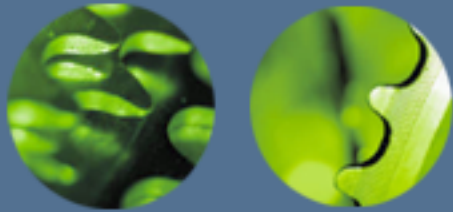




Requirements to Implement the FMPF

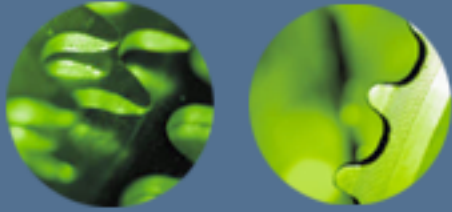
FMI PD Day – January 23, 2008
Peter Ostapchuk, CA, ACC, CA-IT

icorp.ca inc. Copyright © 1999 - 2008



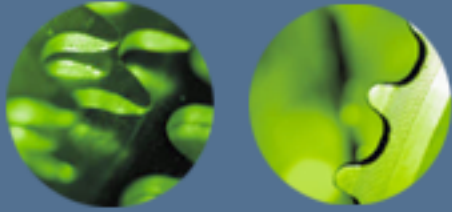
FM Governance and International Drivers

- FMPF was developed to directly support new DH accountabilities as accounting officer set out in the FedAA / FAA and PCO Guidance
- Significant opportunity to improve accountability and responsibility, the scope of FM activities, internal controls, and financial reporting
- Consistent with international best practices in public sectors – UK, Australia, and US



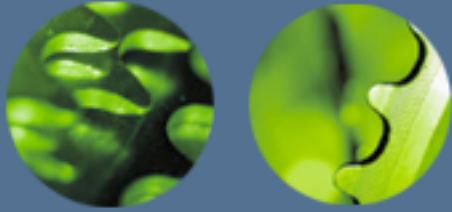
A Comprehensive Design

- FMPF was also designed to work in concert with related policy instruments including:
 - New Policy on IA (PIA)
 - Directive on DACs – independent advice
 - Directive on Chief Audit Executives – holistic opinion
 - New CICA-PSAB financial statement disclosure requirements (adopted in the 2007 Public Accounts - new FSD&A and Stmt. of Management Responsibility)
 - Best-practice internal control effectiveness disclosures
 - Senate Bill S-207 Quarterly F/S and disclosures



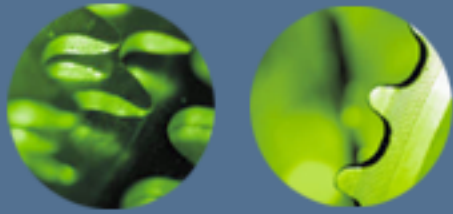
A New FMF for the GoC

- Report of the Senior Committee on the Review of the Financial Management Framework of GoC
 - Detailed review of FMF and implementation impacts
 - FMF sets out specific responsibilities of the DH, CFO, ADMs, DAC, Financial Officers, and the CG
 - ***http://publiservice.tbs-sct.gc.ca/fin/report-rapport/framework-cadre_e.asp***
- Report recently tabled with House of Commons Standing Committee on Public Accounts



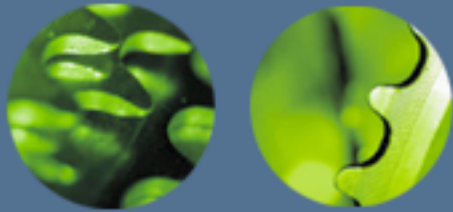
FMPF Expected Results

- Increased accountability, transparency and enhanced financial and resource management:
 - Financial management governance
 - Internal control
 - Resource management
 - Financial information and reporting
 - Financial systems
- Central role for CFO in supporting DH as accounting officer and all ADMs across dept.



