



Audit of Litigation Forecasting

June 3, 2025

Internal Audit Branch
Internal Audit and Evaluation Sector

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EXECUTIVE SUMMARY

Purpose of the Audit

This audit examined the adequacy of the governance structure, data management, and information systems related to litigation forecasting for the provision of legal services.

Key Findings

The Department of Justice (Justice Canada or the Department) has governance and oversight structures in place to provide strategic direction to and support the overall litigation forecasting process. The Department also has practices to continuously monitor the forecasted estimates for litigation and adjust for discrepancies or variances. The financial and non-financial information sources supporting litigation forecasts are also available and accessible to the parties involved in the forecasting process.

Documentation exists to support the litigation forecasting process; however, some documents are outdated and need additional clarification. At the time of the audit, the Department was in the process of updating its standard operating procedures and process maps. As part of these updates, Justice Canada should consider clarifying the roles and responsibilities of all involved parties to ensure consistency and transparency across the Department and further support the consistent application and verification of the forecasting process.

Lastly, while Justice Canada has various information systems available to support the litigation forecasting process, better integration between those systems could enhance timely access to the information for all involved parties. There are also opportunities to reduce manual efforts through automation, where appropriate.

Audit Opinion and Conclusion

The Department has established structures and mechanisms to support its litigation forecasting for the provision of legal services. Governance and oversight structures provide strategic direction and are supported by practices that monitored and adjusted the forecasts at regular intervals. The Department's data management and information systems allow relevant parties to access the financial and non-financial information required to support litigation forecasting and enable decision-making. To further enhance and support this process; however, the Department should continue to update its existing directives, policies, and procedures to clarify the roles and responsibilities of all parties involved related to litigation forecasting, as well as leverage the Department's knowledge and capabilities to streamline the litigation forecasting process through automation.

Management Response

Management agrees with the audit findings, accepts the recommendations included in this report, and has developed a management action plan to address them. The management action plan is integrated in this report.

1 STATEMENT OF CONFORMANCE

In my professional judgment as Chief Audit and Evaluation Executive, the audit conforms to the *International Standards for the Professional Practice of Internal Auditing*, as supported by the results of the Quality Assurance and Improvement Program.

Submitted by:

Tricia Goulbourne
Chief Audit and Evaluation Executive
Department of Justice Canada

Date

2 ACKNOWLEDGEMENT

The Chief Audit and Evaluation Executive would like to thank the audit team and those individuals who contributed to this engagement and particularly, employees who provided insights and comments as part of this audit.

3 BACKGROUND

The Department of Justice (Justice Canada or the Department) has the mandate to support the dual roles of the Minister of Justice and the Attorney General of Canada and works to ensure that the federal government is supported by high-quality legal services. In supporting the Attorney General of Canada as the chief law officer of the Crown, Justice Canada lawyers conduct a wide range of litigation. They initiate proceedings, defend the government in court and provide legal services on behalf of federal departments and agencies. On March 31, 2024, there were approximately 43,000 ongoing litigation files for Justice Canada lawyers and paralegals (roughly 997 counsels and 283 paralegals), up from 40,000 on March 31, 2023 (roughly 922 counsels and 249 paralegals). In the fiscal year 2023-2024, litigation services rendered on behalf of other government departments by Justice Canada accounted for approximately 69.4% (\$393.37M before A-base discount and other adjustments) out of total legal services (i.e. legislative, advisory, general and litigation) rendered (\$567.16M).

The responsibilities for the conduct of litigation are carried out mainly by the Department's National Litigation Sector (NLS). Some litigation falls within other areas of the Department (e.g., Employment and Social Development Canada Legal Services Unit, National Security Litigation and Advisory Group, Treasury Board Legal Services Unit, Tax Law Services, Competition Bureau Legal Services Unit, Trade Law Bureau). Where necessary, portfolio specific protocols are followed to manage certain types of litigation.

The NLS is led by the Assistant Deputy Attorney General (ADAG), who has functional and coordination responsibility for all litigation conducted by or on behalf of the Department of Justice. Organizational changes in 2016 led to cross-portfolio teams to enhance expertise and resource utilization, providing services to over 40 client departments and the Attorney General of Canada. The Department's six regional offices (Atlantic, Quebec, Ontario, Prairie, British Columbia, and Northern), as well as the Civil

Litigation Section (CLS) which is located in the National Capital Region, are responsible primarily for the conduct of litigation within their own geographic regions. All employees reporting into Justice regional offices, CLS and other teams (e.g., National Security Group (NSG), National eDiscovery and Litigation Support Services (NeDLSS), etc.) are employees of the National Litigation Sector. By assigning resources to national or regional cross-portfolio teams, the NLS handles a broader range of legal issues, develops a greater breadth of knowledge and expertise, and maximizes resources.

