Chief (1 P-Y)

1. Plans, organizes and directs programs of the Budgets and Program Forecast Unit to provide support to management in Financial management:

- by discussing with Director, Section and division programs;
- by planning work programs for the Unit in accordance with program and project requirements;
- by determining unit priorities and coordinating work of unit with other units of the Section, division and branches;
- by assisting Director in preparing section expenditures and budgeting within financial constraints;
- by reviewing work programs of unit with subordinates to ensure unit objectives are attained;
- by revising unit objectives in accordance with changing section and division policy;
- by interpreting policy, guidelines and directives for subordinates as required;
- by assessing subordinate staff and recommending personnel actions to Director;
- by advising Director of unit work and related problems and preparing recommendations on policy and other matters.

2. \* Assists Department management in its program forecasting responsibilities to ensure Treasury Board and Departmental requirements are adhered to:

- by keeping informed of changes and proposed changes in operations;

- by reading operational manuals and directives, discussing operational development with Departmental officials, and gathering information from colleagues and associates;
  - \* - by developing forecasts which reflect the existing operations by incorporating any known changes which have already been decided and the timing is known;
  - \* - by initiating the participation of senior management in the preparation of those parts of the program forecasts which are not of the on-going nature, i.e., major contemplated changes to the program, alternatives which have not yet been decided, the assignment of priorities to the expansion or improvement of the program;
  - by participating in senior management meetings when alternatives and changes in the existing program are being discussed and planned so that the intent of management with respect to Departmental objectives can be reflected in the program forecast;
  - \* - by discussing and consulting with superiors the problems encountered in the preparation of the program forecast, arriving at solutions to these problems, and informing superiors accordingly;
  - \* - by including in the submission of the program forecast analyses which convey clearly the benefits which will accrue as a result of the various modifications of the program and by analyzing the overall program in terms of productivity changes;
  - \* - by drafting the narrative content of the program forecast;
  - \* - by deciding on the format and scope of documentation required to support the submission including information sources, approaches and techniques used, assumptions made and reasons for choosing certain alternatives;
  - \* - by submitting the program forecast in compliance with the Treasury Board Program Forecast Manual.
3. Directs the preparation of and consolidates the budget guidelines to be used throughout the Department for the preparation of the budgets:
- \* - by developing, from forecasts and monetary constraints set by Treasury Board, the performance and productivity levels which must be attained within the Department in order to meet the constraint;
  - by developing the budgetary framework to be followed, including methods of calculation, techniques and concepts,



format, procedures, timing and forms, consistent with those employed in program forecasts, estimates, and monitoring of actual results;

\* - by determining the timing and controlling the issuance of the budget guidelines;

- by contacting functional managers to inform them of budget guide line requirements and following up on production of the budgets;

- by answering enquiries and clarifying budget guidelines or issuing amendments in the budget guidelines as dictated by change in format plans, on operations which may be taking place;

\* - by directing the consolidation and analysis of the budget submissions, writing narrative evaluations in the form of highlights and suggesting corrective actions;

\* - by determining operational productivity on a post basis and calculating amounts to be granted to each post;

\* - by directing the budget review and re-assessment of the actual results achieved during the recently concluded year, highlighting for management desirable changes to budgets approved and implementing any adjustments as directed by management.

4. Supervises the preparation of Estimates for the Department:

\* - by preparing a forecast for the remainder of the current year;

\* - by summarizing the data for the past year, forecasted current year, and the budgeted next year, in the format prescribed by the Treasury Board Estimates Manual;

\* - by discussing with senior management changes which may have taken place since the submission of the program forecast and highlighting and explaining changes in narrative form;

- by drafting the estimates in narrative form;

- by supervising the production of the estimates submission;

- by determining the format and scope of supporting work sheets and data sources to be retained for inspection by Treasury Board Officers and for reference purposes.

