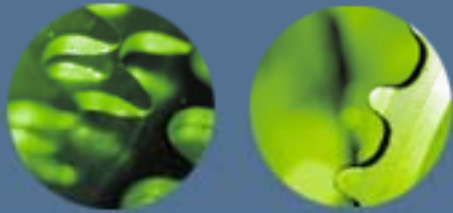# Requirements to Implement the New FMF

January 2008
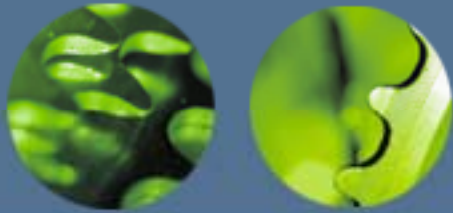
Peter Ostapchuk, CA, ACC, CA-IT

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FM Governance and International Drivers

- TB Financial Management Policy Framework (FMPF) was developed to directly support new DM 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

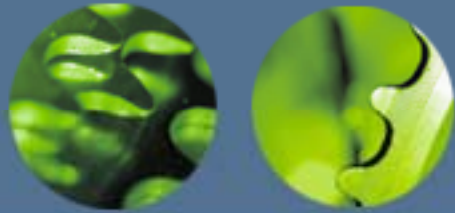- Consistent with international best practices in public sectors – UK, Australia, and US

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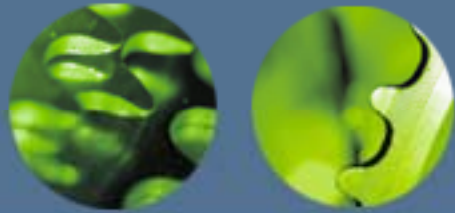
A Comprehensive Design

- FMPF was also designed to work in concert with related policy instruments including:

  - New Policy on IA (PIA)

  - Directive on Departmental Audit Committees (DACs) – regarding independent advice

  - Directive on Chief Audit Executives – wholistic 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

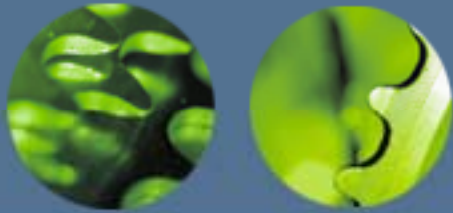 - Senate Bill S-207 Quarterly F/S and disclosures

A New FMF for the GoC

- Report of the Senior Committee on the Review of the Financial Management Framework of GoC

  – Detailed review of FMPF and implementation impacts

  – FMPF 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 by the President of the TB

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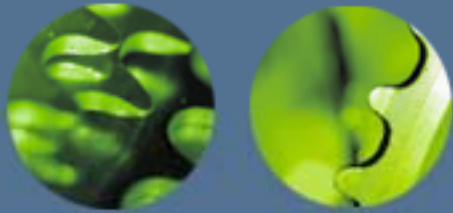
FMPF Expected Results

- Increased accountability, transparency and enhanced financial and resource management:

  – Financial management governance

  – Internal control

  – Resource management

  – Financial information and reporting

  – Financial management systems

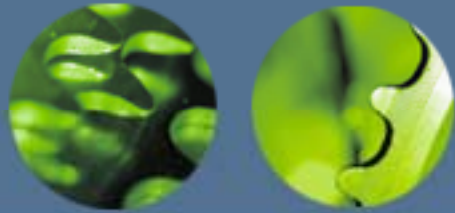- Central role for CFO in supporting DM as Accounting Officer and all ADMs across dept.

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New Office of the CFO

- FMPF sets CFO as the most senior departmental executive in charge of FM reporting to the DM:

  – 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 minister's approval

  – Lead executive for all aspects of FM, program financing, and financial reporting and disclosures

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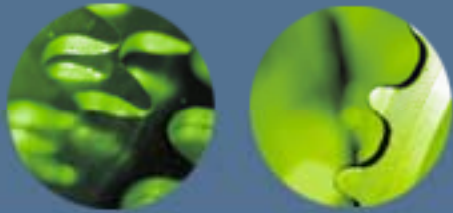# FMPF - Implementation Expectations

- FMPF financial and resource management policy expectations of the DM, 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

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FMPF - Implementation Expectations

- DM, 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

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FMPF - Implementation Expectations

- DM, 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

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FMPF - Implementation Expectations
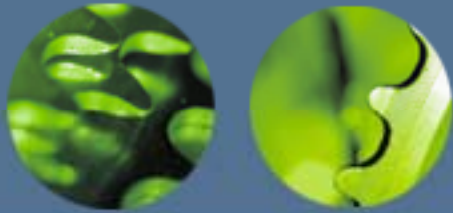
- DM, CFO, and ADM FM expectations (con't):

    - 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

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Proposed Implementation Plan

- TB approval of FMPF anticipated in 2008 / 2009

  - 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

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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

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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?