Justice Canada is the mandatory provider of legal services to government departments and agencies under the *Department of Justice Act*. It establishes written agreements in the form of standardized Memoranda of Understanding (MOU) to outline: roles and responsibilities; as well as the governance, funding (Annex B within the MOU) and performance regimes that will guide the relationship between the clients and Justice Canada for the demand and provision of legal services.

The delivery of legal services is supported by a hybrid funding model. Cost sharing between Justice Canada and its federal government clients is intended to be a mechanism to control demand. The current hybrid funding model includes cost recovery and clients are billed on a full-time equivalent (FTE) or hourly basis, depending on the type of legal service received (e.g. advisory, litigation, legislative). The Annex B within the MOU is critical to the cost recovery model at Justice Canada, and it requires (at a minimum) an annual update. The details of the Annex B are developed through joint planning and forecasting discussions and must be signed by both Justice Canada and the other federal government client. Involved parties involved in the Annex B process during the period covered by the audit include:

Involved parties	Roles and Responsibilities (Not exhaustive)
Finance and Planning Branch	The Sector's Finance and Planning Branch advises the Deputy Minister on financial management and performance and guides corporate documents like the Departmental Plan and Treasury Board submissions. The team handles client forecasts, revenue data, cost recovery processes, billing, annual plans, legal services rates, financial transactions, and client satisfaction surveys. Financial Management Services are provided to all Sectors and Direct Reports in support of operations, including planning and reporting activities.
Chief Financial Officer (CFO)	The CFO reviews and approves the Financial Situation Report (FSR) and presentations by the Resource Management Division (RMD), ensuring they are shared with the Management Committee (MC), which has since been replaced by the Resource Planning and Management Committee (RPMC), and Executive Committee (EC). They present FSR conclusions to the RPMC, highlighting financial pressures and risks, and instruct RMD to conduct reviews and performance monitoring, reporting to the RPMC and DM in compliance with budget policies.
Deputy Chief Financial Officer	The Deputy CFO reviews and comments on the presentation made by the Resource Management Division (RMD) and may assist with complex MOU negotiations. They then recommend the presentation to the Chief Financial Officer (CFO).
Assistant Deputy Ministers (ADM)	ADMs and ADAG negotiate and finalize MOUs and Annex Bs with federal entities, ensuring documents are signed by April 1st each year (as soon as thereafter) and adhere to MOU standard clauses. They maintain records, engage involved parties for annual forecasts, delegate billing review

and Assistant Deputy Attorney General (ADAG)	responsibilities, and the ADAG oversees all litigation conducted by or on behalf of Justice Canada.
Other Senior Management (e.g. Regional Director General, DG, Director, Regional Director, DLSU heads)	They are responsible and accountable for their budget and forecast for their assigned cost center(s). They certify their revenue forecasts and review operating forecasts for accuracy, adjusting as necessary.
Directors of Business Management (DBM)	Directors of Business Management (DBMs) coordinate the MOU process for their portfolio/sector and support ADMO/ADAGO in negotiations, including Annex B. They ensure all MOU documents are updated, uploaded to the central repository, and data from these documents and quarterly legal services reports are current and they sign certifications as the recommender.
National Litigation Sector (Regions and NCR units)	The National Litigation Sector (NLS) within the Department of Justice handles most litigation involving the Government of Canada, with six regional offices and the Civil Litigation Section (CLS) managing cases in their respective areas.
Legal Practices Branch (LPB)- includes Policy Division	The Legal Practices Branch, including the Policy Division, develops national policies and tools for the MOU process, monitors their application, and advises on MOU negotiations. They maintain the MOU Accountability Framework, perform QA activities, manage the Central MOU Repository, and report to senior management on MOU and Annex B development. The LPB is also responsible for the Department’s National Timekeeping Protocol.
Resource Management Division (RMD)	The Resource Management Division (RMD) develops and implements global forecasting and variance-reporting processes, consolidates results for decision-making, and ensures compliance with Treasury Board policies. They establish the corporate Financial Strategy and monitor and report on the Department’s financial position via Financial Situation Reports, including in-depth analyses, as required to support decision making.
Financial Management Advisor (FMA)	The responsibilities of the FMA’s include conducting trend analysis related to budgets, expenditures, and revenues, supporting managers in preparing Financial Situation Reports, and providing clarification on high variances in financial forecasts for their respective clients. Additionally, the role involves raising concerns about financial risks and guiding the preparation and analysis of financial forecasts. Financial Management Advisors coordinate and facilitate forecasting exercises, support the ADMs or other senior managers, and provide strategic recommendations and funding solutions.

