Association of Canadian Financial Officers
Association canadienne des agents financiers

# *Classification Renewal for the Financial Management (FI) Group in the Public Service of Canada*

*A Position Paper*
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# Executive Summary

## A. Background

In the fall of 2005, as the report of the Gomery Commission was in development, the Board of Directors of the Association of Canadian Financial Officers (ACFO) sought to develop a position paper on what changes to the Financial Management (FI) Group Classification Standard might be appropriate to accomplish two goals:

1. **To address the need for better financial management in the Public Service of Canada; and**

2. **To address the needs of the members of the FI group for improved career structuring and development in order to improve the delivery of financial management services.**

**History**

ACFO had been seeking renewal of the FI Group Classification Standard since the late 1990s and had achieved some success in the development of a reference document on the writing and classification of FI positions under the Universal Classification Standard (UCS) in 1999, a reference document that incorporated many of the concepts of modern financial management brought in by the modern comptrollership initiatives. However, the abandonment of the UCS in May of 2002 left the FI Group and ACFO with a fifteen-year-old Classification Standard that no longer served its members or the Public Service of Canada.

A major study was funded by ACFO in the fall of 2002 to address the issues affecting the financial management community through its Classification Standard.

The major issues were that the 1987 Standard did not reflect current concepts of what constituted financial management and what the role of the modern accountant or financial manager was in an organization. Consequently, it did not accurately allocate financial management work to the FI Group. That report suggested that the Government of Canada had to decide which financial activities required sound financial credentials to carry them out, and which did not. It also suggested that the current four level structure of the FI Group did not serve the group or the Public Service well.

The 2002 ACFO study did not result in Treasury Board Classification initiating a project to renew the FI Standard. It did result in what became the Public Service Human

Resources Management Agency (PSHRMAC) launching an interdepartmental relativity study to determine if FI positions were being classified correctly across all departments. The result of that study was that 57% of the sample files were not adequate to classify them. The study also showed that few classification officers had sufficient knowledge of the 1987 FI Group Classification Standard to apply it properly. This led PSHRMAC to initiate a one-day refresher course on the application of the FI Group Classification Standard, but it did not lead to a renewal of the Standard itself.

With the problems in the financial management system raised by audit of the Sponsorship Program by the Auditor General of Canada, the subsequent appointment of a new Comptroller General of Canada, the appointment of the Commission of Inquiry into the Sponsorship Program and Advertising Activities, and the initiatives for improving the management of the finances of the Government of Canada announced by the new Comptroller General, the time was right for ACFO to revisit the question of renewal of the FI Group Classification Standard.

**Furthermore, and most importantly, the two previous times that the FI Group has been looked at, were under the Glascoe Commission in the 1960s, and under the Lambert Commission in the 1970s, so by late 2005 the time to make the case for classification renewal was appropriate.**

In the fall of 2005 a consultant was engaged, and a design for the development of a position paper was approved by the ACFO Board of Directors which would base this new classification renewal initiative on focus groups of FIs in Ottawa and in the Regions, on consultations (as had been done for the 2002 study) with Senior Financial Officers (two separate focus groups were held in December 2005 and January 2006), and on ACFO's experience with the application of the current Standard.

**Deficiencies in the effectiveness of the current FI Group Classification Standard**

It becomes clear from the above that current Standard is out of sync with work actually being done by FIs in the departments and agencies today. The Standard has stopped evolving some twenty years ago; since then, there has been a rapid evolution of financial management functions. Moreover, the 1987 Standard really reflects the work that was being done five to ten years before that. For example, the 1999 change in name from Financial Administrator to Financial Manager was a change in name only, and not integrated into the 1987 Standard, leading to current financial management roles and functions not necessarily being rated.

The current Standard is also not in compliance with the Canadian Human Rights Act for a number of reasons. For example, the current structure of four levels as defined by the

1987 Standard was never readjusted for the consequences of changes to the Management Category, now the Executive Group. It thus does not reflect a current assessment of the appropriate number of levels required to deliver modern financial management services. Also, increasing numbers of FIs must provide high level generalist or specialist financial advice as partners of line managers since the early 1990s, when operating budgets were introduced, but those services are not generally recognized.

Most importantly, the benchmarks (the so-called "nature of impact" evaluation factor) and their application in the use of the Standard are based almost exclusively on hierarchy rather than on skills, competency or effort, thus clearly violating the Canadian Human Rights Act.

From background research, focus groups with FIs and consultations with SFOs, it became clear that the current Standard does not support career management or development, nor does it provide a group structure that reflects financial management roles that support current client requirements.

## B. Conclusions

Based on the observations, but not necessarily consensus of ACFO members and SFOs/SFFOs consulted, as well as on associated research, the following conclusions were arrived at:

1. **The current Standard does not permit accurate defining of accountability, specialization, or competencies as they are understood today and as currently required of specific positions to deliver sound financial management;**

2. **The benchmarks for the current Standard and their applications are based almost exclusively on hierarchy rather than skills, competency or effort, thus violating the Canadian Human Rights Act; and**

3. **The current Standard does not support career management/development, nor does it provide a group structure that supports current client requirements for financial management.**

# C. Recommendations

Based on these conclusions, this position paper presents a total of three recommendations:

**Recommendation 1**: The Community HR Framework developed by PSHRMAC should be the framework used for the management of the FI Group.

**Recommendation 2:** The Office of the Comptroller General should assume leadership/responsibility for the management including classification of the FI Group as a corporate asset of the Federal Government, and the model suggested for the role of the OCG with respect to managing the FI Group should be either that of the former Comptroller of the Treasury (FI pre-1968) being responsible for the FI Group, or, as it is currently the case for the LA group, that of the Deputy Minister of Justice being responsible.

**Recommendation 3:** The OCG should take the lead on the revision of the FI Group Classification Standard and the structure of the FI Group. This should be undertaken as a co-development project of OCG, PSHRMAC and ACFO, and other departments and agencies as required.