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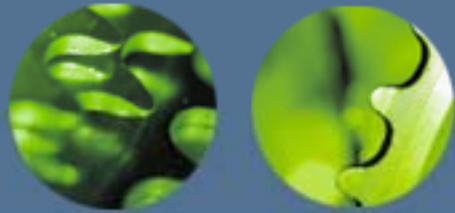
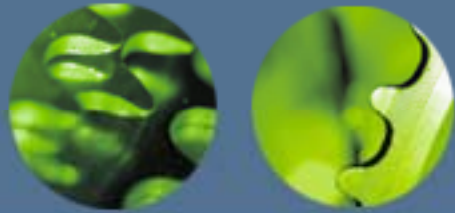# Implementation Plan Requirements - PFMG

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

2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13
Modernize CFO functions across the department	Appointment of qualified CFO and key professionals	Role of CFO fully implemented across the department		

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Implementation Plan Requirements - PIC
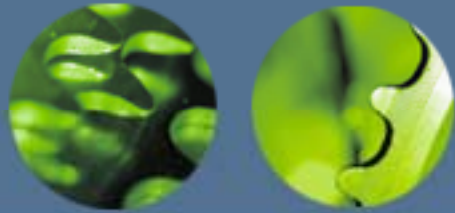
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	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13
Policy on Financial Management Governance	Modernize CFO functions across the department	Appointment of qualified CFO and key professionals	Role of CFO fully implemented across the department		
Policy 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)		

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Implementation Plan Requirements - PFRM

Draft Phased-In Implementation Schedule – including Directives

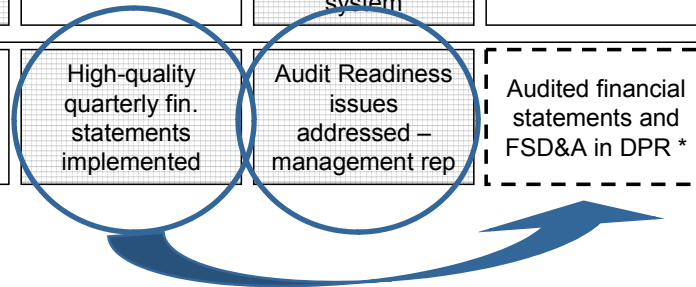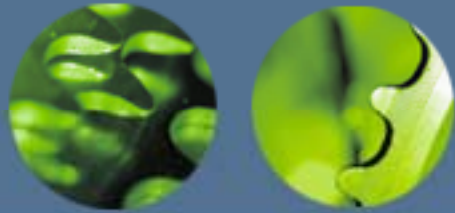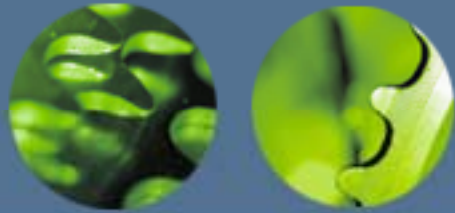| Tier 1 Deputy Heads and CFOs – 5 Year Milestones Financial Management Policy Framework and Suite of Policies				
2008 - 09	**2009 - 10**	**2010 - 11**	**2011 - 12**	**2012 - 13**
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Policy on Internal Control: Design, document, implement, & test ICFR 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	

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Implementation Plan Requirements - PFIR

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**

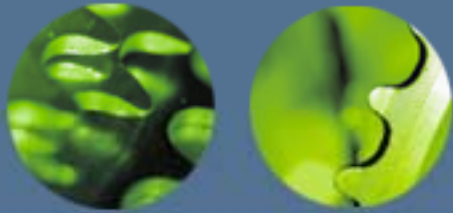|	2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13
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Policy on Financial Resource Management	Set sign-off controls - Stated Management Assertions	CFO sign-off fully implemented	Design and implement costing model & system	Adequate costing capacity in place	
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 *	