5. \* Monitors the financial results of Department operations in order to determine variances between actual operational results and operational plans, to ascertain discrepancies in performance between the

various responsibility areas and to provide management with information on which to base decisions:

- by directing the production of the monthly financial report and providing guidance to subordinates with respect to problems arising from assignments for senior management;
- \* - by generating investigation of the data and conclusions in the monthly report;
- \* - by discussing the report with users to ensure that it is being used and understood and meets their needs;
- \* - by directing the production of the year-end financial reports and defining its scope and format;
- \* - by initiating and directing special studies to be included in the year-end report;
- \* - by consulting with management to determine additional analysis or evaluation of results;
- \* - by encouraging management to participate in the preparation of the annual report through contribution of special comments and highlights pertaining to managerial actions and results which followed the identification of problems through financial analysis during the year, including any critiques they may have about financial services;
- \* - by analyzing and evaluating the progress of one-time special projects designed to modify methods of operations, i.e., the introduction of computers.

6. \* Takes part in the development of concepts of measuring productivity and the effectiveness and efficiency of operations to be used in the preparation and analysis of plans, in the monitoring of actual results and in the evaluation of managerial performance:

- \* - by commenting on the adequacy and shortcomings of the existing measures and their use and making proposals as to their modifications;
- \* - by taking part in team discussions to present and defend ideas related to result measures and their use and/or to supply a constructive critique of the ideas of others and to participate in the formulation of a new hypothesis;
- \* - by assisting in, or by conducting tests necessary to validate the hypothesis.

Budget Analysts (2 P-Ys)

7. \* Assists in the planning and co-ordination and the implementation of the program estimates and budgeting function for a department with annual appropriations of 868 million:

- \* - by assessing the requirements for planning information identified by departmental management at the sector, corporate and branch levels and consulting with Treasury Board Planning officers to maintain an awareness of central agency requirements;
- by maintaining a close liaison with program planning groups within the department to ensure consistency between the preparation of the multi year operational plans, and estimates and the department's planning, programming and budgeting strategies;
- by interpreting operating procedures and guidelines concerning the forecasting process issued by the Treasury Board;
- \* - by developing techniques to be used in assessing the cost implications of program alterations, changes in priority, and in operating procedures;
- \* - by establishing schedules to ensure the timely submission of budget and program estimates proposals from bureaux/branches/offices/divisions and throughout the department and issuing departmental instructions detailing forecasting procedures to be followed by branch management;
- \* - by interpreting the effect of Treasury Board budget targets and assisting in the establishment of internal departmental targets to reflect program priorities, and advising management;
- \* - by summarizing the cost implications of forecast proposals submitted by operating branches throughout the department for the consideration of senior management;
- \* - by summarizing the recommendations of the Resource Planning & Analysis Division regarding appropriate budgetary levels for programs and projects for the guidance of senior departmental management in the establishment of final forecasts;
- \* - by directing the preparation of all narrative submissions to support the multi year Operational Plans and estimates proposals, preparing a consolidation and analytical overview of the highlights for use in briefing the Minister and Parliamentary Committees on Estimates and developing appropriate vote wording; and

\* - by providing explanations concerning the department's submissions to Treasury Board program planning analysts.

8. \* Advises management on the control and management of the department's budget during the fiscal year to assist in the effective and efficient utilization of resources:

- by analyzing expenditure information assembled by the department's Accounting Division;

\* - by developing report formats providing management with information concerning expenditures in relation to program performance benchmarks; and

\* - by overseeing the analysis of expenditure variances and trends and recommending cash management strategies to senior departmental management.

9. Performs other duties such as researching improved methods for costing programs, developing improvements to the financial planning process, developing statistical indicators for use as planning tools and preparing responses to enquiries from Parliament, Treasury Board, the Department of Finance and the public at large.

Estimates and Analysis Officers (4 P-Ys)

10. Researches and identifies the reporting requirements of management regarding operating and capital expenditures and grants and contributions, including the Program for Export Marketing Development, person-years data, & departmental & governmental budgetary control requirements & evaluates their effectiveness by:

\*\* - organizing and conducting meetings with other financial officers and operational and program managers and with central agency reporting officers to identify the information to be presented in management reports;

\*\* - defining the objectives of the systems in terms of content, accuracy, frequency, and timing and communicating these requirements to EDP service bureaux & outside consultants;

\*\* - providing direction to members of the Financial Systems Group on the development of specifications for financial management reporting systems;

\*\* - monitoring, evaluating and recommending for approval all directives, instructions and manuals relating to financial management reporting systems;

\*\* - evaluating inputs and outputs in terms of original expectations;

\*\* - liaising with systems users to determine appropriateness and adequacy of system, and

\*\* - recommending to the Chief, Budgets and Estimates, systems modifications required in order to provide new or additional information to meet the changing needs of management.

