



Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Audit of the Operation Return Home Project

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Audit and Assurance Services Branch**

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ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
ATR	Additions to Reserve
CFMP	Capital Facilities and Maintenance Program
CFN	Chief Federal Negotiator
CFO	Chief Financial Officer
CSA	Comprehensive Settlement Agreements
DG	Director General
ESC	Executive Senior Committee
HQ	Headquarters
MCF	Management Control Framework
ORH	Operation Return Home
RDG	Regional Director General

EXECUTIVE SUMMARY

Background

In 2011, catastrophic flooding resulted in the complete evacuations of the Lake St. Martin and Dauphin River First Nations, and the partial evacuations of the Little Saskatchewan and Pinaymootang First Nations. Between the flooding and late 2013, responsibility for the activities required by Aboriginal Affairs and Northern Development Canada (AANDC or the Department) to return the evacuees home moved between several Directorates within the Manitoba region.

In late 2013, the Department took a more project-focused view and developed a process to support the return of evacuees over a three-year period, including the negotiation of community settlement agreements, funding of the construction of infrastructure, and the settlement of outstanding litigation.

The activities required to return evacuees home became known as Operation Return Home (ORH). A Project Charter was finalized in February 2014 that outlined the governance, structure and goals of the project. The project has two main goals:

- Rebuild or re-establish communities to return evacuees home as soon as practicable.
- Resolve all litigation through negotiations among Canada, the Province of Manitoba and the four First Nations relating to the Fairford River Water Control Structure.

AANDC's approach has been to proceed simultaneously with activities related to both of the project's stated goals: i) funding the implementation of the necessary infrastructure to be able to return evacuees home; and, ii) negotiations on Comprehensive Settlement Agreements (CSA) with the impacted First Nations. The project is currently expected to be completed by fiscal year 2017-18.

The majority of the infrastructure work being completed for the project is being cost shared with the Province of Manitoba on a 50/50 basis, and the majority of project funding decisions require the approval of both levels of government. Furthermore, the management of the actual contracts for the construction activities to support the implementation plan is being conducted by each First Nation, with AANDC acting as the funder, which includes developing of funding agreements and ensuring recipients comply with the terms and conditions of the agreements.

Tripartite CSAs are still being negotiated with each impacted First Nation with the appointed Chief Federal Negotiator (CFN), and will require the approval of Canada, the Province of Manitoba and the respective First Nation. Canada continues to provide funding to house and support approximately 1,800 evacuees that have not yet been able to return home.

The *Audit of the Operation Return Home Project* was included in AANDC's 2015-16 to 2017-18 Risk-Based Audit Plan, given the high risk and significance of this project to the Department.

Audit Objective and Scope

The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes designed to support the achievement of the Department's objectives related to the ORH project.

The scope of the audit included an assessment of the adequacy and effectiveness of the management control framework for the ORH project, including the supporting governance structure, project delivery mechanisms, resource management, and risk management processes. The scope of the audit also included an examination of the Department's capacity and capability to deliver the project.

The audit focused on the project management practices controlled and/or influenced by AANDC, given that a number of variables impacting the project are outside the direct control of AANDC.

The scope of the audit covered the period April 1, 2013 to September 30, 2015. Audit fieldwork was conducted at AANDC Headquarters (HQ) in the National Capital Region and at the Manitoba Regional Office in Winnipeg.

Statement of Conformance

This audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the quality assurance and improvement program.

Positive Observations

The audit team observed examples of good practices related to the controls implemented for the Operation Return Home Project, including:

- As of June 2015, AANDC's Associate Deputy Minister has taken on the role of chairing regular meetings with the project team and key internal AANDC stakeholders, as well as co-ordinating and tracking against the project's work plan.
- A Project Charter was approved and a dedicated temporary project office was created in February 2014 for ORH, and is responsible for the management and coordination of the project for AANDC.
- AANDC retained a third party firm as of March 2015 to provide oversight and tracking of the project schedule related to the implementation plan for the four First Nations.
- Over the last year, AANDC has developed a strong working relationship with the Province of Manitoba for the execution of the project. This includes weekly meetings between AANDC and the Province.
- AANDC worked with the Province of Manitoba to develop a joint risk register outlining risks to the project.