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Implementation Plan Requirements - PFS

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		
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			

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Implementation Plan Requirements - DAC

Draft Phased-In Implementation Schedule – including Directives

Policy on Financial Management Governance

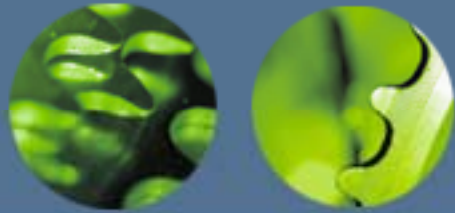| Tier 1 Deputy Heads and CFOs – 5 Year Milestones Financial Management Policy Framework and Suite of Policies				
2008 - 09	2009 - 10	2010 - 11	2011 - 12	2012 - 13

- **Design new DAC Charter** – membership; financial expertise; meeting structures – agendas; relationship with external auditors; in-camera meeting governance; hiring of independent auditors, legal counsel, or consultants; 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); review significant risks or exposures facing the organization; review with the independent auditors, CFO, CRO, and CAE the audit scope and plan of the internal auditors; review with the independent auditors and the CAE the adequacy of the department's internal controls, including computerized information system controls and security; and review of external financial statement and note disclosures, including statements on internal control (SIC) as disclosed in the DPR.

- **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
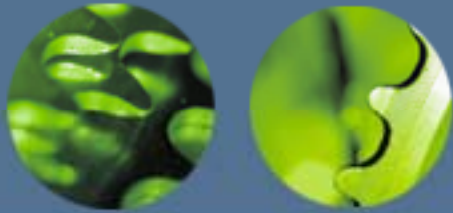
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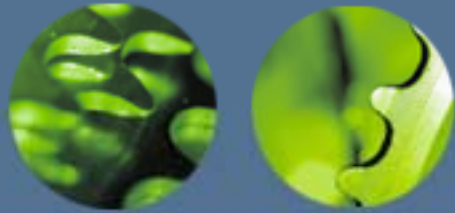
Key FMPF Disclosure Timelines

- 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)**
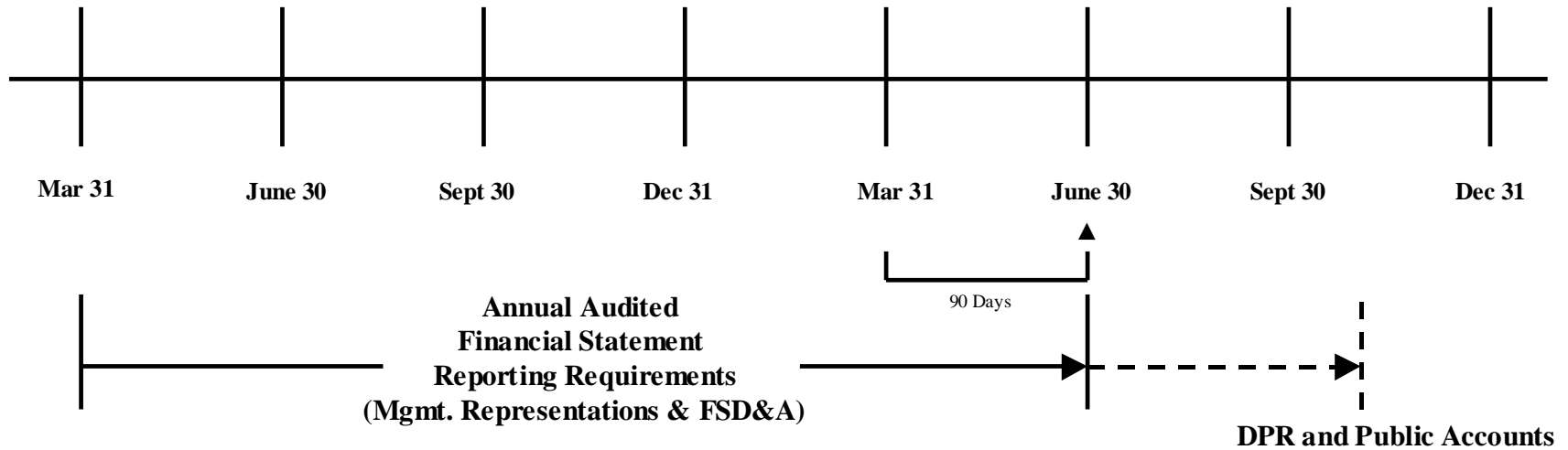
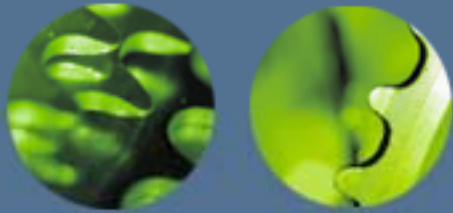icorp.ca