For the litigation services provided and managed by the NLS, the forecasted amounts and the client billings are completed on an hourly basis for counsel and paralegals. The National Litigation Sector’s forecast for litigation equals:

$$\text{Projected hours for counsel} \times \text{hourly rate for counsel} +$$

Projected hours for paralegal X hourly rate for paralegal +
Disbursements (e.g., transcription, travel to remote locations, expert witnesses, etc.).

Projected hours are based on historical trends and a forward-looking assessment of the Department's current litigation file inventory.

These forecasts are monitored and adjusted by the NLS throughout the fiscal year, through the Department's financial monitoring activities which include, but are not limited to, the revenue forecast exercises, the cost recovery billing cycle, and the internal financial situation reporting process. These monitoring activities are a shared responsibility, but are led by sections within the Department's Finance and Planning Branch, and take place throughout the fiscal year as part of monitoring and overseeing the Department's financial position (i.e., Annex B exercise takes place during the February-April timeframe, the Revenue Forecasting exercise takes place in September, November and January which aligns with the Department's cost recovery billing cycle with clients).

Litigation forecasting allows other federal departments and agencies to anticipate the costs associated with the provision of litigation services for the year. Due to extensive planning and numerous parties involved in the litigation forecasting process, it is crucial to have robust governance structures and data management systems. This in turn supports an effective litigation forecasting process, which is dynamic and unpredictable in nature. This allows Justice Canada to be responsive and make decisions to achieve its mandate.

4 AUDIT OBJECTIVE

The objective of this audit was to provide assurance on the adequacy of the governance structure, data management, and information systems related to litigation forecasting for the provision of legal services.

5 AUDIT SCOPE

The period under examination included Fiscal Years (FY) 2022-23; 2023-24; and 2024- 25.

The scope for this audit included all relevant departmental governance structures, frameworks, processes, and practices, data sources used to develop the litigation forecasting for the provision of legal services. Areas of particular interest included:

- NLS' litigation forecasts as input into the MOU's Annex B,
- Justice Canada's Revenue Forecasting (RF) exercise, and
- Justice Canada's Financial Situation Report (FSR).

6 AUDIT APPROACH

This engagement was conducted in accordance with the Treasury Board of Canada Secretariat's *Policy and Directive on Internal Audit*, and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These standards require that the engagement be planned and performed in such a way as to obtain reasonable assurance that the objectives of the engagement were achieved.

7 FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSE AND ACTION PLAN

This section provides the findings and recommendations resulting from the audit work. The audit was conducted based on the lines of enquiry and audit criteria identified during the planning phase, which are presented in [Appendix A](#) of this report.

7.1 Governance and Oversight to Support the Litigation Forecasting Process

Justice Canada has governance and oversight structures in place to provide strategic direction and support and monitor the overall litigation forecasting process; however, documentation supporting this process should be updated to clarify the roles and responsibilities of all parties involved, and communication with these parties could be enhanced.

The Department has governance and oversight mechanisms that support the overall litigation forecasting process.

Most litigation services are managed by the Department's National Litigation Sector (NLS), which creates a litigation forecast as a means of estimating its total financial cost for litigation services provided to clients (i.e. other government departments). The Department's funding model consists of A-Base allocations and recoveries from departments and agencies. To limit discrepancies and variances between forecasted revenues and actual costs for legal services rendered, it is important to ensure that funds recovered from clients are aligned with actual litigation services provided. As such, it is important to have strong governance and oversight mechanisms to oversee the forecasting process as it is unpredictable.

