

Office of the  
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General

Treasury  
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Secretariat of  
Canada

# The Financial Systems Authority

## A Report to the FMS Community

June, 2009

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### Historical Perspective

Since the advent of technology, the Government of Canada has committed to staying current and providing leadership. Data and information remain as valuable today, as when the first financial statements were prepared.

- **1951:** Introduction of the Financial Administration Act (FAA).
- **1962:** Glassco Commission report for efficiency, economy and improved service; let managers manage; private sector models.
- **1969:** TB implements Planning-Programming-Budgeting System (PPBS): relate spending to results and goals.
- **1994:** "Blueprint for Renewing Gov't Services Using Technology", to make "Gov't services... affordable, accessible, and responsive" through the use of technology.
- **1996:** Shared Systems Initiative is introduced. DFMS are limited to 7 approved applications and FMS Cluster Groups are formed.
- **2000:** Y2K major systems investments.
- **2001:** FIS (Financial Information Strategy) is fully implemented with accrual accounting and enhancements to RG central systems.
- **2005:** Management, Resources and Results Structure (MRRS) policy replaces the 1996 PRAS policy framework.
- **2005:** Policy Suite Renewal Initiative (TBS, PSHRMAC): clarify responsibilities & accountabilities of MINs and DHs.
- **2007:** Federal Accountability Act and the FedAA Action plan.

### Financial Management Systems in Canada

Financial Management Systems (FMS) are essential to the management of government operations in the federal government of Canada. These systems are designed to ensure strong financial management and internal controls of public resources, reinforce the principles of probity and prudence, and contribute to better decision making (within each department, and government-wide), greater efficiency and improved service delivery to Canadians.

Direction and leadership in the area of FMS along with the related business processes and data enables and facilitates the achievement of these results. The **Financial Systems Authority (FSA)** is an organization within the Office of the Comptroller General of Canada which is dedicated to providing the direction and leadership necessary to ensure that the financial information is accurate, reliable, accessible and timely within departments and across the government enterprise.



Rod Monette is the Comptroller General of Canada and a Champion of Financial Management Systems

### Business Process Integration and Stewardship Authority Vision, Mandate & Goals

Vision

Strategic decision-making through superior financial management

Mandate

To build effective and integrated business processes, data and systems, while advancing community development

Goals

Consistent Information

Standardized Business Processes

Knowledgeable Systems Community

Responsive Systems

... supporting strategic decision making through excellence in financial management



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### Purpose of FMS

FMS process and collect data on a wide range of government transactions and generate information in support of programs and operations across the government enterprise. The data collected by, and the information generated from, these systems allow departments and agencies, and the government as a whole, to:

- procure goods and services;
- manage contracts, assets, inventories and investments;
- collect tax, economic and fiscal data;
- manage the public debt and cash flow requirements;
- facilitate the proactive public disclosure of information such as grants and contributions;
- report on operations;
- produce numerous critical reports such as the annual report on Information Technology expenditures; and,
- record, process and report on all financial events that form the accounts of the Government of Canada, including the Public Accounts and the Annual Financial Report of the Government of Canada.

### FMS Cluster Groups

Financial Management Systems (FMS) Cluster Groups originated from the Shared Systems Initiative (SSI) established in 1996 by Treasury Board to reduce the number of departmental financial, human resource, materiel management and other administrative systems in use across government and to achieve savings and efficiencies from the adoption of common systems configurations, common financial management business processes and common enterprise data.

# How We Have Progressed

## Successes in Fiscal Year 2008/09



### Success is a journey....

In general, the state of Financial Management Systems (FMS) within the government of Canada has continually evolved. Significant progress can be seen in the individual departments, in the FMS Clusters and in the central/policy setting entities. **Here are a few of the many successes!!**

### FMS Cluster Groups

The **FMS Cluster Groups** model provides TBS and the OCG with an efficient and effective way of working with various departmental by grouping them together based on common financial systems. This model enables these clusters to establish standards, share costs, identify commonality, and leverage existing effort and strategies when working with financial systems.

In turn, the GC sees benefits through economies of scale, standardization, and simplified communications processes. Below is a list of active financial management system clusters, as well as examples of some of their respective initiatives and accomplishments to date:

#### SAP Cluster (IFMS)

- The SIGMA project: Integration of departmental financial and materiel management system.
- Stakeholder agreement on product evolution and procurement strategies, including SAP ECC 6.0.