# Chapter 1: Background and Methodology

## A. Background

In the fall of 2005, the Board of Directors of the Association of Canadian Financial Officers (ACFO) engaged the services of Philémon Paquette, of Paquette Consulting, to develop a position paper on what changes to the Financial Management (FI) Group Classification Standard might be appropriate to:

1. Address the need for better financial management in the Public Service of Canada; and

2. Address the needs of the members of the FI group for improved career structuring and development to improve the delivery of financial management services.

There are several reasons for developing this position paper at this time:

1. The plan to replace the outdated (1987) FI Group Classification Standard by a universal Classification Standard (UJEP and then UCS) was abandoned by Treasury Board in 2002;

2. As a consequence of the abandonment of the UCS in 2002, the 1999 ACFO-TBS Reference Document providing guidance to members and to classification officers on writing and evaluating FI work descriptions in the UCS format – incorporating many of the concepts of the modern comptrollership initiatives that now form financial management – was no longer applicable;

3. The 2002 ACFO proposal to TBS Classification for FI Classification Reform, while presented in December of 2002, had not led to a revision to the FI Classification Standard owing to the higher priority given to the ES, FS, and PA groups. However, it did lead to a relativity study being undertaken by what was now PSHRMAC;

4. PSHRMAC implemented an Interdepartmental Relativity Study of the FI Community in 2003-2004. However, the study was aborted when the review found that 57% of the sample of 400 work descriptions was incomplete and not classifiable based on file contents. At the same time, it was found that most classification officers did not know enough about the application of the FI Standard to properly classify FI positions;

5. PSHRMAC developed a one-day training session in consultation with ACFO to update Classification Officers on the FI Classification Standard, in the summer of 2004, with the first copy of it being delivered in the fall of 2004. However, it was recognized by ACFO at the time that one-day training on the use of the Standard would not provide the depth of knowledge of modern financial management to apply this Standard adequately. At one of the training sessions, Dr. Paquette participated as an observer for ACFO to determine if the changes proposed by ACFO had been incorporated, and to provide observations on the delivery of the training. At that session, of the 24 classification officers participating – each responsible for classifying FI positions in their departments or agencies – only one had classified an FI position, and that had been ten years prior to the date of this training;

6. In 2004, the Chief Information Officer Branch of Treasury Board launched the application of the HR Framework developed by PSHRMAC to the IT Community through its IT Community Development Group, and presented its concepts to the HR Council of the Public Service. The HR Council endorsed the application of the HR Framework, and thought it should be applied to all the common services groups, including the CS, PE, FI, and IS groups. This recommendation was implemented;

7. The release of the Report of the Auditor General in November of 2003, and its observations on the (in-)adequacy of financial controls as a result of the Sponsorship Program, brought greater focus on the financial management system;

8. The appointment of a new full time Comptroller General of Canada in June of 2004 was a step taken to address the concerns of the Auditor General. The ACFO had on many occasions made this recommendation and was pleased to see that the OCG was re-instated. While it was a high profile start to demonstrate that something was being done to improve financial management, it showed no guarantees that the deficiencies in the FI Standard or the poor application of the Standard would be addressed;

9. The newly appointed Comptroller General created a new Capacity Building and Community Development Sector to carry out the OCG's mandate for the development of the financial management and internal audit communities, and then launched initiatives on internal audit and the training of SFOs 2004-2005; and

10. Finally, the initiation in 2004 of the Commission of Inquiry into the Sponsorship Program and Advertising Activities (The Gomery Commission) brought to light

inadequacies in the financial management system in the Public Service which reflected, rightly or wrongly, on the FI Group. This presented an opportunity for reform of the financial management system of which the FI Group is a core element, and therefore presented the opportunity to finally achieve the objective of bringing the FI Group Classification Standard up to date.

**Furthermore, and most importantly, the two previous times that the FI Group has been looked at, were under the Glascoe Commission in the 1960s, and under the Lambert Commission in the 1970s, so by late 2005 the time to make the case for classification renewal was appropriate.**

## B. Methodology

### *I. The Elements*

The concept for this position paper was that it should be influenced by the perspective of the members of the FI group, supplemented by related research, and consultation with a select group of senior financial officers (SFOs) in order to incorporate a management perspective and to identify any differences in perspective. Consequently the development of this position paper was based on an eleven-element process:

1. A review was carried out of ACFO case files handled over the period 2001-2005 regarding classification and staff relations issues raised by members.

2. A review was carried out for continued relevancy of the 2002 research underlying the ACFO study on the Financial Management Community[1] and the need for classification reform.

3. Based on these two reviews, a series of talking points/questions were developed to serve as a basis for consulting with members of the FI Group to identify key issues with respect to how the current FI Classification Standard served the members of the FI Group in delivering sound financial management services to the Public Service. These talking points/questions were as follows:

    a. How does the current four level FI structure support sound financial

1 ***Classification Reform for the Financial Administration (FI) Group in the Public Service of Canada.*** (Ottawa, ACFO-ACAF). December 2002, 74 pp.

management in the Public Service, and if participants were to change the number of levels, how many levels should there be, and why?

b. How long do participants believe an individual should be serving at each of the levels to have mastered that level and be ready for promotion to the next level?
c. On activities:
    i. How many activities as defined in the current FI Standard are participants active in?
    ii. How many activities outside of those defined in the FI Standard are participants active in (e.g. modern comptrollership activities such as risk management)?
    iii. What financial management activities not mentioned in the FI Standard should be added as full activities?
d. What are the views on career development and advancement at their respective levels (and regional location)?
e. On influence of participants at their level:
    i. Who asks them for advice, and to whom do they provide advice?
    ii. What kind of advice is requested?
f. How has the work of participants changed over the past few years?
    i. Has it become more or less transaction oriented?
    ii. Have they been more or less working in partnership with line managers?
g. On career management - do they see themselves part of the financial management team of a department primarily, or as a part of the financial management team of the federal government as a corporate entity serving a particular department?
h. What changes would participants like to see implemented to assist them to be more effective in their jobs in terms of:
    i. Classification?
    ii. Development of assignments or training?
    iii. Career management?