Conclusion

The audit identified areas for improvement in the ORH project's governance, risk management and control processes that require mitigation to increase project performance and ensure the achievement of the Department's objectives related to the ORH project. The ORH project has had a number of delays related to its schedule, and without addressing the findings of this audit, it is at risk of not achieving its stated objectives and/or may exceed its projected budget. Opportunities for improvement were identified in relation to project governance, project management, management control framework and authorities and project risk management.

Recommendations

The findings identified in the audit report are focused on areas for improvement in the project's current management practices, for which AANDC has control. The recommendations provided to address these findings are outlined below and intended to increase project performance going forward and the likelihood that the project will achieve its objectives. Additional 'lessons learned' were identified that should be considered by AANDC management in relation to the initiation of any future projects that are similar in nature to ORH.

1. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to strengthen project governance:
 - Update the Project Charter to reflect the evolution of project governance, for instance, the role the Associate Deputy Minister has recently taken on of chairing regular meetings with the project team and key internal AANDC stakeholders, as well as co-ordinating and tracking against the project's work plan;
 - Update the Project Charter to reflect the required appropriate linkages between HQ Sectors and the Manitoba Region;
 - Conduct regular briefings to update central agencies in a timely manner; and,
 - Ensure regular project reporting mechanisms (e.g., dashboards) include the tracking of project risks and issues, how they are intended to be mitigated, by whom, and the current status of the mitigation activities.
2. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should ensure that a formal resource plan is developed for the project that includes the resource requirements (i.e., roles, level of effort and timing) in the directorates in the Manitoba Region that are involved in the execution of the project, as well as resources outside of the region (e.g. AANDC HQ) with the required experience and competencies who need to be more formally involved with the project.
3. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to enhance the project's Management Control Framework:

- Formally document and approve the process for the approval and funding of components under the ORH project between AANDC and the Province of Manitoba;
 - Implement additional controls to address the increased risks related to the funding of the individual infrastructure projects as part of the project; and,
 - Determine how the ORH project will fund the related 'non-infrastructure' components of the project within the current project governance and management control framework; and, document the required controls to be implemented and adhered to, related to any additional project governance and management control framework mechanisms that may be required in order to fund these activities.
4. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to strengthen project risk management:
- Update the project's risk management approach to include the assignment of risk owners, and the ongoing tracking and reporting to governance bodies on risks and issues;
 - Define a process to ensure project requirements and assumptions are reviewed, defined, and communicated on a regular basis; and,
 - Review and assess the communication plan on a regular basis, to ensure that the plan is proactive in nature and supports the mitigation of risks and issues.

Management Response

Management is in agreement with the findings, and has accepted the recommendations included in the report, and has developed a management action plan to address them.

1. BACKGROUND

2011 Manitoba Flooding

In 1961, the Province of Manitoba, with federal contribution funding, built the Fairford River Water Control Structure to better manage water levels on Lake Manitoba. Since the early 1970s, the operation of the structure has exacerbated the severity of flooding on adjacent bodies of water.

In the spring of 2011, the Province of Manitoba was hit by severe flooding that impacted more than 8,000 people and resulted in hundreds of millions of dollars in damage. The flooding, which extended from the south of Winnipeg to the Interlake Region, led to the evacuation of people from 18 First Nations communities, the most significant of which were Lake St. Martin and Dauphin River First Nations requiring complete evacuation, while Little Saskatchewan and Pinaymootang First Nations were partially evacuated. As of April 2015 there were approximately 1,800 evacuees still not able to return to these four communities as a result of the 2011 Flood. Each month, approximately \$1.5 million is being paid by the Government of Canada to continue to house and support these evacuees.

In relation to the flooding, the impacted First Nations have undertaken a number of legal actions that are ongoing, including a class action, against the Province of Manitoba and the Government of Canada.

Operation Return Home Project

Between the time of the initial flooding in 2011 and late 2013, responsibility for the activities required by Aboriginal Affairs and Northern Development Canada (AANDC) to return the evacuees home moved between several Directorates within the Manitoba region.

In fiscal year 2013-2014, AANDC, in partnership with the Province of Manitoba and impacted First Nations, began recovery efforts to enable evacuees to return to their home communities. In late 2013, AANDC developed a process to support the return of evacuees over a three-year period including negotiations of community settlement agreements, construction of infrastructure and the settlement of outstanding litigation.