The Department has a number of committees in place that provide strategic direction and oversight related to the overall litigation forecasting process. At the senior management level, committees such as the Executive Committee (EC) and the newly established Resource Planning Management Committee (RPMC) have broad mandates to provide oversight on the Department's Financial Situation Report, including reporting on revenue forecasts. To the extent possible, regular meetings take place between the NLS regional offices and the NLS Business Integration & Strategies Branch as well as between regional offices and DLSUs to review and discuss litigation and forecasting trends and variances.

The Department also has a number of directives, guidelines, and standard operating procedures in place to support its litigation forecasting process from a departmental budget management framework perspective (e.g. *The Directive on Memoranda of Understanding (MOU) Related to the Provision of Legal Services*, *Guidelines on Memoranda of Understanding*, *Revenue Forecasting Standard Operating Procedures*, etc.). These documents in particular were found to be important in supporting Justice Canada's Revenue Forecasting and the MOU process including the Annex B, as well as the Financial Situation Reporting process and ensuring alignment with the Government of Canada's policy direction related to financial management (i.e. *The Directive on Charging and Special Financial Authorities*).

Roles and responsibilities for litigation forecasting need to be clarified for relevant parties. Key components of the litigation forecasting process could be better explained as well.

While documentation exists to support the Department's overall litigation forecasting process, these documents do not provide sufficient detail to clearly describe all of the distinct components of the process. The audit team reviewed the National Litigation Sector's Revenue Management Standard Operating Procedure, an internal document for the Sector's FMAs detailing the Department's processes related to the Memorandum of Understanding (MOU) Related to the Provision of Legal Services and Revenue Forecasting. While this document is beneficial from the perspective of the Financial Management Advisors (FMAs) responsible for the NLS, as it outlines their roles and responsibilities as well as the methodology for generating the revenue forecast, it does not provide comprehensive information on the roles and responsibilities for other involved parties in the litigation forecasting process. Moreover, the document is dated from 2018-2019 and needs to be revised to incorporate any recent changes or amendments to the forecasting process for litigation. As a result, the connections between the different processes and the relevant parties involved throughout the forecasting process are challenging to understand from documentation review only.

Guidance documents on roles, responsibilities, and accountabilities are accessible to all internal parties involved in the litigation forecasting process (i.e., FMAs, DBMs, etc.) through Justice Canada's Digital Workspace and the Intranet. However, the audit team observed that these guidance documents lack specific details for the roles and responsibilities of relevant parties involved in the litigation forecasting process (e.g. legal directors or managers providing input on what litigation file(s) are driving the revenue forecast). Moreover, these documents are high-level and do not provide granular information on the roles and responsibilities of certain involved parties such as the clients, DLSUs, and legal counsels. For instance, the Justice Canada *Directive on MOU Related to the Provision of Legal Services* states that clients are responsible for negotiating the MOU, but does not emphasize the shared responsibility to ensure open and timely lines of communication with involved parties (such as NLS, DLSUs, clients, etc.). For example, instances where significant changes to the litigation file (e.g. postponement, dispute resolution, early settlements, etc.) are not communicated with all parties involved in a timely manner may impact the accuracy of the forecast. Additionally, the audit team found that the guidance documents do not emphasize the importance of DLSUs advising their respective FMA on changes to the litigation file's progress or timeline.

A standard operating procedure (SOP) which outlined certain roles and responsibilities of the NLS' FMA team in relation to revenue forecasting does exist; however, it requires updating, as it lacked comprehensive details regarding the roles and responsibilities of other stakeholders involved in the litigation forecasting process. During interviews with parties involved, some had a good understanding of their roles and what they were responsible for, while some others expressed confusion about tasks needed to be completed by them. Many commented that more communication and clarity on their roles and responsibilities for litigation forecasting, including additional training and onboarding for new employees, would be helpful. Some employees gained understanding of their roles and responsibilities by reviewing old files from their predecessor. The lack of clarity surrounding the roles and responsibilities for key stakeholders in the litigation forecasting process may challenge their understanding of their duties and obligations, and ultimately, may impact the Department's ability to provide timely and accurate forecasts, and to recover costs from legal services provided.

Overall, the impact of not having clear guidance documents could lead to inconsistencies and inefficiencies in the process, increasing the risk of non-compliance and errors. Ultimately, this could lead to clients not having the allocated funds to pay for the legal services, which could negatively impact the Department's financial position. Updating key documents related to litigation forecasting

would further support the consistency in the application of the overall litigation forecasting process across the Department.