4. Four focus groups were held in Ottawa on October 25 and 26, 2005: one for each of the FI-01, FI-02, FI-03, and FI-04 levels. Two focus groups were held outside of Ottawa, to get a perspective on the issues that arise specific to regional FIs. One focus group was held in Moncton, New Brunswick on November 2nd, and one was held in Edmonton, Alberta on November 7, 2005. Each focus group was composed of eight to ten individuals who are employed by the Public Service as financial officers, and who are members of ACFO. The participants were randomly selected. It should also be noted that all focus groups were held after normal working days in the evenings and that participants were not remunerated in any way

for their work. This level of commitment is a good indicator that there is an interest in addressing some of the issues affecting financial management in the Public Service, and affecting the careers of financial managers.

5. Consultations were carried out with classification specialists involved in the development of the current 1987 Classification Standard for the FI Group, and with other practicing FIs who were unable to attend the focus groups.

6. Consultations were carried out with classification specialists involved in linking the role of the financial management specialist (i.e. the FI) with steps to improve financial management in the Public Service being considered by the Gomery Commission. This in turn led to further discussions:
    a. a review of the Glascoe Commission on the Comptroller of the Treasury, its mandate and structure[2];
    b. a review of the 1966 FI Classification Standard developed as a result of Glascoe[3];
    c. a review of the Lambert Commission[4] and the ensuing establishment of a new set of benchmark work descriptions for FIs in 1982[5];
    d. a review of the conversion of the1982 FI positions to accommodate the new Management Category at that time; and
    e. a review of the logic for the establishment of the 1987 Classification Standard for the FI Group which complemented the review of the renaming of the FI Group in 1999 addressed in the 2002 ACFO study.[6]

7. A set of preliminary observations and proposals was developed in the form of a draft presentation to the Office of the Comptroller General to serve as the basis for consultations with currently serving senior financial officers, selected based on whether they had been involved in the 2002 study and/or on the size of their department as an employer of FIs.

8. The preliminary observations and proposals were presented to a group of what was

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2 ***Royal Commission on Government Organization***, 1962, Volume 1, Financial Management, pp. 134-137

3 ***Classification Standard, Financial Administration Group***. (Ottawa, Treasury Board), May 1966, 74 pp. (English version only).

4 ***Royal Commission on Financial Management and Accountability,*** **Final Report.** (Ottawa, Minister of Supply and Services), 1979. 586 pp. On the financial managers as such see pp. 233-246 in particular.

5 ***Financial Administration Group, Final draft of new/revised Benchmarks subject to approval by Ministers of the Treasury Board***, (Ottawa, Treasury Board) February 4, 1982, 116 pp.

6 It should be noted that the ***2004 Report of the Auditor General of Canada***, Chapter 7 was also consulted, in particular para's 7.37 to 7.60 on Managing Money where a history of the role of the Department of Finance, Treasury Board, and the different configurations of a Comptroller General are reviewed.

to be five senior financial officers on December 15, 2005, but owing to last minute cancellations this group of participants was limited to only three participants (2 SFFOs and a representative from the OCG). Therefore a second consultation session was set up for January 4, 2006 to broaden the consultations.

9. The preliminary observations and proposals, which included insights gained from the December 15 consultation were presented to the ACFO Board of Directors on December 16 to obtain their feedback and guidance.

10. The second presentation of preliminary observations and proposals to a group of five SFOs took place on January 4, 2006.

11. A presentation of the final findings was developed for the consideration of the ACFO Board of Directors, which took place on January 12, 2006. This lead to the restructuring of the observations and proposals into a short presentation for the OCG, as well as this position paper documenting the observations, methodology, and references.

## *II. Focus Group Methodology*

The participants, chosen at random to attend the focus groups, were provided with a background piece, which provided some explanation about why this research was being undertaken, and why now. More specifically, this introductory background provided the following information:

1. A review of the Human Resources Framework developed by the Public Service Human Resources Agency, and applied by the Organizational Readiness Office of the Chief Information Officer Branch of Treasury Board for the IT Community. It explained how this was seen by the Human Resources Council as a good model for the management of community groups such as the FI and PE, as well as for the CS, and how classification is a key to the HR Framework actually being able to work;

2. A review of the fact that the current Classification Standard was developed in the mid-1980s and published in 1987 - eighteen to twenty years ago - and the question whether this reflects the current work being done;

3. A review of the fact that the 1987 FI Group Classification Standard was designed to reflect the work of financial administrators; and that while the group definition was changed in 1999 to be “financial managers,” there were no changes to the content of the Classification Standard to reflect that change in nomenclature;

4. A review of the attempt by ACFO in 2002 to bring the classification issues of the financial management community in addressing the new requirements of modern comptrollership to the attention of Treasury Board classification authorities; and that the result of that was the commitment by TB to carry out an interdepartmental relativity study of FI positions - which was done in 2003;

5. A review of the observations of the so-called "relativity study" which, while officially completed, was not a relativity study since 57% of the sample work descriptions lacked sufficient data to have classified the positions;

6. A review of the structure of the group prior to the 1987 Standard, where the FI group had six levels (as did the Audit Group (AU)), and the top FI position (FI-06) had been the equivalent of an SX, but became the equivalent of the SM when the SX group was converted to the management category (SM and EX);

7. A review of the fact that in the 1999 reference document developed jointly by ACFO and Treasury Board, a number of the concepts of what constitutes modern comptrollership were built into guidance on how to write UCS work descriptions for FIs; and while these concepts may be in FI work descriptions, these concepts are not recognized under the current FI Group Classification Standard;

8. A review of what constitutes a "financial activity" as defined in the FI Group Classification Standard and how this determines the worth of work;

9. A review of what constitutes the "ultimate decision maker" as defined in the FI Group Classification Standard and how this determines the worth of work;

10. A review of the (lack of) familiarity of most classification officers with either the work of a financial manager or the technical nature of the FI Group Classification Standard; and the consequent difficulties in classifying FI work descriptions; and

11. Finally, a review of why now is the time to approach the new Comptroller General on revising the FI Group Classification Standard as an initiative to improve financial management in the Public Service.