The activities required to return evacuees home became known as Operation Return Home (ORH). A Project Charter was finalized in February 2014 that outlined the governance, structure and goals of the project. The ORH project has two main goals, as outlined in the Project Charter:

- 1) *Rebuild or re-establish communities to return evacuees home as soon as practicable:*

Implementation Plans have been developed for each First Nation that identifies operation-specific deliverables, including those related to lands, housing, and infrastructure. Infrastructure requirements are extensive through the four communities. Requirements include: feasibility studies and designs for the construction of new

schools, water treatment and wastewater treatment facilities, roads, drainage works and solid waste. Replacement housing is required for all communities.

These implementation plans for infrastructure elements adhere to the Management Control Framework used for the Capital Facilities and Maintenance Program (CFMP). The affected First Nations are responsible for: the development (assessment and updating) of community Infrastructure Investment Plans (known as First Nations Infrastructure Investment Plans); the planning, design, tendering, and construction of major capital projects funded as part of the project; and, meeting the reporting requirements as set out in their funding agreement. AANDC, with the Province of Manitoba, funds these capital projects, which includes the development of funding agreements and ensuring recipients comply with the terms and conditions of the agreements.

In certain cases, such as Lake St. Martin, the infrastructure is required to be built on new lands that are not prone to flooding. The additions to reserve (ATR) process to formally transfer this land to the First Nations is intended to only begin after a settlement agreement with the First Nations has been signed, and will adhere to the *National Additions to Reserve Policy*. Other lands will also be transferred through the ATR process that will be provided to the impacted First Nations as compensation for the granting of an easement related to current flood prone land that belongs to the impacted First Nations. These lands are seen as less of a priority for the ORH Project as the project is not intending to build infrastructure on these lands.

2) *Resolve all litigation among Canada, Manitoba and the four First Nations relating to the Fairford River Water Control Structure:*

The Chief Federal Negotiator (CFN) is responsible for the development of Tripartite Settlement Agreements between the Province of Manitoba, Government of Canada, and each of the four impacted First Nations. ORH negotiations are intended to have two stages: i) *Acknowledgment of Fundamental Elements* (similar to an Agreement-in-Principle); and, ii) *Comprehensive Settlement Agreement* (similar to a Final Agreement). The final tripartite Comprehensive Settlement Agreement (CSA) with each impacted First Nation is intended to address flood mitigation measures, housing and infrastructure, lands, economic development, compensation, easement requirements releases and indemnification, and community ratification.

The overall approach of AANDC has been to proceed with negotiations on agreements with the First Nations while simultaneously delivering infrastructure, with the objective of returning evacuees home as soon as possible.

The *Audit of the Operation Return Home Project* was included in AANDC's 2015-16 to 2017-18 Risk-Based Audit Plan, given the high risk and significance of this project to the Department.

2. AUDIT OBJECTIVE AND SCOPE

2.1 Audit Objective

The objective of the audit was to assess the adequacy and effectiveness of the governance, risk management and control processes designed to support the achievement of the Department's objectives related to the Operation Return Home project.

2.2 Audit Scope

The scope of the audit included an assessment of the adequacy and effectiveness of the management control framework for the ORH project, including the supporting governance structure, project delivery mechanisms, resource management, and risk management processes. The scope of the audit also included an examination of the Department's capacity and capability to deliver the project.

The audit focused on the project management practices controlled and/or influenced by AANDC, given that a number of variables impacting the project are outside the direct control of AANDC, such as the activities of the Province of Manitoba as well as those of the impacted First Nations, who must tender and award all contracts for the infrastructure implementation projects and accept the settlement agreements.

The scope of the audit covered the period April 1, 2013 to September 30, 2015. Audit fieldwork was conducted at AANDC Headquarters in the National Capital Region and at the Manitoba regional office in Winnipeg.

3. APPROACH AND METHODOLOGY

The audit was conducted in accordance with the requirements of the *Policy on Internal Audit* and followed the *Internal Auditing Standards for the Government of Canada*. The audit examined sufficient and relevant evidence to provide a reasonable level of assurance in support of the audit conclusion.

The principal audit techniques used included:

- Interviews with key management/staff personnel from the Regional Operations Sector, Chief Financial Officer (CFO) Sector, and Lands and Economic Development Sector at HQ and the Manitoba regional office;
- Review of relevant documentation related to the ORH Project, including:
 - Project Charter;
 - Management Control Framework;
 - Terms of Reference and supporting documents from key governance committees;

- Project-related documentation including implementation plans, project reporting artefacts, and risk registers; and,
- Policies, directives, guidance and operational procedures.
- Detailed examination of a sample of files related to project approvals to test compliance of the project's management control framework (MCF).