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**

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FMPF Disclosure Cycle
– Audited Financial Statements

Mar 31	June 30	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31

90 Days

**Annual Audited
Financial Statement
Reporting Requirements
(Mgmt. Representations & FSD&A)**

DPR and Public Accounts

FMPF Disclosure Cycle
– Statement on Internal Control

Mar 31   June 30   Sept 30   Dec 31   Mar 31   June 30   Sept 30   Dec 31

90 Days

Annual Audited
Financial Statement
Reporting Requirements
(Mgmt. Representations & FSD&A)

DPR and Public Accounts

Internal Controls Over
Financial Reporting

DH Statement on
Internal Control

CFO & ADM
SICs *

*** Note: Soft Close at 31/12 with
90 day rollover**

90 Days   90 Days
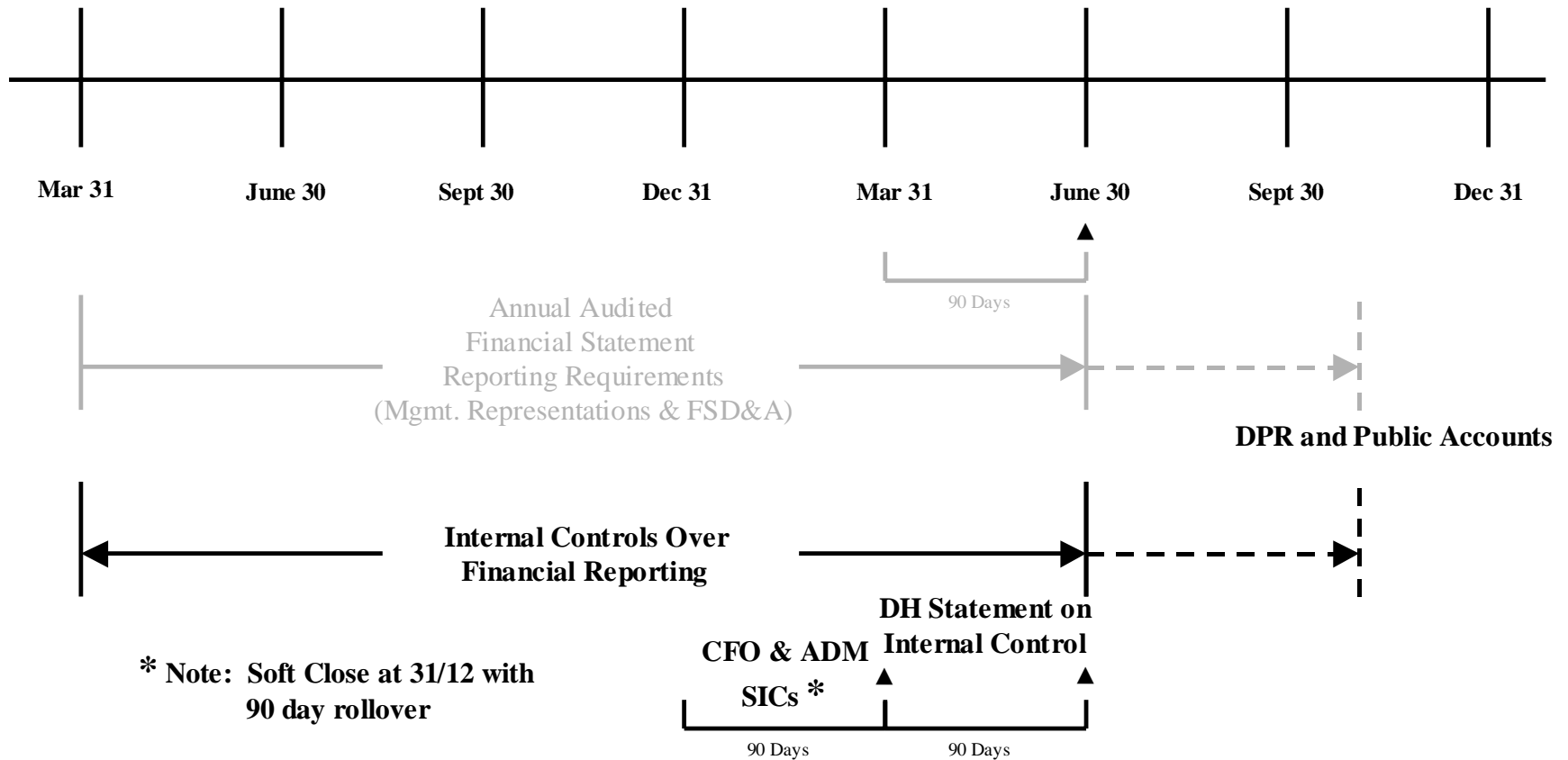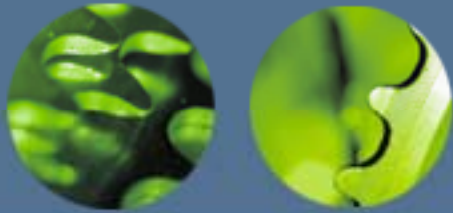
FMPF Disclosure Cycle
– Quarterly Reporting