# Chapter 2: Observations from the Focus Groups and Consultations

## A. The FI Perspective: Input from the Focus Groups

### *I. On Understanding of the FI Classification Standard by FIs*

One of the most striking observations was the fact that of the sixty people who took part in the focus groups, few were familiar with the concepts that measured the worth of their work. Specifically, most people did not know:

1. That "financial activity" had a specific meaning as defined in the Classification Standard, and only that meaning could be used to classify work descriptions; and

2. That while they have been providing advice and recommendations to managers, they were not aware of what constituted an "ultimate decision maker", nor were they aware of the requirement to have their work descriptions reflect their actual reporting relationship or that their advice and recommendations would not be considered in the evaluation of their work. This is in accordance with Note 4 of the Standard.

When employees were made aware of how the definition of "financial activity" framed the way in which their subject matter expertise would be evaluated, there was a near-universal response that the list of what constituted a financial activity had to be expanded to incorporate the current concepts that together constituted financial management as it is understood today. Numerous examples were given of instances in which a specialized activity was not recognized, including, but not limited to: risk assessment and management, performance measurement, the integration of financial and non-financial data, and business planning.

In fact, participants raised the point that a large number of activities for which they are supposed to be responsible, are being assigned to other Classification, in particular the AS (financial transactions, business planning) and ES (performance measurement, risk measurement) groups.

When looking at how the "nature of work" is measured, there was an overwhelming response from the FI-02s, FI-03s and FI-04s, that, with the rapid evolution of financial management over the past several years, with the introduction of operational budgets, and with FIS and other modern comptrollership initiatives, they are constantly required to apply creative and innovative thinking in developing new financial policies and procedures for dealing with these new concepts and approaches, and in providing advice to managers on alternative strategies for managing their finances. Equally important, when looking at the intricacy of work, most participants were constrained by FIS, MAF, MRRS, and GAAP to a higher degree than by departmental policy or direction from supervisors.

Employees noted that since the adoption of "operating budgets" in the early 1990s, they have been providing what is described as "broad" or "full range" financial advice and services to their managers, but that level of advice and services is not recognized in their work description.

Of the sixty participants in the focus groups, only three were actually aware of the ability in the current Classification Standard to have a non-traditional advisory role recognized in their work descriptions. That is, they were the only ones who knew the use of the prescription provided by Note 4 under "Nature of Impact" to reflect the provision of "...substantive, authoritative financial advice and/or services direct to management..." Two of the keys to the application of Note 4 that the participants were not aware of, are that the non-traditional role must be reflected in the work description, and that the performance of the employee must be co-signed by the manager receiving the financial advice and the employee's financial line manager.

This finding was consistent with the manner in which many FI positions are being classified. Some participants said that their department had a classified FI-01, FI-02 and FI-03 and that whenever they needed a new position created at one of those levels, they would merely ask Human Resources to "clone" one of the existing work descriptions to create the new position needed. It was suggested that few new FI work descriptions have actually been developed in recent years from an analysis of the actual work carried out and their evaluation, but that they were merely copied from old or existing classified positions without any real need-assessment or modification of any sort. To actually go through a thorough assessment process generally creates an extensive delay in getting the work description written, and invites uncertainty as to the outcome of the process. Cloning provides for a quick and certain outcome, but no thought is put into the job descriptions and it creates a perpetuation of the status quo, rather than progress.

## *II. On Career Management – Issues by Level*

The classification structure is the basis on which one can manage one's career, on which a manager can manage the development of the careers of her/his subordinates, and on which a specialist community can manage its members. In theory, it serves not only as the basis for the level of pay, but also for many other factors such as: determining the competencies required to do the work; determining the possible gap between individual's competencies and the competencies required for their current job or for the next step up; determining the development of training plans; determining statements of qualifications for staffing; and determining whether the full work of an organization is appropriately allocated to cover all subject matter for which the organization is responsible, and that work is being done at appropriate levels. This is both to ensure that the proper level of expertise is being applied, and that it is done by the appropriate number of people in order to ensure proper workloads for everyone involved.

Overall, the observations from focus group participants indicate that the current classification structure is not supporting sound career management.

### *The FI-01*

One of the main issues raised in the groups with FI-01s was that of credentials. In 1987, stricter rules were put in place for the educational requirements of FIs. The general sense in the focus groups with FI-01s was that the increased requirements for credentials (a CA, CMA or CGA accounting designation or related undergraduate or graduate university degree) appropriate for the work was long overdue. On the other hand, some people without designations or degrees said that they find themselves blocked from future promotions, but at the same time are so specialized that they see few other available opportunities.

Those FI-01 level participants with degrees and in some cases accounting designations, and Financial Officer Recruitment and Development (FORD) program participants in general, felt that advancement should only be permitted for those individuals who have appropriate credentials.

Beyond the question of credentials, one of the major issues raised by the FI-01s was to ask: "What is an FI-01?" What is meant by this is, "What is the "model" FI-01 to guide employees on what legitimately constitutes work at this level, and what legitimately constitutes the work of the FI rather than the AS or CR?" One of the great frustrations both in Ottawa and in the regions was the broad scope of the work of an FI-01 that is not recognized. Examples of this are:

1. An FI-01 being essentially delegated all responsibility for a manager's budget in a regional office such as planning, budgeting, reporting, contracting, providing advice and recommendations on possible courses of action, MAF and PAA;

2. An FI-01 being responsible for all contracting for a federal agency for two regions of western Canada and providing advice to project managers, regional managers and project officers on all aspects of financial management of contracts and contract

funds, including budgeting, planning, reporting; and

3. An FI-01 being responsible for providing advice, developing and delivering training, developing systems changes, liaising with IT on financial systems and their compliance with financial system requirements (i.e. FAA, MAF, and GAAP) to managers and financial specialists in Ottawa and in the regions; and FI-01s managing a number of clerical staff at the CR4 and CR5 level.