11. Organizes the analysis and consolidation of reports on departmental operations for senior management and provides advice and assistance to managers by:

\* - the establishment, implementation and subsequent review of departmental procedures relating to variance analysis reporting and cash forecasting techniques;

\* - assisting operating and program managers in the analysis of operating data, answering queries regarding the content of reports, and providing advice on the cases of variance from budget performance;

\* - advising managers of trends in expenditure patterns that are developing, identifying and analyzing probable causes and future consequences as they relate to program objectives;

\* - analyzing Posts and head office managers submissions relating to operating and forecasting data and preparing reports and recommendations for presentation through the Chief, Budgets and Estimates to senior management regarding possible resource re-allocations and funding alternatives;

\* - supervising the preparation of regular reports to Treasury Board Canada, e.g. quarterly reports on capital expenditures and,

\* - preparing Ad Hoc reports to TB requiring in some instances analytical techniques outside the realm of departmental reporting routines, e.g. cost benefit analysis.

12. Advises and assists managers in the preparation of submissions to TB having financial and program implications by:

\* - analyzing the proposal in the context of the organization's work plan to assess its viability and the short and long term impact on departmental programs and resources;

\* - advising program managers on the funding options available in connection with the proposal, providing program managers with the benefits and costs of each funding option, recommending an appropriate course of action and the impact of the course of action on departmental resources in the current and future years;

- advising program managers in assessing the need and the format and procedure to follow in the preparation of TB submissions;
- \*\* - an ongoing analysis and review of TB Authorities to ensure that branch managers comply with program evaluation or review requirements as described in the Treasury Board decision letters and Treasury Board guidelines; and
- developing and recommending wording for new or changed Departmental Votes in consultation with Departmental and Treasury Board Secretariat legal advisors and Departmental managers.

13. Participates in the development and implementation of the overall departmental financial management system:

- \*\* - by participating in the development and implementation of a Departmental work program system and updating related work program procedures as required;
- \*\* - by reviewing and analyzing work programs to ensure that these work plans reflect Departmental objectives and current Departmental thrusts and priorities;
- \* - by preparing for the Executive Committee work program data for the purposes of allocating current year's Departmental resources and determining the requirements for the Department's Multi-Year Planning submissions;
- \* - by participating in the development of Mid-Term and Quarterly Review procedures to analyze and evaluate the progress of the current year's Departmental work programs for the purpose of reallocating resources in the current year and providing data for the Estimates submission;
- \* - by participating in the development and maintenance of a budgetary control system for the purpose of controlling and monitoring the current year's resources; and
- \*\* - by participating in the review of the Department's financial management reports on a periodic basis to ensure that these reports meet the users needs.

14. Participates in the development and implementation of procedures for financial planning and budgetary control to provide the Department with a framework for efficient management of resources by:

- \* - reviewing current policies, assessing impact of changes on current and planned programs and activities, and
- \*\* - providing management with advice and interpretations to assist in defining and justifying resource requirements, planning for

utilization of all resources and in reporting and analyzing results;

- \* - analyzing and determining from various expenditure trends the availability of Departmental financial resources, the specific limitations and priority requirements; and
- \* - promoting within the Department, principles and practices of financial management to ensure efficient use of available resources.
- \*\*

15. Provides financial planning advice to managers of the Departmental Program to ensure available resources are allocated to best advantage, potential problems are clearly identified and that management has appropriate advice and guidance required for objective decision making by:

- \* - assisting in the overall coordination of financial planning process within the Department and providing direct assistance to managers on financial planning of programs and activities;
- \* - providing financial and interpretive analysis of program forecast and estimates, work programs and resource allocation plans to responsibility centre managers;
- \* - analyzing financial data as it relates to future plans of the Department and reporting to management; and
- \* - interpreting and advising management on the current financial climate as indicated by reports from Government Departments and agencies.