Documented processes are in place to support the monitoring and assessment of the forecasting process and the cost recovering of legal services rendered.

Monitoring requirements are provided in departmental guidance documents such as the Justice Canada's Revenue Forecasting Standard Operating Procedure and the RF calendar. A revenue forecasting exercise (RF) was implemented by the Department's Financial Planning Branch (FPB) to actively monitor and oversee the Annex B forecast throughout the fiscal year. For each of the fiscal years covered by the audit, there were three RF exercises conducted annually to provide oversight and inform the Department's analysis of the actual billed amounts against the forecasted amounts. From interviews, the audit team found those parties that have more frequent litigation and/or requests between the RF periods, additional information or analysis is provided for ad hoc forecasting. These would include any adjustments that need to be reflected in the Department's billing cycle based on consultations with the clients. The Department's billing cycle consisted of prepayments of 50% which were collected from the majority of its clients in the first quarter, 40% in the third quarter, and the remaining 10% in the last quarter.

The FPB's Financial Situation Report (FSR) exercise also provides the Department's senior management team with a view of the financial situation of their area of responsibility. It also helps the Department anticipate deficits, surpluses and identify financial trends, pressures, opportunities and revenues. Litigation forecasting information included in these reports is shared by the CFO to the Management Committee (which is superseded by a new series of committees under the new Governance model). It provides senior management with an opportunity to discuss and make informed decisions about the Department's financial resources and budget allocation and reallocation throughout the year as this exercise is conducted 6 times per year.

While these processes are relevant in the overall context of forecasting, they do not make a distinction between litigation forecasting and forecasting for other legal services, such as advisory. Moreover, specific roles and responsibilities for the monitoring and assessment of litigation forecasting could be further detailed to cover all involved parties, including the Resource Management Division, NLS (e.g. ADAG, RDG, etc.), DBMs, DLSUs, FMAs, and the clients. While all of them have specific roles to play, some are documented and some are not. DLSUs and portfolios are also involved in various levels. Some have regular discussions with FMAs and DBMs or have the capacity to play a challenge function, while others accept the forecasted amount and rather focus on monitoring services and costs throughout the fiscal year. At the time of the audit, process maps for the Forecasting and Budget review and the Planning and Budgeting process were being updated.

Benchmarking with selected legal services divisions responsible for litigation services in provincial and territorial governments as well as other government departments found that each of the selected organizations operated differently as some perform cost recovery and others did not based on their organizations' funding structure. For those that do cost recovery, Justice Canada has similar or advanced monitoring mechanisms in place to review the forecasted estimates throughout the year to respond to changes as part of the Department's billing cycle.

Client communications guidelines should be enhanced to cover litigation forecasting.

The Department has a process in place to communicate with clients during the revenue forecasting process. Documentation specifies that FMAs are responsible for providing explanations on budget variances, but it does not outline the steps for how or when the FMA's should provide that information to the clients. In this process, DLSUs are the relevant parties that maintain relationships with the clients. Interviews with DLSUs revealed that overall communication with clients could be improved by enhancing two-way communications, which includes NLS. Some DLSUs have created their own dashboards as tools to enhance communication and to facilitate conversations with parties involved.

Further defining key steps for the litigation forecasting process and communications with clients would advance the Department's efforts to achieve its strategic outcomes, which include partner relationships and providing high quality legal services.

Recommendation # 1

As part of updating the standards, policies and procedures supporting the Department's litigation forecasting process, the ADAG, National Litigation Sector should work with the Chief Financial Officer and Assistant Deputy Minister, Management Sector and other relevant parties to:

- Clarify key steps for the litigation forecasting process, including how it fits into the Department's cost recovery model for provision of legal services (MOU, including the Annex B and RF).
- Define roles and responsibilities for the relevant parties involved in the litigation forecasting process.
- Establish guiding principles for litigation forecasting based on involved parties' knowledge and experience to promote communication, and collaboration among them. This could include principles that address information sharing and data entry, reporting frequency and case tracking.

Management Response and Action Plan

Agreed.

Actions:

- Conduct a thorough review of currently available documentation (including best practices) to identify gaps in the litigation forecasting process.
- Develop guidance which clarifies roles and responsibilities aligned with the litigation forecasting process and promotes communication and collaboration among all interested parties.