***The FI-02***

At the FI-02 level the issues, while many, tended to focus on three areas:

1. The speed of promotion of some people versus others;

2. The inability to obtain experience in multiple areas of activities in order to move into management at the FI-03 level; and

3. The lack of recognition for work actually done, in particular in providing financial management recommendations to management, providing financial management services to multiple units and being responsible for revenue generation.

***The FI-03***

At the FI-03 level the participants tended to focus on four areas in particular:

1. The overly rapid rate of promotion of FI-01s and FI-02s, specifically FORD program recruits;

2. The complexity of financial management today, and the lack of recognition of what constitutes that complexity in terms of areas of required specialization;

3. The lack of partnership of the FI-03 with the managers they are purportedly working with, or the lack of recognition of their advisory role; and

4. The inability to obtain the breadth of experience necessary to win promotions to the next level.

In the case of the overly rapid rate of promotion of FORD recruits, the problem is created by the confluence of three factors. The first factor is that there is a shortage of "qualified" financial managers at all levels, and thus once someone comes into the Public Service as an FI-01, they are eligible to compete for FI-02 positions. With a degree and/or possibly an accounting designation, they are a prize for any manager trying to fill a vacant FI-02 position. Once in an FI-02 position, without a lot of experience, these "qualified" individuals are prime candidates for FI-03 positions. The problem with this is that word "qualified": the individuals have a formal education and possibly an accounting designation, but they do not have the contextual experience with the Public Service to effectively carry out the full range of duties for which they are responsible. It was argued that there has to be a level between the FI-02 and the FI-03 where the FI-02 can gain experience and yet sense that they are getting ahead in order to prepare them for the role of an FI manager of a function or a specialist role.

The second factor is that not all FORD recruits are the same. With the advent of accepting candidates up to five years post-graduation, some FORD recruits enter the Public Service with a couple of years of work experience and in some cases with their accounting designation already in hand. These tend to be the individuals who move quickly up the ladder. The problem is that other employees who may have been in FI-01 positions for some time see these rapid promotions and sense there is an inequity in the system.

The third factor is that not all FORD recruits are managed the same. In some departments there is a formal two-year program where the recruit is provided with experience in three different areas before they can be considered for promotion to the FI-02. In some cases that promotion is automatic on completion of the two-year program. In other departments, once the recruit is hired as an FI-01, that individual is eligible for competing for any FI-02 position that opens, and many in fact do. In fact, many are successful at getting a promotion in less than a year after entering the Public Service. The end result of this unevenness is that these FI-02s do not have comparable backgrounds in the Public Service and do not have the depth of experience one would expect of an FI-02. This weakens the capability of the group to provide sound financial management.

However, it was recognized that if ambitious, capable individuals who enter the Public Service via the FORD program do not rise rapidly as FIs, it quickly becomes apparent to them that they can get promotions by moving to other groups such as the AS, PM, CO and ES, where their financial and management backgrounds are also highly desirable, and for which there are a much greater number of positions available.

By the issue of the complexity of modern financial management, is simply meant that the changes brought about by FIS, Modern Comptrollership, MAF, MRRS, PAA, all tied in to the RPP, DPR, and the required advice and accountability for what constitutes financial management by the FI community, have transformed what constitutes financial management in the past decade or so. Moreover, and most importantly, this is not recognized by classification or by management. One may be required to serve as the risk management specialist or the performance measurement/management specialist for an organization, but the advisory role that this represents is simply not recognized.

This ties in with the third issue, which is that while the Modern Comptrollership initiatives and the MAF both indicate that managers will work in partnership with financial specialists to achieve the objectives of these initiatives, managers rarely consider FIs as partners. Management tends to view the FI as a watchdog concerned with compliance, and as an advisor on what not to do. Management rarely views the FI as an advisor on what the strategic or tactical options might be to achieve program goals in the most cost-effective or financially sound, simple way.

For example, the fact that the FI-04 is deemed an EX minus one, and the FI-03 an EX minus two, is not lost on the members of the Executive Community: the FI-04 may sit on an executive committee, but as an advisor to that committee. Until the role of the FI is seen to be important to senior management, their advice can only be considered of secondary importance. What is true for the FI-04 is even truer for the FI-03.

The fourth issue is, similarly to the one raised by the FI-02s, the inability of the FI-03 to obtain the assignments or appointments that will provide the breadth of experience necessary to win promotions to FI-04 level positions. The more the FI is seen as a specialist, the less the individual will be considered by management for positions calling for a broader role.

### *The FI-04*

The FI-04s essentially focused on three issues:

1. The challenge as to where to go for a next step: if the FI-04 has not left the FI group to gain broader/program experience for a period of time in his or her career, the move to an EX position is difficult to make.

2. The FI-04 who looked at the working conditions of executives generally did not wish to accept that lifestyle, meaning that remaining a technical specialist advising the executives was a favorable career choice.

3. That people advancing through the FI group in recent years in most cases simply do not have the experience required to do their jobs well.

The first issue of where to go if an FI-04 wants to move up, was quite prevalent. Unless it is a financial management EX position (of which there are few), most EX positions are seeking broader program or policy experience than what would be obtained in a financial management career, at least as currently defined. If the actual advisory role of the FI were recognized officially in classification, and if it were recognized by the managers served, then the FI would have extensive partnership experience with executives by the time they might be eligible for appointment to an EX position and those with the ability would have both learned and demonstrated the strategic, broad, and leadership thinking required to move into the executive group. At the same time other EXs would have experience in working as "partners" with financial managers who have demonstrated executive talent and would be more likely to value the financial manager's experience.

While an EX lifestyle was not seen as ideal, at the same time, there was a feeling that once a seasoned FI-04 had been at that level for some time and became a valued advisor to senior management, there was a perception that there should be some opportunity for recognition of that seasoned "wisdom", which the current Standard did not permit.

The third important issue raised, that people advancing through the FI group in recent years often simply do not have the experience required to do their jobs well, was explained as follows: They tend to be bringing better theoretical knowledge and skills to their jobs, and tend to do well in competitions. However, the much-needed experience in government, in the informal decision-making and in the trial-by-fire opportunities that time provides, is missing. Consequently, appointments are made only to find that the individuals are inexperienced and need significant development. There is simply a major problem with career development that needs to be addressed from the centre.