CHAPTER V

SUMMARY OF RECOMMENDATIONS

	<u>Page</u>
Introduction .....	128
Proposed Financial Data Processing System .....	128
Post Accounts Verification .....	131
The Finance Bureau and Central Policy Coordination .....	132
The Finance Bureau and the Department's Managers .....	133
Proposed Financial System Implementation Team .....	135
Financial Training .....	136
Classification Levels .....	138
Selection and Evaluation of Officials with Financial Responsibilities .....	139
Comments of the Auditor General .....	140



INTRODUCTION

5.1 This Chapter repeats the recommendations of the report, grouping them by subject matter: the proposed financial data processing system, Post account verification, the relationship of the Finance Bureau with central policy coordination staffs, the support the Bureau provides to the Department's managers, the development of Departmental data processing systems, financial training, classification levels in the Finance Bureau and the selection and evaluation of officials with financial responsibilities. The columns in the right margin indicate in three broad categories the timings for implementation that appear practical for each recommendation: the last quarter of 1983, the first half of 1984 or later.

5.2 This Chapter also includes a review of the relevant comments of the Auditor-General in the report of his 1982 comprehensive audit with references to the Task Force recommendations which address them.

PROPOSED FINANCIAL DATA PROCESSING SYSTEM

5.3 In Chapter II, it was concluded that, although the Department meets the requirements of the Central Accounts and Public Accounts at year end, it does not provide the financial information its managers require during the year for planning, monitoring and reporting purposes. Indeed, the information available to managers lacks accuracy, comprehensiveness, timeliness and detail. The current financial data processing systems serving the Department are not providing the required financial information and are not structured to provide a linkage between resource utilization and activities/sub-activities.

5.4 To meet the needs of the Department's managers for financial information, the Task Force proposes an enhanced FMS. To that end, the Task Force recommends that:

1. The Department of External Affairs not rely on FINCON as a Department-wide financial control and reporting system.
2. In the context of Department-wide efforts to coordinate systems development, the Department adopt a formal policy based on Annex F to Chapter III to control and coordinate the design and implementation of accounting and financial systems.

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
X		

INTRODUCTION

3. The Department develop of a mechanism to obtain the contributions of users in the exploitation of opportunities for the development of accounting and financially oriented systems within the context of the Operational Planning Framework.
4. The Department establish a financial data base from which a second one can later be extracted if necessary. If two data bases are required, one (with on-line capabilities) would record budgets, commitments, expenditures and free balances; the second would be for financial management information, (response to enquiries) and would link resource utilization to activities (provision of performance measurement data).
5. The Department integrate its accounting system with a financial management information system so that the two elements will function as one in support of the OPF, the eventual goal being to achieve full electronic processing and transmission of this information to serve Headquarters and the Posts.
6. The number of reporting levels required in the Department be determined on the basis of the responsibilities to be allocated for OPF activities/sub-activities and other operational requirements.
7. The hierarchy of the FMS commitment control system be expanded to provide information to Headquarters managers at all the required levels.

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
X		
	X	
		X
	X	
		X

Proposed Implementation Timings		
First Half 1984	Last Quarter 1983	Later

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
	X	
	X	
	X	
		X

8. The Departmental commitment control system be made up of two processes. One would be for Posts with an automated system (in non-automated Posts, commitment information would continue to be kept manually). The other element would serve Headquarters managers, providing details of Headquarters commitments and summaries of commitments of both Headquarters responsibility centers and the Posts.

9. In view of the additional information needs generated by the implementation of the Departmental OPF activity and sub-activity structure, the long-term cost effectiveness of obtaining a separate and central computer capability for the processing of administrative data, including financial data, now in the Department's DEC 20 be determined without delay.

10. Should it be determined that such a separate computer capacity is required, a high priority be attached to the project of obtaining it. The system adopted should permit direct access to the Headquarters and Post managers who require it. In the first instance, the possibilities of leasing the required services or buying "off-the-shelf" software should be explored.

11. Should it not be possible to meet these requirements on a timely or cost-effective basis, the Department rely on the DRS with DEEP-ADIS and other enhancements to partially meet the financial information needs of the Department.