Deliverables:

- Update available documentation and/or create additional documents to support the litigation forecasting process (including best practices). Examples include:
 - ✓ Revenue Forecasting - Process
 - ✓ Revenue Forecasting - Roles and Responsibilities
- Define, update and communicate the roles and responsibilities of involved parties (including process maps/flows and procedures/guidelines) in the litigation forecasting process.
- Develop a feedback mechanism to assess the effectiveness of the litigation forecasting process, to encourage involved parties to share knowledge, experience and best practices.

Office of Primary Interest

National Litigation Sector

Office of Secondary Interest

Management Sector

Due Date:

Q4 2025-2026, for all deliverables

7.2 Managing Data and Information Systems

Departmental financial and non-financial information sources are available and accessible to internal parties to support the litigation forecast: however, timeliness of information exchanged between involved parties by various information owners and sources is sometimes impacted.

Data management and information systems facilitate and support the overall litigation forecasting process; however, transparency and accessibility of information could be further enhanced.

Litigation forecasting estimates are determined from a broad range of information sources that include data sets saved within the Department’s information systems. At the time of the audit, these systems include (but were not limited to) the following:

SYSTEM	USED FOR
<u>LEX</u> , the Department’s legal file management solution called LEX, which includes legal file information as well as timekeeping data (i.e., time entry by counsel or paralegal which was composed of file number/name, date, activity performed, duration and notes, if required).	<ul style="list-style-type: none"> • Validation of forecasts, where file information can be used to determine if the amounts for specific files are properly factored in. • Monitoring of forecasts, where timekeeping data is used to confirm the billing of actual hours worked and therefore, monitored in the RF exercises as part of the comparison between forecasted amount and actuals.
<u>Digital Workspace (DW)(SharePoint)</u>	<ul style="list-style-type: none"> • Document repositories.
<u>Integrated Financial Management System (IFMS)</u>	<ul style="list-style-type: none"> • Financial information related to (but not limited to) budgets, forecasts, and billings for cost recovery.
<u>Microsoft 365</u>	<ul style="list-style-type: none"> • Excel is used for Annex B reports, RF exercises, as well as roll up exercises and other revenue reports such as the FSR. • PowerPoint is used by NLS for presentations to the ADAGO, and to report on their monitoring exercises to clients and reporting of information relevant to the litigation forecasting for all involved parties, such a presenting information to DLSU, Management or clients.

Most information sources used to generate forecasts are available and accessible for involved parties and do support the litigation forecasting process. Through their interactions with their departmental clients, the DLSU's indicated during audit interviews that they found that these information sources are not always readily available to them. Involved parties indicated that they have the option to request the information they need from NLS through the DBMs within the respective portfolios or from the regions; however, this means that they do not always receive information in a timely manner. Moreover, information sources are scattered throughout multiple information systems, instead of one system integrating all data sources. This approach requires multiple resources, increases the risk for errors and of duplication of work.

Some involved parties have developed their own solutions such as dashboards or trackers. This ensures that they have the information they need in a timely manner to support their decision-making, client briefings, as well as the validating and monitoring of their forecast. For instance, one team created their own dashboard to make information more accessible to them. Another team created their own tracker for litigation in LEX to make information more accessible, and had regular meetings with various involved parties, as well as open communication with NLS to increase the timeliness of information sharing. Yet another team made efforts to standardize their data in LEX to create a custom dashboard in Tableau and help with their internal reporting. As the Department is transitioning from Tableau to PowerBI, there is an opportunity to further innovate and improve its current data and information management practices related to litigation forecasting, and to ensure that its information systems are better integrated. This would also further enhance timeliness and accessibility.

Benchmarking with selected legal services divisions responsible for litigation services in provincial and territorial governments as well as other government departments found that for those organizations that undertake forecasting to support their cost recovery, Justice Canada's financial and non-financial information sources (i.e., number of FTEs, projected hours, salary rate, historical trends on cases, etc.) were similar.

While available tools and information sources are helpful in validating, monitoring, and reporting of the litigation forecast at Justice Canada they required a lot of manual effort to compile and require multiple resources. While the audit team recognizes the need for human intervention during the litigation forecasting process, moving away from manual efforts to leverage automation, where applicable, and that better integrate data from various sources could be beneficial for the Department. This would also improve the Department's ability to validate, monitor and report on the litigation forecasts, by improving accessibility to data and systems for all parties involved.