### *III. Conclusions on Structure*

The consensus of the focus groups with respect to structure was that there needed to be:

1. A clarification of the role of the FI-01;

2. Either better career management for FI-02s to be able to advance to the FI-03 level, or the addition of another level between the current FI-02 and the FI-03, one which would be broader in the nature of its responsibilities or scope;

3. Either better career management for FI-03s to be able to advance to the FI-04 level or to other similar level positions in other groups, or the addition of another level between the current FI-03 and the FI-04. This would be one that would be more strategic in the nature of its responsibilities or scope; and

4. A new level above the current FI-04 which would be that of a broad financial strategist, such as the CFO for smaller agencies, or the equivalent for major government programs.

In short, there needed to be at least one additional level above the FI-04 level and a new level either from the FI-02 to the FI-03, or from the FI-03 to the FI-04, or both.

### *IV. Conclusions on Managing the FI Group*

With reference to the idea of the OCG taking on responsibility for the management of the development of the FI group -while using the HR Framework- the consensus was that if being managed as a corporate asset would help the development of their careers, they were all for it. Under current circumstances, professional development is spotty at best and non-existent at worst. Getting outside the financial community is currently difficult, unless the employee is in a larger organization. Managers are reluctant to lose an existing FI by sending them on a development assignment, as there are no replacements. As the FI is charged with applying the same policies and legislation in all departments, it makes sense that the group be a corporate asset, rather than being considered a departmental employee from a classification and career development perspective.

## B. The SFO/SFFO Perspective: Input from Consultations

### *I. On the definition of what is a financial activity according to the FI Classification Standard*

First, the SFOs and SFFOs were shown the current definition of the Standard[7], which is:

> *a significant grouping of associated financial administration responsibilities ( e.g.*
> *1. Financial Planning & Analysis,*
> *2. Financial Policy and Systems Development,*
> *3. Systems Operations and Services are each normally considered full activities).*
> *And, in a note also Cost Accounting, Internal Financial Audit, and other*

7 See page 5, the Glossary, of the 1987 FI Classification Standard where what is included in each of these three "full activities" is provided. Internal Financial Audit is not actually covered in the note, but is deemed as a full activity in the Benchmarks (see benchmark 2).

*unique areas (principally those of central agencies and services).*

The reaction was that this made no sense and that it did not reflect the financial activities for which the FIs are responsible.

When the SFOs and SFFOs saw the list of financial activities that are derived from modern comptrollership etc, (e.g., Financial Risk Management, Internal Financial Control, Performance Measurement (i.e. integrating financial and non-financial data to determine performance), MAF, Modern Comptrollership, Financial Reporting, RPP, DPR, Public Accounts related briefing notes and presentations, Financial/Business Planning and risk assessment, Financial Management,
Payroll Management (PWGSC)), they concurred that a list such as this was much closer to reality. In fact, it was noted that this mis-definition of what constitutes a financial activity might well explain the tremendous difficulty small agencies have in getting FI positions classified at the appropriate level.

There was consensus among the SFOs and SFFOs that, given that the current Standard is based on this ill-worded definition of what constitutes a financial activity, the current Standard had to be replaced.

### *II. On the use of generic work descriptions*

The views with respect to the use of generic work descriptions were split. There was one strong position against the use of generic work descriptions until the Classification Standard had been revised: This is to avoid wasting money on work descriptions that do not reflect the reality of financial management.

On the other hand, there was also a view that since generics had already been developed for that SFOs/SFFOs department, they were better than the outdated UCS or older work descriptions, and that department would proceed to implement them.

The conclusion is that, given the strong view about the need to replace the Classification Standard, there was not much taste for creating generic work descriptions until the Standard had been revised.

### *III. On the placement of FIs in program organizations*

Although the SFOs and SFFOs generally recognized some merit in a better use of FIs in line organizations, there was a concern identified by one SFO about having FIs both in programs as well as in the financial management. When last tried, this lead to conflict between FIs in the programs and FIs in the corporate management organization. Based on this, it can be said that there was mixed support for more extended use of Note 4 in the designing of positions and their classification.

The issue of the increased role of FIs in the provision of expert advice to program managers, and hence a broader use of Note 4, was addressed by their belief that the current definition of financial activities simply did not reflect the modern role of the FI. Hence, it was not a question of using Note 4 more effectively, but of replacing the current Classification Standard.

### *IV. On the structure of the FI Group - or number of levels*

As was the case with the focus groups, the consensus is that more than the current four levels are needed.

It was said that there are currently effectively two career streams, the first one being that of manager, and the second one being that of financial specialist, and that both of these career streams have roles at the current FI-02, FI-03, and FI-04 levels. Also, specialization in either of these two career streams should lead to the highest levels. That is, there is no need to have experience in both streams to advance – but that having experience in both streams could be advantageous. However, it was not clear how to ensure people would have the opportunity to work in both streams, since specialists tend to stay with their specialties.

From the SFO's and SFFO's perspective, whether the number of levels is five or six or more is less important than making it clear what competencies are required at each level to carry out the roles as they are required of FIs today.

It was also proposed by one or more of the SFOs and SFFOs that the complexities of different organizations had to be taken into account and not just as reflected in size of resources susceptible to influence (i.e. budget).

### *V. On Career Management*

1. Among the FI-01s:
    a. There were some strong views that the basic credentials should be the same for all FIs
    b. There is a clear need for a development level for which the FI-01 is useful
    c. There was consensus that if an FI were to be supervising employees, it should be an FI-02 and not an FI-01.
    d. There was a consensus in the second meeting of SFOs/SFFOs that the working level FI, while thought of as the FI-01 at the time of the 1987 Standard, is in fact today, the FI-02. The requirements of the working level have simply outstripped what was conceived in 1987 as being the FI-01; and
    e. On the issue of grand-parenting the existing FI-01s without appropriate

credentials, the sense was that from a compassionate perspective there might be a desire to offer some accommodation, but from a perspective of improving financial management, at best, they should be provided with "present incumbent only" status. Bottom line: it is up to them to take charge of their careers.