New Office of the CFO

- FMPF sets CFO as the most senior departmental executive in charge of FM reporting to the DH:
 - An objective strategic advisor for business and financial management
 - Key steward with respect to relevant FM legislation, policy, directives and standards
 - Senior executive providing independent recommendation on all funding initiatives and resource allocations requiring the deputy head's approval
 - Lead executive for all aspects of FM, program financing, and financial reporting and disclosures



FMPF - Implementation Expectations

- FMPF financial and resource management policy expectations of the DH, CFO, and ADMs:
 - Ensure effectiveness of departmental financial management practices
 - Provide guidance and assurance on the adequacy of the department's control, financial reporting, and disclosure structures
 - Provide a challenge function on financial and resource management matters



FMPF - Implementation Expectations

- DH, CFO, and ADM FM expectations (con't):
 - Provide assurance that system of internal control is effective and financial information is reliable, complete, and fairly presented
 - Provide assurance that departmental financial resource management, governance structures, processes and disclosures are effective
 - Advise on financial risks and implications associated with proposals and submissions for major funding and resourcing initiatives



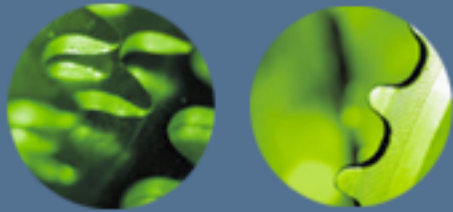
FMPF - Implementation Expectations

- DH, CFO, and ADM FM expectations (con't):
 - Provide assurance that risk associated with level of resourcing is properly identified and disclosed
 - Design the departmental financial information and reporting strategy to articulate the departmental financial information architecture
 - Ensure the integration of financial information and related non-financial information across the department



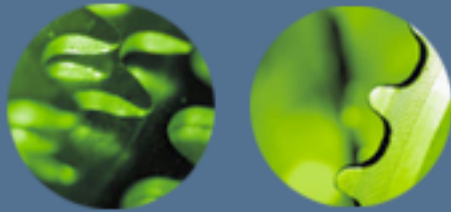
FMPF - Implementation Expectations

- DH, CFO, and ADM FM expectations (con't):
 - Provide assurance that departmental financial systems are configured to reflect:
 - common data principles
 - common business processes
 - common departmental COAs, and
 - the departmental financial information architecture



OCG Implementation Plan

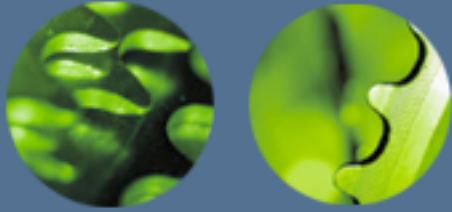
- TB approval of FMPF anticipated in 2008
 - OCG requires further engagement of communities, communications, guidance, and presentations
 - Key FMPF elements (e.g. CFO appointment, Audited financial statements, Statements of Internal Control) to be phased in over 5 years to 2014
 - Funding required over 5 years to support dept's and OCG in implementation of renewed FMPF
 - **This will be a major culture change** – requires a careful and flexible implementation plan



OCG Implementation Schedule Tier 1 - Draft

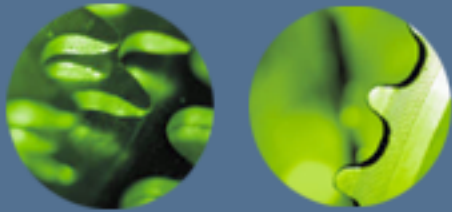
TBS / OCG Draft Phased-In Implementation Schedule

| Tier 1 Deputy Heads and CFOs – 5 Year Milestones Financial Management Policy Framework and Suite of Policies | | | | | |
|---|--|--|---|-----------|------------------------------------|
| | 2008 - 09 | 2009 - 10 | 2010 - 11 | 2011 - 12 | 2012 - 13 |
| Policy on Financial Management Governance | | Appointment of qualified CFO and key professionals | Role of CFO fully implemented across dept. | | |
| Policy on Internal Control | | First annual review of effectiveness of system of ICFR | DM, CFO and ADM Statements on Internal Control (SICs) | | |
| Policy on Financial Resource Management | | CFO sign-off fully implemented | | | Adequate costing capacity in place |
| Policy on Financial Information and Reporting | Financial information and reporting strategy adopted | Audited financial statements and FSD&A | | | |
| Policy on Financial Systems | | Financial systems are TBFSS compliant | | | |