The approach used to address the audit objectives included the development of audit criteria against which observations and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A.

4. CONCLUSION

The audit identified areas for improvement in the ORH project's governance, risk management and control processes that require mitigation to increase project performance and ensure the achievement of the Department's objectives related to the ORH project. The ORH project has had a number of delays related to its schedule, and without addressing the findings of this audit, it is at risk of not achieving its stated objectives and/or may exceed its projected budget. Opportunities for improvement were identified in relation to project governance, project management, management control framework and authorities and project risk management.

5. FINDINGS AND RECOMMENDATIONS

Based on a combination of the evidence gathered through interviews, the examination of documentation, and analysis, each audit criterion was assessed by the audit team and a conclusion for each audit criterion was determined. Where a significant difference between the audit criterion and the observed practice was found, the risk of the gap was evaluated and used to develop a conclusion and to document recommendations for improvement.

The recommendations are focused on areas of improvement in the project's current management practices, for which AANDC has control. The recommendations provided to address these findings are intended to increase project performance going forward and further enable the project to achieve its objectives. Additional 'lessons learned' were identified that should be considered by AANDC management in relation to the initiation of any future projects that are similar in nature to ORH.

5.1 Project Governance

The audit expected that AANDC would have the appropriate level of organizational ownership for the project, and a defined governance structure that ensured that the appropriate individuals or groups were regularly consulted in relation to project decision making and execution. Furthermore, the audit expected that project reporting through the governance mechanisms would include a formal process for defining, tracking, and reporting on project status and issues.

The audit found that the Project Charter dated February 2014 outlined the intended governance structure for the project. The governance structure as outlined in the Project Charter reflected

that the primary responsibility for delivery of the project rests with the Manitoba Regional Office, with Headquarters support primarily provided by Sector Operations Branch, Regional Operations Sector. Secondary support was to be provided by all other sectors. A project-specific Executive Senior Committee (ESC) that included Assistant Deputy Minister (ADM) and Director General (DG)-level representation from throughout the Department was intended to act as the Project Steering Committee. As outlined in the Project Charter, the Project Champion was identified as the Senior Assistant Deputy Minister, Regional Operations.

Governance for the project has evolved since the approval of the Project Charter. As of June 2015, AANDC's Associate Deputy Minister has taken on an oversight role for the project, including chairing regular meetings with the project team and key internal AANDC stakeholders. The meetings are an opportunity to provide updates on negotiations, infrastructure and communications as well as discuss other issues related to the project.

As of September 2015, the ESC has not held a meeting since April 2015. Prior to this, the ESC was the main governance channel to liaise and debrief with central agencies such as Treasury Board and the Department of Justice. The audit found that AANDC no longer has a formal channel for briefings to central agencies in the form of scheduled meetings.

In the absence of ESC meetings, the Department's Operations Committee, although not a formal ORH project oversight body, continues to provide a level of governance for the project, which includes many of the same ADM and DG-level representatives that were on the ESC. The Operations Committee is responsible for the strategic oversight of the Capital Facilities and Maintenance Program (CFMP) for the Department. This includes the responsibility to approve Project Approval Requests for all major capital projects under the CFMP that are deemed high risk or are over \$10 million, including implementation projects under ORH. In addition, ORH provides quarterly updates to the Operations Committee on the status of the project.

Within the Manitoba Region, the project is a standing agenda item for the weekly Regional Operations Committee. Weekly conference calls with the province of Manitoba provide staff supporting the ORH project with the opportunity to discuss the current status of the project and the required next steps / activities.

With the evolution of the project governance structure, there is a lack of formally defined linkages to demonstrate the necessary support from the HQ sectors (e.g., Lands and Economic Development, Treaties and Aboriginal Government, Regional Operations Sectors) and those within the Manitoba Region in the execution of the project. Furthermore, without regular meetings with central agencies, there is an increased risk that key stakeholders will not be aware of issues in a timely fashion which could impact the outcome of the project.