2. Among the FI-02s:
    a. It was felt if the FI Standard were revised, that much of the issue with respect to recognition prevalent among FI-02s could be resolved;
    b. On the issue of FI-02s obtaining experience in a number of areas, it was seen as being up to the individual to ensure they sought out the opportunity to get the experience. A manager could help, but it was the responsibility of the individual;
    c. On the speed of promotion, it was hypothesized that some individuals are simply better at winning competitions than others, based on background (i.e. education and experience inside and outside the public service, personality, and simply luck).

3. The FI-03s and issues raised by the FI-03s:
    a. On the rapidity of promotion of FORD recruits it was said that since these recruits are coming in with prior experience and current education, as well as in many cases accounting credentials, many of them can do well on competitions in spite of lack of experience in government; if competitions and appointments were based on competency, that would ensure that all appointments were of individuals who where competent at the appointment level;
    b. On the issue of lack of recognition of what constitutes complexity in areas of required specialization, it was thought that the issue would be addressed if the Standard were to be revised to reflect this competency. This is also true with respect to the advisory role of the FI-03; and
    c. On the issue of obtaining the breadth of experience necessary to win promotions to the next level, there was consensus that there seemed to be something lacking in preparing the FI-03s to move up to the FI-04. I fact, it seemed clear that individuals should be seeking experience outside of their specialization - particularly in programs, but it was not clear how to ensure that could happen. There was a sense that it should be up to the individual, but there was also an acknowledgment that there seemed to be a problem here.

4. The FI-04s and issues raised by the FI-04s:
    a. On the need for an EX-equivalent level, that is, a level of FI above the

current FI-04, there was a strong support; in fact, support from all but one person. This new level could serve as a financial strategist at the macro or corporate level. The current FI-04s tend to be predominantly specialists, and there is a requirement for a financial management position above that level that is not an EX but is the equivalent to an EX. Two reasons for this were identified:

i. to serve as a strategic advisor over a broad range of financial issues; and
ii. to serve as a source for future SFOs.

b. On the need for program management or program policy experience to move to the EX level it concluded that both the individuals and management should be looking to ensure that FI-04s get this experience to enhance their ability to provide sound financial management advice to program managers, and to acquire that broader experience required at the highest levels of financial management; and

c. On the issue of lower levels being promoted too quickly, again, the suggestion put forward was that if promotions were based on competency, much of this issue could be resolved.

### *VI. On OCG taking charge of management of the Financial Management community*

It was generally agreed that there could be significant advantages to the OCG taking charge of the management of the FI group as a corporate asset of the Public Service such as proposed under the HR Framework. That would include establishing a new Classification Standard in partnership with PSHRMAC, developing competencies, staffing and career development programs. It would make sense if it were done incorporating the programs already in place in the largest user departments of the FI group, and generally if done in collaboration with departments.

# Chapter 3: Conclusions and Recommendations

## A. Conclusions

Based on the observations, but not necessarily consensus of ACFO members and SFOs/SFFOs consulted, as well as on associated research, the following conclusions were arrived at:

1. **The current Standard does not permit accurate defining of accountability, specialization, or competencies as they are understood today and as currently required of specific positions to deliver sound financial management;**

2. **The benchmarks for the current Standard and their applications are based almost exclusively on hierarchy rather than skills, competency or effort, thus violating the Canadian Human Rights Act; and**

3. **The current Standard does not support career management/development, nor does it provide a group structure that supports current client requirements for financial management.**

There are at least five reasons for the deficiencies in the effectiveness of the FI Group Standard to permit accurate defining of accountability, specialization, or competencies required of specific positions to deliver sound financial management:

1. The current Standard is the second iteration for the group (the first one in 1966, the second one between 1982 and 1987) and out of sync with work actually being done;

2. The 1999 change in name from Financial Administrator to Financial Manager was a change in name only, and not integrated into the 1987 Standard, leading to current financial management roles and functions not necessarily being rated;

3. The current Standard is poorly applied for a number of reasons;

    a. Most classification officers (OC Advisors) do not know enough about either accounting/financial management work or about the 1987 FI Standard to accurately classify an FI position owing to the fact that in most cases an OC Advisor will have to classify an FI position only rarely in their career since FIs represent only two percent (2%) of the population Public Service employees distributed across all departments and agencies;

b. The practice of having administrative officers also provide limited financial services (budget preparation and budget control) has been increasingly expanded to address modern comptrollership initiatives without additional training in financial management; and

c. In at least one department a single position has been classified both as an AS-06 and as an FI-03, and staffed based on which set of qualifications candidates best met, but in many departments the decision on classification allocation is often determined by whether the candidates can qualify for appointment as an FI, or on the manager choosing to hire anything but an FI to get around hiring restrictions on the use of FIs imposed by the SFO of a department or agency.

4. The 1987 Standard, the current Standard, does not reflect current financial activities required for sound financial management:
   a. The current Standard defines a full financial activity as: a significant grouping of associated financial administration responsibilities, e.g. 1. Financial Planning & Analysis, 2.Financial Policy and Systems Development, 3. Systems Operations and Services, or also Cost Accounting, Internal Financial Audit, and other unique areas (principally those of central agencies and services); and
   b. The current Standard does not explicitly recognize such financial specialties as Financial Risk Management, Internal Financial Control, Performance Measurement (i.e. integrating financial and non-financial data to determine performance), MAF, Modern Comptrollership, Financial Reporting, RPP, DPR, Public Accounts and related briefing notes and presentations, Financial/Business Planning and risk assessment, Financial Management, and Payroll Management (PWGSC).