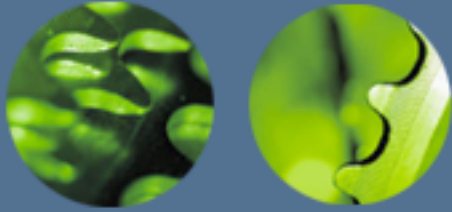
OCG Guidance Required to Support the FMPF

- **FMPF** – Culture change, communications, knowledge and Learning Networks, and guidance to Departmental Audit Committees – new Charters
- **PFMG** – guidance on FM governance, authorities, appointments, classifications, tone from the top expectations, and capacity develop.
- **PIC** – Financial control framework (CoSo?), reviewing effectiveness of Internal Controls over Financial Reporting (reporting processes and automated controls)



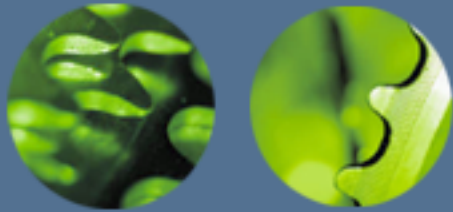
OCG Guidance Required to Support the FMPF

- **PFRM** – Guidance on financial resource management (5 Stated Management Assertions), budgeting, costing and activity allocations, and government-wide TB submission analyses
- **PFIR** – Guidance on Financial Information Strategy, FI architectures, accounting, financial reporting and disclosures, and TBAS
- **PFS** - Financial systems acceptance criteria, related controls, TB Fin. Systems Standards (TBFSS), and common data principles and COAs



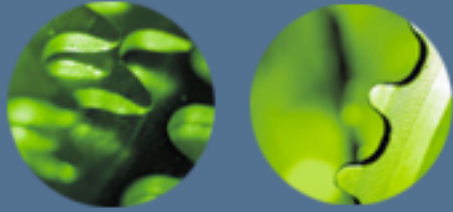
Dept'l Requirements - Gap Analyses

- To implement FMPF, dept's need to undertake a gap analysis against existing FM aspects:
 - Governance structures
 - Office of the CFO
 - Funding Structures and Authorities
 - Resource Management, Budgeting and Forecasting
 - Internal Control
 - Management Reporting and Advice
 - External Financial Reporting - beyond audit readiness
 - Financial Systems
 - Monitoring



Gap Analysis – Dept's Need To Answer ...

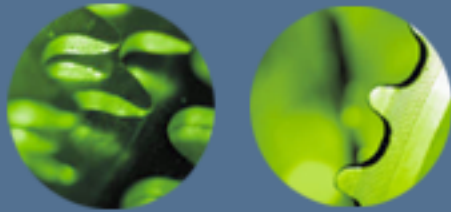
- How do our existing governance structures stack up against those expected in the FMPF?
- What is our level of compliance with key FMPF policy requirements?
- What is our strategy to meet the milestones of the implementation plan? What is our plan?
- How committed is our senior executive team?



Implementation Plan Requirements - PFMG

Draft Phased-In Implementation Schedule – including Directives

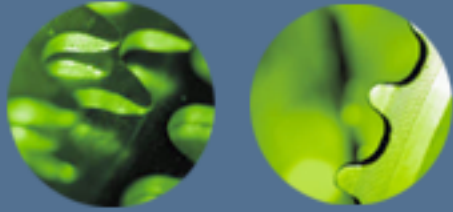
| Tier 1 Deputy Heads and CFOs – 5 Year Milestones Financial Management Policy Framework and Suite of Policies | | | | | |
|---|---|---|--|-----------|-----------|
| | 2008 - 09 | 2009 - 10 | 2010 - 11 | 2011 - 12 | 2012 - 13 |
| Policy on Financial Management Governance | Modernize CFO functions across the department | Appointment of qualified CFO and key professionals | Role of CFO fully implemented across the department | | |