Project dashboards are used to brief senior management and governance bodies on the status of the project, which includes planned announcements, identified funding requirements, budget summaries, upcoming milestones, lands and negotiation updates and a status on the implementation plans. Although there is a discussion of project risks and issues through the current governance structure, there is a lack of a formal process for defining, tracking, and

reporting on some key project items (e.g., risks, issues, outcomes) as part of the project dashboards.

Recommendation:

1. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to strengthen project governance:
 - Update the Project Charter to reflect the evolution of project governance, for instance, the role the Associate Deputy Minister has recently taken on of chairing regular meetings with the project team and key internal AANDC stakeholders, as well as co-ordinating and tracking against the project's work plan;
 - Update the Project Charter to reflect the required appropriate linkages between HQ Sectors and the Manitoba Region;
 - Conduct regular briefings to update central agencies in a timely manner; and,
 - Ensure regular project reporting mechanisms (e.g., dashboards) include the tracking of project risks and issues, how they are intended to be mitigated, by whom, and the current status of the mitigation activities.

5.2 Project Management

The audit expected to find that a plan for project resources was developed that took into account the size and complexity of the ORH project, to ensure it was adequately staffed in terms of capacity and capability, including the resources having the right experience and competencies. Furthermore, the audit expected to find that the roles and responsibilities for the ORH project had been clearly defined and communicated within AANDC (i.e., Manitoba regional office staff and HQ staff), to ensure that staff has clarity on their roles in the project and the required level of effort.

Project resources were required to be funded by the Department with existing funds. Although Grants and Contributions funding was received for this project, there was no Operations and Maintenance funding provided and therefore, new project-dedicated resources could not be hired. Given this, a formal resource plan or resource needs analysis based on the size and complexity of the project was never undertaken.

The Community Relocation and Rebuilding Directorate under the Manitoba Regional Director General (RDG) was established as a dedicated temporary project office in April 2014. The Directorate is being led by a Project Director with the support of a Project Coordinator and four full-time staff (from other areas within AANDC) related to project management activities.

Although a project team is in place, the majority of the resources and expertise required to execute the project are regional staff that are not dedicated solely to the project. This includes the staff involved in liaising with the CFN related to negotiations, communications, and the infrastructure implementation plans. Of particular note, the Infrastructure and Housing group,

within the Manitoba Region is responsible for the planning and managing of the overall implementation of the infrastructure plan for the project, including the development of estimates of overall project timing and budget. Although it has experience working on large projects, the Infrastructure and Housing group in the region has not managed an implementation schedule with this degree of complexity across multiple related projects, over several years, with multiple First Nations. A project of this size and complexity has not been previously undertaken in the Manitoba Region. The level of effort and role requirements for the use of resources within the business units has not been defined by the project. Without a formal resource plan which includes the resources in the business units that are not dedicated to the project or links resource requirements to the project schedule (i.e., the level of effort required at defined time periods), there is an increased risk that stakeholders within the sectors will not clearly understand their role in the project or the required level of effort which could negatively impact the achievement of the project's objectives. Resource-related risks are further increased given that the Manitoba Region was already facing resource capacity issues prior to taking on this project.

Although the ORH Project Charter indicates that "*project teams will need to leverage guidance and advice from various sectors to ensure the achievement of the various project elements*", the audit found that there has not been the extensive engagement between the regional delivery team and those AANDC staff at HQ or elsewhere with the additional seniority and/or experience/expertise in relation to areas such as finance, the law, negotiations, etc., that would have been beneficial to the project.

It was noted through interviews that some of these individuals have begun to play informal advisor roles; however, this is in addition to their regular responsibilities. For example, the ORH project has relied on the CFO Sector to provide ad hoc advice to the project related to budget and finances. A DG at AANDC HQ has recently been providing additional experience and competency in relation to assistance on the negotiations and draft agreements with the First Nations; however, this individual does not have a formal role defined for the project. Without sufficient engagement and delineation of roles for resources supporting the project, there is an increased risk that the resources required to ensure the success of a project of this size and complexity will not be sufficiently engaged.

Recommendation:

2. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should ensure that a formal resource plan is developed for the project that includes the resource requirements (i.e., roles, level of effort and timing) in the directorates in the Manitoba Region that are involved in the execution of the project, as well as resources outside of the region (e.g. AANDC HQ) with the required experience and competencies who need to be more formally involved with the project.