12. Regionalization of Post financial data processing be accompanied by arrangements to permit rapid access as required by the satellite Posts to their financial and

Proposed Implementation Timings  
 Last Quarter 1983  
 First Half 1984  
 Later

cheque issue information, by terminals wherever practicable.

- 13. Accounting and financial management at all FMO Posts be fully automated with capabilities to electronically transfer their financial information to the Headquarters computer at specified cut-off times.
- 14. Wherever it is cost-effective to do so, accounting and financial management at the other Posts be eventually automated over time. The programmes for the computers or the formatted financial management word processor diskettes would be centrally controlled in the Finance and Management Services Bureau.
- 15. The practicality of establishing small centers of computer technical expertise in each region to serve the Posts in the area be examined.
- 16. Some Headquarters managers be provided with direct access as required to the resource data base, with dedicated terminals when justified by their needs for frequent, detailed and up-to-date information on the status of Departmental budgets.

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
		X
		X
		X
	X	

POST ACCOUNTS VERIFICATION

5.5 The proposed automated financial data processing system and other measures would reduce the Post account verification workload. To further reduce this workload, the Task Force recommends that:

15. Regionalization of post financial data processing be accompanied by arrangements to permit rapid access as required by the satellite posts to their financial and



Proposed Implementation Timings		
Later	First Half 1984	Last Quarter 1983

	Proposed Implementation Timings		
	Last Quarter 1983	First Half 1984	Later
17. <u>A materiality threshold (in terms of dollar amounts, types of transactions and other standard audit criteria) be established for Post accounts verifications, thus reducing the workload.</u>	X		
18. <u>The number of full Post account audits carried out each year be reduced from the current 1032 to 600 or less.</u>	X		
19. <u>An analysis of each Post be carried out with regard to the delegation of signing authority under section 26 so as to formally make the arrangements best suited to each Post.</u>	X		

THE FINANCE BUREAU AND CENTRAL POLICY COORDINATION

5.6 Inter alia, the re-organization of the Department will bring about a greater involvement of Central Policy Co-ordination staffs in resource allocation activities. To make the required adjustments in the Finance Bureau, the Task Force recommends that:

Proposed Implementation Timings		
Later	First Half 1984	Last Quarter 1983

	Proposed Implementation Timings		
	Last Quarter 1983	First Half 1984	Later
20. <u>The Resource Planning and Analysis Division be responsible for:</u>	X		
a) <u>assisting the staff of the Policy Co-ordination Branch in the preparation of the Strategic Overview, MYOP and other documents for presentation to the Executive Committee;</u>			

20. The Resource Planning and Analysis Division be responsible for:

- a) assisting the staff of the Policy Co-ordination Branch in the preparation of the Strategic Overview, MYOP and other documents for presentation to the Executive Committee;

Proposed Implementation Timings		
Later	First Half 1984	Last Quarter 1983

- b) on behalf of the Executive Committee, distributing the guidelines for the preparation of MYOPs;
  - c) receiving, compiling and analyzing the financial data for the Budget Year (Spring Update to the MYOP) and developing costing alternatives where appropriate;
  - d) assisting the staff of the Policy Co-ordination Branch in the preparation and analysis of the MYOPs; and
  - e) on the basis of inputs from the Policy Co-ordination Branch and responsibility center managers, preparing the budget for the current year and monitoring variances.
21. Given the greater involvement of the Policy Co-ordination staff in the preparation of the MYOP and in analysis tasks, up to three P-Ys from the Budget and Programme Forecast Section be re-allocated.

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
		X
		X
X		

THE FINANCE BUREAU AND THE DEPARTMENT'S MANAGERS

5.7 To ensure that the Finance Bureau will be responsive to managers' needs on a continuing basis, the Task Force recommends that:

- 22. The existence of the central point of contact in the Resource Planning and

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
X		

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
X		
X		

Analysis Division to receive, evaluate and act upon requests from managers for generic types of financial information be made known to the Department's managers and reminders be issued to them at least yearly.

23. The Management Services Division be assigned the P-Ys required for a complete review, consolidation and updating of the Department's publications.