Implementation Plan Requirements - PIC

Draft Phased-In Implementation Schedule – including Directives

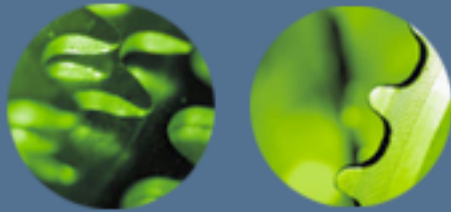
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| Policy on Financial Management Governance | | Modernize CFO functions across the department | Appointment of qualified CFO and key professionals | Role of CFO fully implemented across the department | | |
| | Policy on Internal Control | Design, document, implement, & test ICFR sys. | First annual review of effectiveness of system of ICFR | DM, CFO and ADM Statements on Internal Control (SICs) | | |



Implementation Plan Requirements - PFRM

Draft Phased-In Implementation Schedule – including Directives

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| Policy on Financial Resource Management | Set sign-off controls - Stated Management Assertions | CFO sign-off fully implemented | Design and implement costing model & system | Adequate costing capacity in place | |

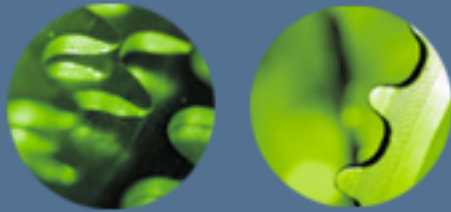


Implementation Plan Requirements - PFIR

Draft Phased-In Implementation Schedule – including Directives

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|---|--|--|---|---|-----------|
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| Policy on Internal Control | Design, document, implement, & test ICFR sys. | First annual review of effectiveness of system of ICFR | DM, CFO and ADM Statements on Internal Control (SICs) | | |
| Policy on Financial Resource Management | Set sign-off controls - Stated Management Assertions | CFO sign-off fully implemented | Design and implement costing model & system | Adequate costing capacity in place | |
| Policy on Financial Information and Reporting | Financial information and reporting strategy adopted | High-quality quarterly fin. statements implemented | Audit Readiness issues addressed – management rep | Audited financial statements and FSD&A in DPR * | |

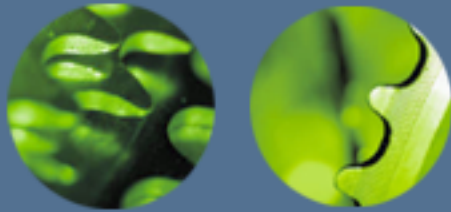




Implementation Plan Requirements - PFS

Draft Phased-In Implementation Schedule – including Directives

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|---|--|--|---|---|-----------|
| | 2008 - 09 | 2009 - 10 | 2010 - 11 | 2011 - 12 | 2012 - 13 |
| Policy on Financial Management Governance | Modernize CFO functions across the department | Appointment of qualified CFO and key professionals | Role of CFO fully implemented across the department | | |
| Policy on Internal Control | Design, document, implement, & test ICFR sys. | First annual review of effectiveness of system of ICFR | DM, CFO and ADM Statements on Internal Control (SICs) | | |
| Policy on Financial Resource Management | Set sign-off controls - Stated Management Assertions | CFO sign-off fully implemented | Design and implement costing model & system | Adequate costing capacity in place | |
| Policy on Financial Information and Reporting | Financial information and reporting strategy adopted | High-quality quarterly fin. statements implemented | Audit Readiness issues addressed – management rep | Audited financial statements and FSD&A in DPR * | |
| Policy on Financial Systems | Embed Financial Information Architecture | Financial systems are TBFSS compliant | | | |



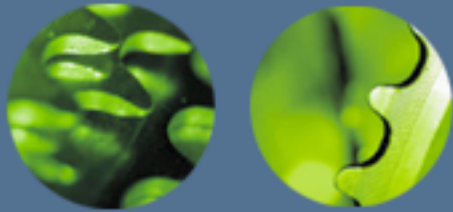
Implementation Plan Requirements - DAC

Draft Phased-In Implementation Schedule – including Directives

Tier 1 Deputy Heads and CFOs – 5 Year Milestones Financial Management Policy Framework and Suite of Policies