#### Oracle Cluster

- Have begun their thrust towards a 'single instance'.
- Are currently competing work towards common business processes.

#### FreeBalance Cluster

- Testing and release of version 6.2, Journal Voucher functionality enhancements, revised procurement forms, and an automated travel interface.
- Renewal of the Cluster leadership, more departments upgrading to version 6.2.

#### G/X Cluster

- Development work on Shared Services (business continuity) for small departments.
- Continued development of the Shared Services initiative.
- JAD session to identify enhancements for 2009-2010.

#### CDFS Cluster

- CDFS Cluster Investment Plan to OCG.
- CDFS Cluster Governance Framework.

#### AMS Cluster

- Enhanced infrastructure to respond to Comprehensive Land Claim Agreements (CLCA).
- Completed Threat and Risk assessment.

#### CMS Cluster

- Ongoing cluster management and operations activities.

### Budget Office Systems Renewal (BOSR) Project

The Budget Office System Renewal (BOSR) project was also successfully implemented, going live as scheduled. Implementation of the project resulted in significant efficiency gains. Processes which formerly took days now can be accomplished in hours. BOSR also benefited from close collaboration with the IFMS Program Office and now, like Public Works and Government Services Canada, is a sitting installation member of the IFMS Cluster.

### Policies, Directives and Standards

The work on issuance of the Policy and the Directive on The Stewardship of Financial Management Systems and accompanying directive has gained momentum and issuance is still expected by the end of the fiscal year. The OCG policy instruments, expected to take effect July 1, 2009, clearly lay out the roles and responsibilities of various participants in the strategic planning and operation of departmental financial management regimes.

Issuance of the policy and directive is not the culmination of The Financial Systems Authority's work in this area but rather signals the beginning with the bulk of the work still to come. These policy instruments provide the foundation and authority from which we can begin to issue Treasury Board Financial Management Systems Standards (TBFMSS), which will provide more specific direction to departments on a variety of topics related to business processes, systems and data.

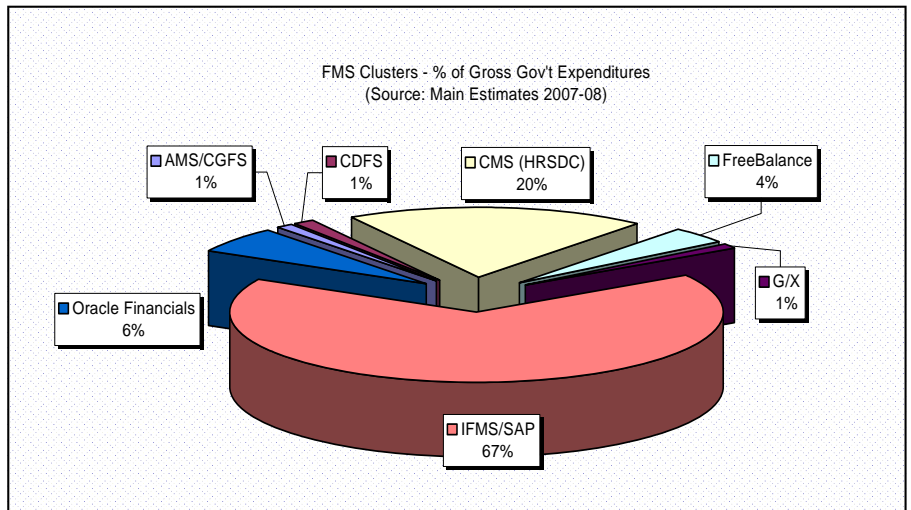
### Common Financial Management Business Process Initiative

The successful delivery of effective and efficient financial management systems is dependent upon fundamentally sound and understood business processes which incorporate appropriate internal controls. It is essential that we examine and renew the business processes that will be fulfilled by those systems. Many of the 100 plus departments and agencies within the core public service have independently developed business processes for financial, human resources and materiel management activities. The Common Financial Management Business Process (FM-BP) Initiative was launched in order to examine, document and promote a common understanding these business processes and the related internal controls.

### Common Enterprise Data

In general, the state of FMS within the government of Canada has continually progressed with regards to evolving technology and the notion of standardising and operating the FMS using an "enterprise" approach. Much socialising (creating awareness) of the financial management systems, business processes and the data in the finance function has taken place.