Recommendation # 2

The ADAG, National Litigation Sector should work with the Chief Financial Officer and Assistant Deputy Minister, Management Sector and other relevant parties such as the Business Analytics team to streamline the litigation forecasting process by:

- Identifying available information and data needed to support the litigation forecast process;
- Conducting an analysis of current information systems to identify ways to automate parts of the litigation forecasting process.

Management Response and Action Plan

Agreed.

Actions:

- Perform a review exercise, which includes identifying available data needed to improve and support litigation forecasting (e.g. timekeeping data), as well as available information from various information sources.
- Explore improvements and opportunities for streamlining and automating business management and reporting practices.

Deliverables:

- In collaboration and consultation with other sectors/portfolios, conduct a review of the National Timekeeping Protocol and business practice/procedures with respect to timely timekeeping and compliance to support litigation forecasting:
 - ✓ Explore opportunities to enhance standardized timekeeping reports and a monitoring framework to ensure compliance.
 - ✓ Identify opportunities to train or enhance awareness on timekeeping practices.
- Report of exploration efforts on streamlining departmental data in the litigation forecasting process.

Office of Primary Interest

National Litigation Sector

Office of Secondary Interest

Management Sector

Due Dates:

Q4 2025-2026, First Deliverable

Q4 2026-2027, Second Deliverable

8 AUDIT OPINION

The Department has the structures and mechanisms to support litigation forecasting for the provision of legal services. There are governance and oversight structures in place to provide strategic direction and the Department has practices to monitor and adjust the forecasts. Their data management and information systems allow the Department and relevant parties to access to financial and non-financial information to support litigation forecasting and enable decision-making. To further improve and support the litigation forecasting process, the Department should develop or refine existing directives, policies, and procedures specifically for litigation forecasting, as well as leverage the Department's knowledge and capabilities to streamline the litigation forecasting process through automation.

APPENDIX A: AUDIT CRITERIA

LINE OF ENQUIRY 1: GOVERNANCE AND OVERSIGHT

1.1 Governance and oversight structures are in place to provide strategic direction and support for the Department's litigation forecasting process in a manner that ensures consistency and transparency across the Department.

1.1.1 The Department's governance structure provides strategic direction and oversight to support its litigation forecasting process.

1.1.2 The roles, responsibilities, and accountabilities for all key stakeholders involved in the Department's litigation forecasting process are clear, well defined and communicated.

1.1.3 The Department has processes and practices in place to develop its litigation forecasts and to monitor them, which includes considering the unpredictable nature of litigation.

1.1.4 The Department consistently applies its processes and practices in a manner that allows it to forecast litigation, assess the reasonableness of the forecast, adjust for variances, and facilitate client discussions throughout the fiscal year.

LINE OF ENQUIRY 2: DATA MANAGEMENT AND INFORMATION SYSTEMS

2.1 The Department's data management and information systems allow stakeholders to input and access financial and non-financial information to support litigation forecasting and enable decision-making.

2.1.1 The Department's financial and non-financial information sources are available and accessible to key departmental stakeholders in a timely manner to support the litigation forecasting process.

2.1.2 The Department's information systems support and facilitate its litigation forecasting process.

2.1.3 The Department utilizes its information sources and information systems to support departmental stakeholders in the validation, monitoring, and reporting of its litigation forecasting process.

**The audit criteria were approved prior to the drafting of the audit report, and therefore use the word "stakeholders", unlike the audit report.*

APPENDIX B: LIST OF ACRONYMS

ADAG	Assistant Deputy Attorney General
BMU	Business Management Unit
CFO	Chief Financial Officer
CLS	Civil Litigation Section
DBM	Director, Business Management
DLSU	Departmental Legal Services Units
DM	Deputy Minister
DW	Digital Workspace
EC	Executive Committee
FMA	Financial Management Advisor
FSR	Financial Situation Report
FTE	Full Time Equivalent
FY	Fiscal Year
Justice Canada	Department of Justice Canada
MC	Management Committee
MOU	Memorandum of Understanding
NCR	National Capital Region
NeDLSS	National eDiscovery and Litigation Support Services
NLS	National Litigation Sector
NSG	National Security Group
RDG	Regional Director General
RF	Revenue Forecast

RMD

Resource Management Division

RPMC

Resource Planning Management Committee

SOP

Standard Operating Procedure