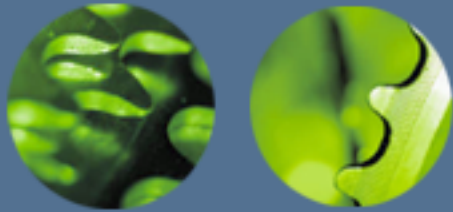
Policy on
Financial
Management
Governance

| 2008 - 09 | 2009 - 10 | 2010 - 11 | 2011 - 12 | 2012 - 13 |
|--|-----------|-----------|-----------|-----------|
| <ul style="list-style-type: none"> Design new DAC Charter – membership; financial expertise; meeting structures – agendas; relationship with external auditors; in-camera meeting governance; <u>hiring of independent auditors, legal counsel, or consultants</u>; review of appointment / dismissal of CAE; appointment of independent auditors (if required beyond the OAG); procedures with respect to officers, key employees (executives, CFO, chief risk officer); <u>review significant risks or exposures facing the organization</u>; <u>review with the independent auditors, CFO, CRO, and CAE the audit scope and plan of the internal auditors</u>; review with the independent auditors and the CAE the <u>adequacy of the department's internal controls</u>, including computerized information system controls and security; and <u>review of external financial statement and note disclosures</u>, including <u>statements on internal control (SIC) as disclosed in the DPR</u>. Provide support structure and evidence for independent and objective advisor to the deputy head Provide guidance and assurance to the deputy head on the adequacy of the department's control, financial reporting and disclosures | | | | |



Key FMPF Disclosure Timelines

- By years 3 and 4, the FM policies include specific reporting disclosures and timelines:
 - Annual audited financial statements, notes and disclosures, including Statement of Management Responsibility and the FSD&A, **released for reporting purposes 90 days after fiscal year end (and subsequently published in the annual DPR)**
 - Internal CFO and ADM SICs **released to DH 90 days after end of third quarter (to support year end Departmental SIC)**



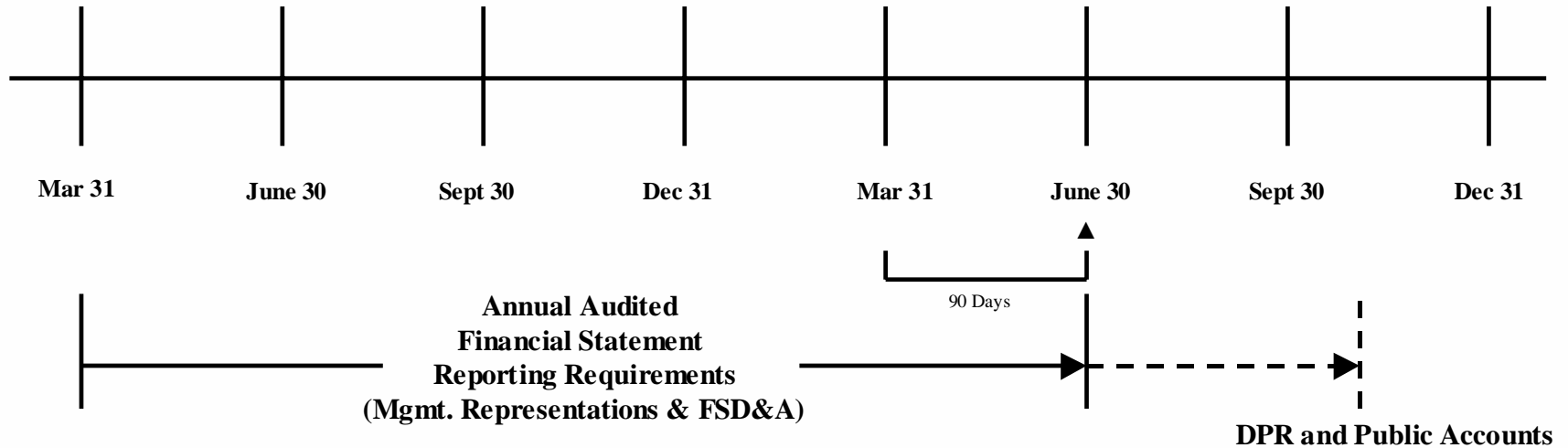
Key FMPF Disclosure Timelines (con't)