*Since 1996 there exists 7 FMS Cluster Groups. The graphics reflect the % use for each of the FMS Cluster Groups*



# How We Have Progressed

## Challenges in Fiscal Year 2008/09

### The FMS Puzzle....

Much work remains to address the challenges. Addressing issues such as standardizing the data we use to report; documenting and standardizing business processes and controls, making sure the government uses the same types of software; and being able to retrieve meaningful information from all our financial systems (automated and manual).



### Understanding Financial Mgmt Systems

Not least among our challenges is a lack of understanding of the role that finance management systems play, not only in the traditional accounting functions, but in the general reporting and accountability functions within the GC. In order to manage the GC as an enterprise, a paradigm shift is required (across the enterprise) to ensure that the information flowing to and from all systems (program, materiel, HR, G&C, etc...) align with a unified vision of quality information for decision making at all levels.

**FMS are defined as:** any combination of business processes (end-to-end, automated and manual), procedures, controls, data and software applications, all of which are categorized as either departmental financial and materiel management systems (DFMS) or program systems and central systems that produce financial information and related non-financial information.

Financial management systems are used for any of the following:

- collecting, processing, maintaining, transmitting and reporting data about financial events and to maintain accountability for the related assets, liabilities and equity;
- supporting financial management, planning, budgeting and decision-making activities;
- accumulating and reporting cost information; or
- supporting the preparation of internal and external reports, such as departmental financial statements and input to the Public Accounts of Canada.

### Collaboration is the Key to Success!

A sound GC strategy for FMS relies on a common vision and engagement of all key stakeholders. The Chief Information Officer Branch has recently developed the "Standard on Enterprise Resource Planning" to be issued under the Policy on Management of Information Technology. This standard once again reinforces the idea of moving to PeopleSoft and SAP, but provides no indication as to how or when this is to be accomplished.

### Capacity in Small Departments and Agencies (SDAs)

SDAs are facing considerable and significant challenges not only with their financial systems but also with business continuity. Business continuity and the need to maintain effective financial control are possibly the greater challenges facing SDAs. Many of the "failings" described in the press pertain to SDAs and not larger departments. The loss of one or two administrative staff, which would be an annoyance in larger departments constitutes a serious threat to a SDA and hence affects the level and quality of financial control which can be exercised by SDAs. Furthermore, SDAs report difficulty in recruiting and maintaining trained financial staff. SDAs run a significant risk with regards to financial administration.

### Managing and Reporting on Horizontal Initiatives

A number of horizontal projects including: GCM, STSI and Secure Channel continue to experience slow or little uptake from departments. STSI has recently undertaken a mid-term review to reassess the initiative and its future direction. The limited uptake of these initiatives can be attributed in part to a prolonged time to implement, new technology and marketplace conditions which have overtaken the initiative, challenges with the integration to existing departmental systems and a perceived failure to meet user needs. FMS Clusters Groups in particular (the IFMS cluster) recommend that the government consider a solution that exploits functionality, within our already existing vendor suite before examining and/or adopting third party solutions.

### Consistent Financial Information

There is a movement towards the use of common data in departments and agencies, but the movement is slow. There is a need to define items such as vendor numbers, common charts of accounts, et cetera, and a need to implement them in a systemic fashion. Our Common Enterprise Data Initiative (CEDI) is progressing well in this regard.



### GC Strategy for the Evolution of FMS

The 1996 Aide-Memoire which formalized the Shared Systems Initiative (SSI) endorsed seven (7) financial systems for use in the GC. Further to this in 2004, and 2006 successive Secretaries have issued guidance indicating that the preferred systems for the GC are PeopleSoft for Human Resource management and SAP for Finance/Materiel.

This guidance required that all departments migrate their HR and Finance systems to these products, unless a business case can be made to move in a different direction. While departments have largely endorsed this guidance, TBS is developing a long term vision, strategy and plan for ERP systems.