5. The Classification Standard simply stopped evolving - after all it has been some twenty years since the 1987 Standard was developed, and really reflects work that was done five to ten years before that:
   a. The FI Group was formed (post Glascoe) in 1966 with up to eight levels, but there were benchmarks for seven levels only, and the FI-07 was an SX-01 equivalent;
   b. The Lambert Commission of 1979 led to the development of new benchmarks in 1981 for the seven level structure FI Group, with the FI-07 still an SX-01 equivalent;
   c. The creation of the Management Category in the early 1980s led to the conversion of the former FI-07 to the Management Category composed

of the SM Group and the EX Group, the level of individual positions being determined by how they rated under the Hay Plan.

d. The 1987 Standard developed from 1981 benchmarks, restructured to four levels where:
   i. old levels 1-3 became new FI-01
   ii. old level 4 became new FI-02
   iii. old level 5 became new FI-03
   iv. old level 6 became new FI-04 as EX minus 1
e. Since the SM Group was abandoned by Treasury Board, there has been no evidence as to what happened to former FI-07s who had been made SMs. They could have been converted either to EX-01s or to FI-04s, depending on parameters at the time.

Moreover, the current Standard is not in compliance with the Canadian Human Rights Act. For example:

1. The benchmarks – the so-called "nature of impact" evaluation factor, and their application in the use of the Standard, are based almost exclusively on hierarchy rather than on skills, competency or effort, thus violating the Canadian Human Rights Act. While this is due to the outdated nature of the Standard, the lack of knowledge on the part of organizations and classification advisors of what constitutes financial management activities and of what constitutes financial management, as well as to the infrequent experience with the application of the Standard, it nevertheless leaves the application of the Standard in violation of the CRHA.

2. The current structure of four levels as defined by the 1987 Standard was never readjusted for the consequences of changes to the Management Category, now the Executive Group, and thus does not reflect a current assessment of the appropriate number of levels required to deliver financial management services;

3. Increasing numbers of FIs must provide high level generalist or specialist financial advice as partners of line managers since at least the early 1990s when operating budgets came into being, but they generally:
   a. do not have that advice recognized in the current Standard;
   b. do not have this role clearly defined for career development purposes; and
   c. do not have this role recognized by executives to the full extent it should be as partners to those executives.

The conclusion that current Standard does not support career management or career development, and does not provide a group structure that supports current client requirements for financial management was largely determined through consultations with the FI focus groups and SFOs.

## B. Recommendations

In order to address these deficiencies in the Financial Management Group Classification Standard, its application, and in the development and hence the management of the members of the FI Group to improve the financial management of the Government of Canada, three recommendations are in order:

**Recommendation 1**:
The Community HR Framework developed by PSHRMAC should be the framework used for the management of the FI Group.


The HR Council has endorsed this model for application to all the common services groups, i.e. the Computer Science (CS) Group, the Financial Management (FI), Human Resources Management (PE), and Information Services (IS) groups.

The merits of this framework as a model for the management of a group are that it links organization and classification, and in particular classification, as the key to the management of the group. At the same time it links classification with organizational design and the identification of job competency profiles, which in turn dictates the resourcing strategies for staffing positions, as well as the learning and professional development of members of a group managed using this framework. Finally, it links all of these with performance management, as this is a key to identifying the organizational structure required to achieve specific goals.

The IT Community (CS) Development Project under the Chief Information Officer Branch at Treasury Board has already made significant advances in the implementation of this framework, but a weakness in the approach used for the CS Group has been that the project was moved from Treasury Board to PWGSC, and now back to Treasury Board. With this lack of certainty in the ownership of the project, departments have been slower than might have been the case in the assessment and implementation of the generic work descriptions prepared.

**Recommendation 2:**
The Office of the Comptroller General should assume leadership/responsibility for the management, including classification of the FI Group as a corporate asset of the Federal Government. There are a number of precedents, which can serve as models for what would constitute the OCG's managing the FI Group:

1. There are strong models, where management includes the selection, classification, and appointment of individuals to a group:
    a. the former Comptroller of the Treasury (FI pre-1968) being responsible for the FI Group; and
    b. the Deputy Minister of Justice currently being responsible for the LA Group.
2. There are weaker models where management is restricted to the development and advice on the selection and classification of positions of a group:
    a. the CIOB taking leadership for the IT Community; and
    b. PWGSC taking the lead for the IS Community. (Albeit this is more an interdepartmental effort with each participating department contributing resources to the project and PWGSC provides the facilities housing the secretariat.)

ACFO prefers the adoption of a strong model.

**Recommendation 3:**
The OCG should take the lead on the revision of the FI Group Classification Standard and the structure of the FI Group. This should be undertaken as a co-development project of OCG, PSHRMAC and ACFO, and other departments and agencies as required.

Specifically:

1. The OCG should establish a core group of classification officers at the OCG or under OCG direction which could:
    a. render all FI classification decisions and/or delegate decisions where local competency is deemed adequate;
    b. train or produce training materials for other classification specialists; and
    c. work in partnership with PSHRMAC, selected departments and agencies and ACFO on the redesign of the FI Classification Standard.

2. The OCG in collaboration with PSHRMAC and other departments should establish a new structure for the FI Group, which has six levels. There are four considerations behind this recommendation:
    a. The overwhelming majority of both ACFO member focus groups and SFO consultation groups was that more than four levels are needed;
    b. The overwhelming majority of SFOs and senior FIs feel there should be another level above the current FI-04 that would be equivalent to an EX-01 (such as is the case with the CS-05 and the AU-06, and most of the LA Group). One of the key benefits of adopting an EX equivalent level is that a Pre-Qualified Pool of candidates for EX-02 SFOs could be created based on the PQP model currently being used for selection of qualified CS-05s for appointment to IT EX-02s;
    c. From the perspective of the SFOs, the ultimate number of levels is less important than making it clear what competencies are required at each level to carry out the roles required today. It was also clear for them that the complexities of different organizations must be taken into account and not just as reflected in size of resources susceptible to influence (i.e. budget);
    d. Given that the current working level for the financial manager is the FI-02, once clarification of specializations and influence have been accounted for, it is believed that a new level between the current FI-02 and FI-03 is required to develop the management skills of incumbents for future promotions.