24. The function of defining Departmental needs for information systems and the Bureau official tasked with this responsibility be transferred to the Branch of the ADM Policy Co-ordination in the Department's new organization so that the incumbent may have ready and full access to the broadest Departmental planning issues.

5.8 The Task Force has identified weaknesses in the development and co-ordination of financial policies. As a solution, the Task Force recommends that:

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later

25. A Division to be responsible for financial policy be created in the Bureau of Finance and Management Services.

26. The Financial Policy Division be responsible for the tasks listed in paragraph 17 of Annex C to Chapter IV,

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later

including the responsibilities for the Financial Administration and Accounting Operations Manuals.

PROPOSED FINANCIAL SYSTEM IMPLEMENTATION TEAM

5.9 For all practical purposes, enhancing the FMS will be the development of a major data processing system. This activity will require a dedicated team and the Task Force recommends that:

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later
X		

27. Using some of the resources of the Computer System and Management Consulting Sections and with additional expertise as required, a Financial System Implementation Team reporting directly to the Director General be created to develop and implement an integrated and automated financial management system.

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later

Proposed Implementation Timings		
Last Quarter 1983	First Half 1984	Later

FINANCIAL TRAINING

5.10 To meet the financial training needs of the Department, the Task Force recommends that:

	Proposed Implementation Timings		
	Last Quarter 1983	First Half 1984	Later
28. <u>The Resource Planning and Analysis Division be formally tasked to develop financial management training packages for Heads of Posts and other senior managers on the preparation of operational plans and budgets and budget control. In this task, the Division would examine the video libraries of the PSC and Supply and Services Canada to obtain any copies of pertinent tapes and would commission additional tapes when the flexibility requirements and potential manpower savings warrant the additional costs.</u>		X	
29. <u>A training assistant be provided to the senior financial analyst of the Resource Planning and Analysis Division who would be tasked to provide financial management training to future Heads of Posts and to Headquarters responsibility center managers - the classification level of that position should be re-assessed in that light. This position would be offset by the P-Y savings resulting from the reduction in the Post account audit workload.</u>		X	
30. <u>A Team of 4 specialists in the Accounting and Financial Services Division be formed and tasked to:</u>	X		
a) <u>examine the video tape library of Supply and Services Canada to identify training tapes relevant to the financial administration and management of External Affairs;</u>			



CLASSIFICATION LEVELS

5.11 Some classification levels in the Finance Bureau appear lower than those of equivalent positions in other Departments and should be re-assessed. In that regard, the Task Force recommends that:

	Proposed Implementation Timings		
	Last Quarter 1983	First Half 1984	Later
32. <u>The Finance and Management Services Bureau review the classifications of the following positions with a view to submitting a request for upgrading them:</u>	X		
a) <u>Director, Accounting and Financial Services, on the basis of the international scope of the incumbent's responsibilities and added training responsibilities proposed;</u>			
b) <u>Director, Management Services Division on the basis of the expertise required to direct the Division and the international scope of the incumbent's responsibilities;</u>			
c) <u>the FI positions in the Resource Planning and Analysis Division on the basis of comparability with equivalent responsibilities in other Departments; and</u>			
d) <u>on the basis of comparability with equivalent responsibilities in other Departments, some of the FI positions in the Accounting and Financial Services Division as follows:</u>			
i) <u>Deputy Director; and</u>			
ii) <u>unit chiefs of the Financial Control and Revenue and Recoverable units.</u>			

SELECTION AND EVALUATION OF OFFICIALS WITH FINANCIAL RESPONSIBILITIES

5.12 The Finance Bureau can play an important role in the selection, evaluation and advancement of Departmental officials who will have, or already have, financial administration responsibilities. To ensure that the Bureau does in fact play a role in these activities, the Task Force recommends that:

	Proposed Implementation Timings		
	Last Quarter 1983	First Half 1984	Later
33. <u>Mechanisms be set up to ensure that the DG Financial and Management Services:</u>	X		
a) <u>sends a voting representative of sufficiently senior rank to each recruitment, selection and promotion board involving financial specialists; and</u>			
b) <u>comments on the financial administration record of individuals selected for Head of Post positions and other positions with financial administration responsibilities at Posts and in Headquarters.</u>			
34. <u>A formal system be adopted to ensure the DG Finance and Management Services will be consulted for all appointments to positions with accounting responsibilities.</u>	X		X
35. <u>The DG Finance and Management Services forward to the Personnel Branch comments on the financial administration performance of Heads of Posts and other personnel (including LES personnel) with financial administration responsibilities; these comments would cover the standard personnel reporting period and would be taken into account in the "financial control" section of performance evaluation reports.</u>	X		



COMMENTS OF THE AUDITOR-GENERAL

5.13 Following are the relevant observations of the Auditor General (Report for the fiscal year ended 31 March 1982) followed by Task Force comments and references to pertinent recommendations.

Auditor General Observation 14.41

5.14 The Department should review annually its mission, environment, objectives and strategies and, through a strategic plan, provide guidance and direction to managers. This process should also result in the preparation of a departmental Strategic Overview. Assumptions and alternative strategies should be clearly stated and, where appropriate, costed in terms of financial and human resources.

Task Force Comments: Relating resource utilization to programme elements and activities will be an essential requirement in this review. The Task Force recommends a financial management system which will meet this requirement as indicated in the following recommendations: 3, 4, 5, 8, 9, 10 and 16.

Auditor General Observation 14.57

5.15 The Department should ensure that plans are completed, budgets are based on operational plans, and that managers get feedback on plans submitted.

Task Force Comments: The new organization of the Headquarters gives central responsibilities to the Policy Coordination Branch in this regard. The Finance Bureau will be required to assist in this activity and the Task Force makes specific proposals in recommendations 20 and 21.

Auditor General Observation 14.65

5.16 The Department should develop and use ongoing measures of programme effectiveness to provide information to managers for decision making.

Task Force Comments: Measurements of programme effectiveness must take into account the related resource utilization. The Task Force recommendations related to the Auditor General observation 14.41, above, address this need.

Auditor General Observation 14.74

5.17 The Department should integrate human resource planning with operational and financial planning.

Task Force Comments: The Task Force proposes means to achieve this aim in recommendation 27.

Auditor General Observation 14.108

5.18 The Department should develop a more systematic method of determining training needs and means of meeting those needs.

Task Force Comments: The Task Force proposes specific measures to that end in recommendations 28, 29, 30 and 31.

Auditor General Observation 14.180

5.19 The Department should assign responsibilities and establish a time-table for completing the Manual of Financial Management. Procedures should be developed to ensure that the manual is kept up to date and adhered to.

Task Force Comments: The Task Force recommends a clear allocation of responsibilities to that end (recommendation 26 refers).

Auditor General Observation 14.188

5.20 The Department should define the financial information needs of the responsibility centre managers and other users of financial reports and develop systems that meet these needs.

Task Force Comments: Chapter II of the Task Force report defines these information needs to the extent that this can be done at this time.

Auditor General Observation 14.191

5.21 The Department should develop a formal plan for training and evaluating financial officers, ensuring that training and development needs are identified, alternatives are assessed and costs are identified. The effectiveness of such a plan should also be assessed and reported.

Task Force Comments: Task Force recommendations 30 and 31 refer.

Auditor General Observation 14.192

5.22 Senior financial officers should be involved in selecting, appointing, training, evaluating and promoting all financial staff.

Task Force Comments: The following Task Force recommendations address this need: 33, 34 and 35.

Auditor General Observation 14.197

5.23 The Department should review the mandate, role and goals of the Post Accounts Section with a view to reducing its scope of activity.

Task Force Comments: The Task Force suggests prudence in complying with this observation and makes specific proposals in recommendations 17, 18 and 19.

Auditor General Observation 14,198

5.24 The Department should establish and document an appropriate methodology for the verification of Post financial returns, including prompt reporting and follow-up.

Task Force Comments: the Finance Bureau is improving its methodology to the extent possible, but the Task Force members consider that only an enhanced automated financial system can bring about lasting and major improvements. Task Force recommendations 2, 3, 4, 5, 9, 10, 12, 13, 14, 19 and 27 refer.



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