# What's Next?

## Future Goals and Objectives

### Deliverables

The Financial Systems Authority is committed to providing guidance such as the following:

- policy & Directive on Stewardship of FMS
- common FM Business Processes
- updated Cluster 101 document
- review FMS Cluster Plans
- common Enterprise Data Initiative (CEDI)
- support FMS Cluster Groups
- guidance for CASS
- support CSCG
- FMS Governance
- continue dialogue with USA counterparts
- research industry best practices (ie. XBRL)
- Grants and Contributions
- promote an FMS community to develop the group of employees responsible for FMS

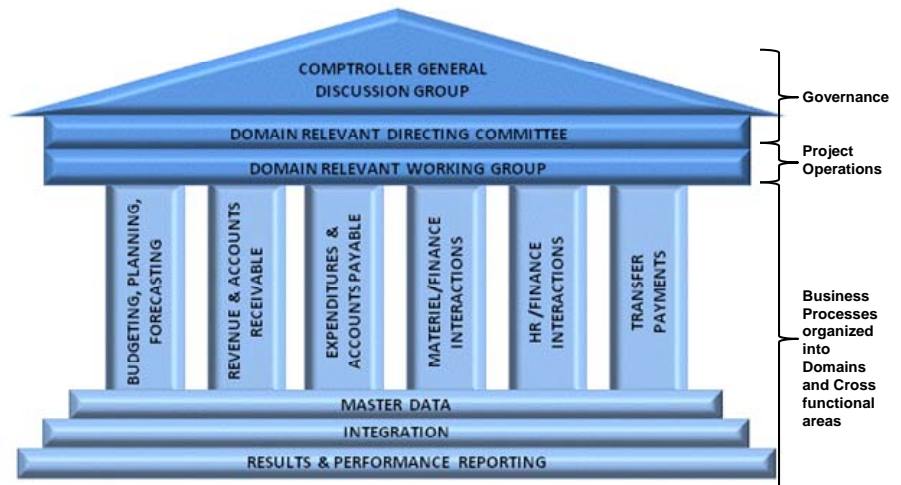


### Other CG Initiatives Underway

Diligent efforts to improve and enhance financial management is prevalent throughout departments. A few notable initiatives include:

- G/X cluster launched an initiative to address the business continuity issue and to begin to work towards a "systems in a box" approach with a pre-configured, ready to use solution
- NRCAN is actively looking for a partner dept with either as a service provider or as part of a new implementation of SAP.
- CIOB will be issuing a policy instrument on "ERP Applications"
- Freebalance is launching a new version
- CIOB are launching the Service Oriented Architecture (SAO)
- Oracle is developing a single instance
- IFMS cluster assisting SAP departments to upgrade to ECC 6

### Common FM-BP Scope and Governance



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### FSA Priorities and Initiatives

- 1) **The Common Financial Management Business Process Initiative (FM-BP)** - should be accelerated to produce business processes, controls and data matrices in all functional domains, which in turn are supported by cross functional areas.
- 2) **The Common Enterprise Data Initiative (CEDI)** - the creation of consistent data in the departments has been an issue from a central agency perspective for many decades. The lack of common vendor codes, common line objects, standard economic codes, common business information, are all present-day examples of inconsistent data. It is difficult for a Comptroller General to analyze trends in government finances unless all data is available to be analyzed. To this end, it is recommended that the common enterprise data initiative continue to be implemented on a fast timescale.
- 3) **Improved reporting** - There is a need to continue to explore new tools and techniques in the area of information analysis and business intelligence. The XBRL pilot for instance, will provide some preliminary data for us to analyze in the area of stewardship.
- 4) **Policy development** - According to the current plan, it is anticipated that, with appropriate resourcing, this will take four (4) years to complete. Financial systems Authority must continue to work with Chief Information Officer Branch and other policy areas to ensure alignment of policy instruments at all levels. Our partner departments have already started to identify standards and best practices they wish to develop in concert with us.

#### Relevant legislation

- [Financial Administration Act](#)
- [Federal Accountability Act](#)

#### Relevant policies

- [Financial Management Policies \(TBS/OGC\)](#)
- [Information Technology Policies \(TBS/CIOB\)](#)
- [Human Resources Policies \(TBS/OCHRO\)](#)

#### Other publications & links

- [Management Accountability Framework](#)
- [Enhanced Management Framework](#)
- [Shared Systems Initiative](#)
- [TB Accounting Standards \(TBAS\) Policies and Publications](#)
- [Council of Systems Cluster Group](#)

We want your input! Do you like this report? What additional information would you like to see included? Please contact FSA.

*Ce rapport est aussi disponible en français*

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