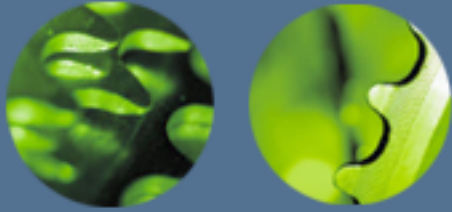
- By years 3 and 4, the FM policies include specific reporting disclosures and timelines:
 - Annual Departmental Statement on Internal Control (SIC) **released for reporting purposes 90 days after fiscal year end (and subsequently published in the annual DPR)**
 - Possibly quarterly (unaudited) financial statements **published on the web 45 days after quarter end – possibly through proactive disclosure**



FMPF Disclosure Cycle

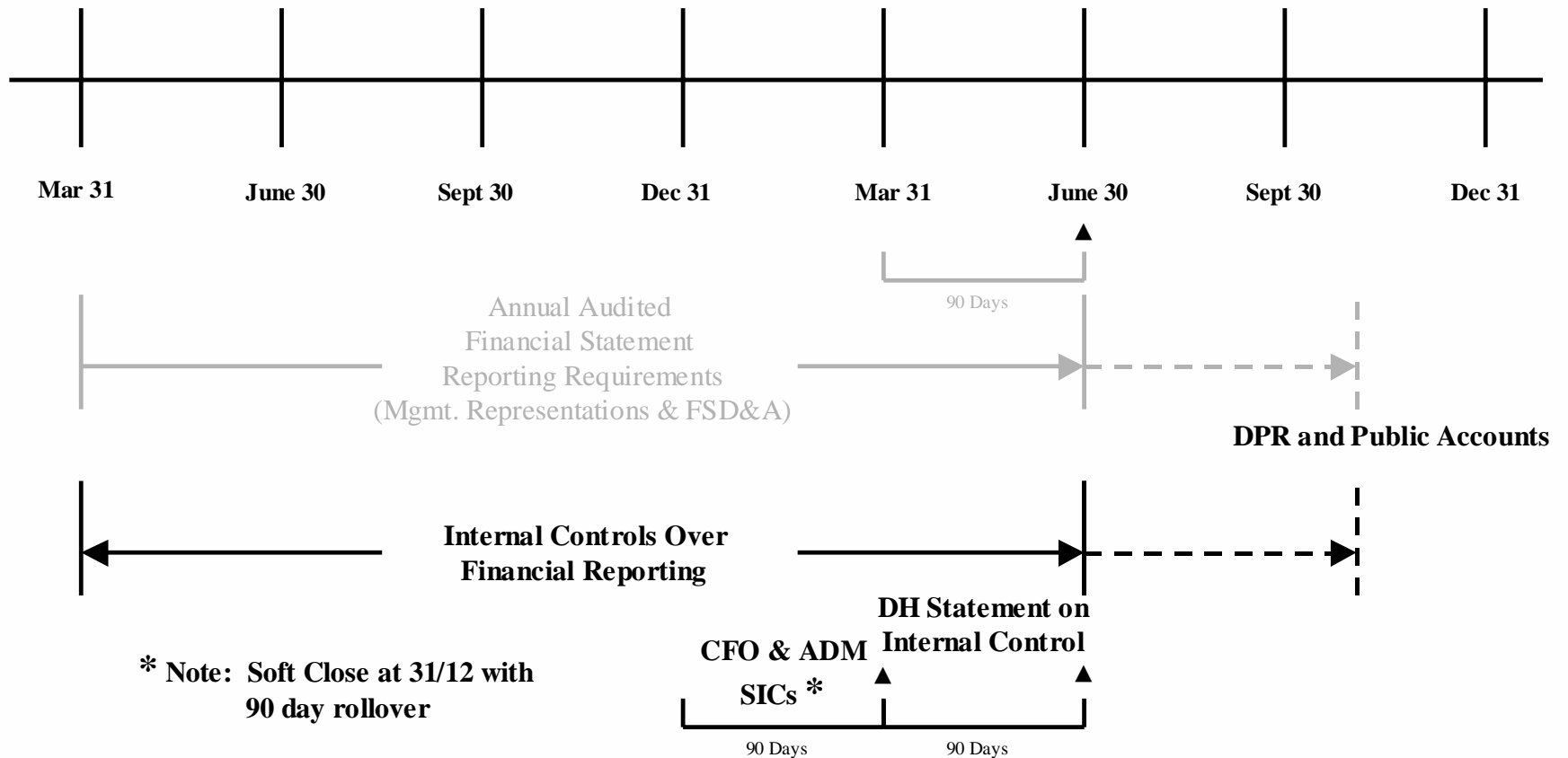
– Audited Financial Statements





FMPF Disclosure Cycle

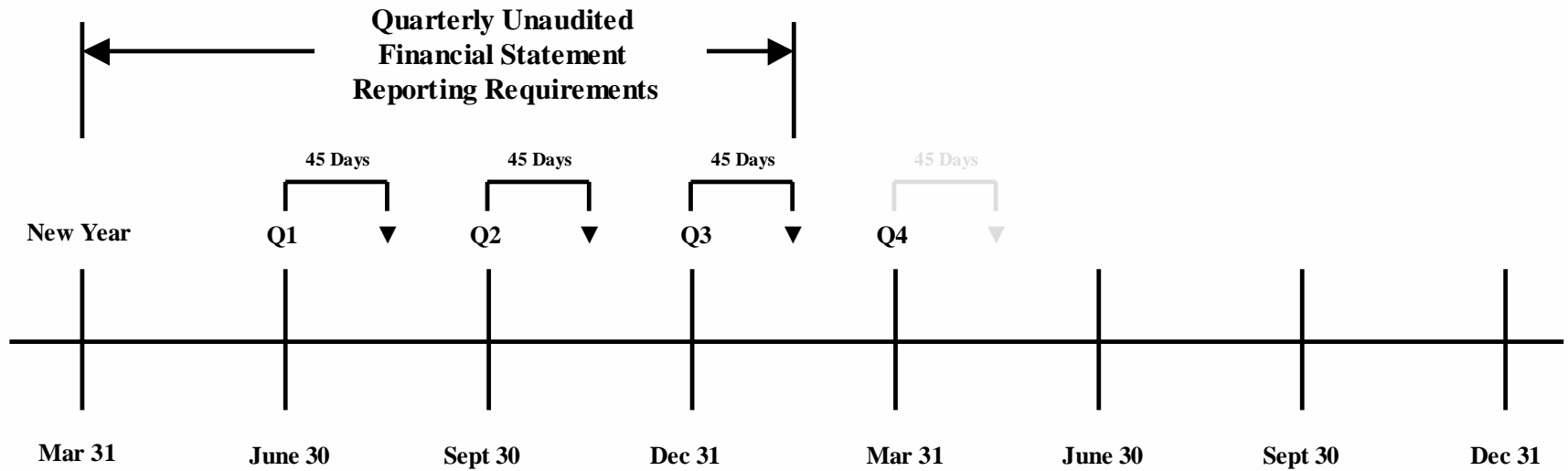
– Statement on Internal Control





FMPF Disclosure Cycle

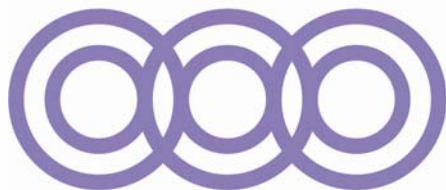
– Quarterly Reporting





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