Quarterly Unaudited
Financial Statement
Reporting Requirements

| 45 Days | 45 Days | 45 Days | 45 Days |

New Year | Q1 ▼ | Q2 ▼ | Q3 ▼ | Q4 ▼

Mar 31 | June 30 | Sept 30 | Dec 31 | Mar 31 | June 30 | Sept 30 | Dec 31
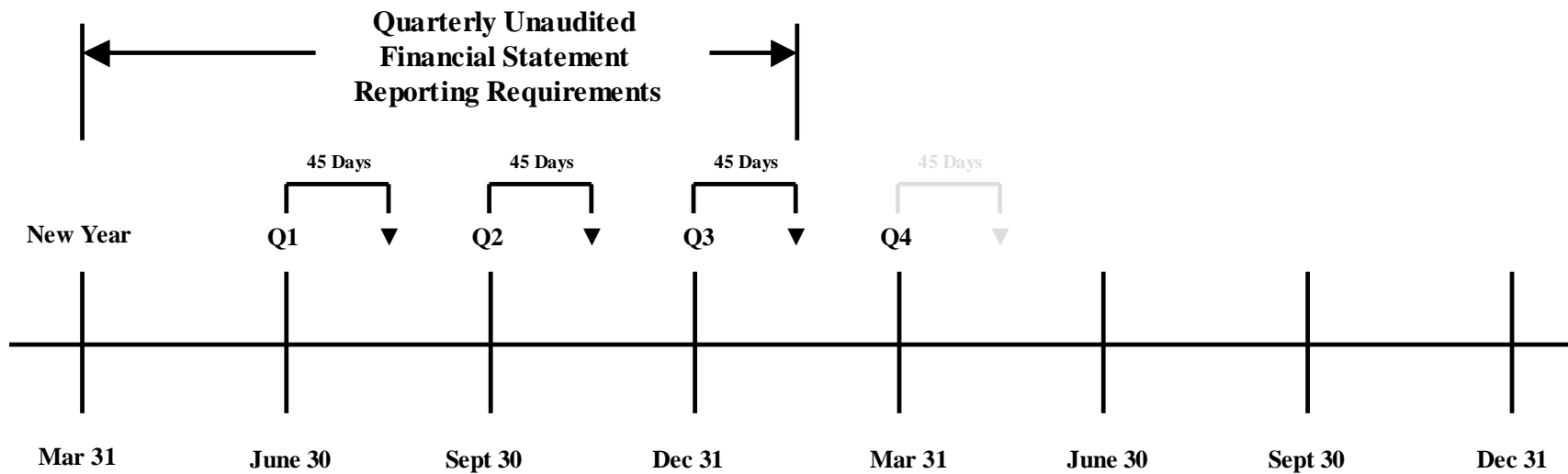
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Contact Us

- Peter Ostapchuk, CA, ACC, CA-IT
- President and Insight Principal
- icorp.ca inc.

  – peter.ostapchuk@icorp.ca

  – www.icorp.ca

  – 613-852-5596

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