5.3 Management Control Framework and Authorities

The audit expected to find that approval and decision making processes for cost-sharing between AANDC and the Province of Manitoba were formally agreed to and documented. Furthermore, the audit expected that the required mechanisms to approve and fund all of the components of the project have been identified, with the appropriate controls implemented.

The majority of the infrastructure work being completed for the project is being cost shared with the Province of Manitoba on a 50/50 basis. In the summer of 2014, AANDC (on behalf of the Government of Canada) and the Province of Manitoba agreed to an “Understanding Regarding Cost Sharing”, which set out, on a percentage basis, each government’s financial commitments to the project. This understanding has been formalized through the Principles for Cost-Sharing, a bilateral master agreement. The audit found that it took significant time (i.e., the project’s first year) to align the funding approval process for project activities between the two levels of government. Although the process is currently working well, it has not been formally documented and approved. When approval processes between the two levels of governments are not formally agreed to and documented, there is an increased risk that they may need to be revisited if key stakeholders in either government change.

At the time of project initiation, it was determined by AANDC’s management that utilizing existing program authorities was the best course of action given the need to move the project forward in a timely fashion. The ORH project is using the delegated authorities under the Capital Facilities and Maintenance Program (CFMP), which relates to the funding of on-reserve and off-reserve infrastructure projects. The CFMP’s operational objectives are to make investments that maximize the life cycle of physical assets, mitigate health and safety risks, ensure assets meet applicable codes and standards, and ensure assets are managed in a cost-effective and efficient manner.

The audit noted that only a portion of the ORH project involves the implementation of infrastructure that would fall under the authority of CFMP. How the ORH project will fund the related ‘non-infrastructure’ components of the project within the current project governance and management control framework has yet to be identified. This includes activities such as the security and heating of completed infrastructure prior to evacuees returning home, as well as the arranging and coordination of transportation and communication to First Nations members. Although AANDC has indicated that funds for these types of activities may be available through the settlement agreement process, it is possible that these activities will need to be completed prior to the Comprehensive Settlement Agreements (CSAs) being finalized.

AANDC is currently considering alternative mechanisms for the funding of some ORH-related activities, including an escrow arrangement with the Province of Manitoba; however, the implementation considerations related to that option, including formal agreement and the documented control framework with the Province of Manitoba, have not yet been determined as of September 2015.

For the infrastructure-related components of the ORH project, the Management Control Framework (MCF) for CFMP has been updated specifically for the project, and ensures the

appropriate controls for the internal approval of infrastructure projects for the ORH project. The audit examined and assessed management practices against those described in the MCF and noted that the project is adhering to the updated MCF. This includes ensuring that individual implementation projects had completed the Project Approval Request and received the appropriate approvals (e.g., Manitoba RDG, Senior Assistant Deputy Minister of RO, and Operations Committee).

The audit found that a value and ethics clause was included as part of the project tendering process, accompanied by First Nation-specific meetings and correspondence with AANDC setting out expectations and outlining the importance of including values and ethics in the impacted First Nations governance model in order to protect the integrity of the tendering process. With the exception of the addition of a value and ethics clause, the controls related to the use of funds for the actual construction projects for the ORH remains the same as any other CFMP project, thus increasing the risk that these projects might not adhere to the funding terms and conditions in the absence of enhanced controls to account for the size and complexity of the ORH project. Specifically, AANDC regional project officers review progress reports in order to approve funding. AANDC has recognized that, given the overall size and complexity of the ORH project (i.e., multiple large projects over multiple First Nations) there is an additional risk posed to the infrastructure projects that are being completed as part of this project. The risk is further heightened given the limited resources and the number of infrastructure projects related to the ORH project.

Recommendation:

3. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to enhance the project's Management Control Framework:
 - Formally document and approve the process for the approval and funding of components under the ORH project between AANDC and the Province of Manitoba;
 - Implement additional controls to address the increased risks related to the funding of the individual infrastructure projects as part of the project; and,
 - Determine how the ORH project will fund the related 'non-infrastructure' components of the project within the current project governance and management control framework; and, document the required controls to be implemented and adhered to, related to any additional project governance and management control framework mechanisms that may be required in order to fund these activities.

5.4 Project Risk Management

The audit expected to find a project risk management approach that ensured the identification of risk owners and included processes for the identification, prioritization, mitigation, and reporting of risk. The audit also expected to find that a process was established to regularly define,

validate, and communicate project requirements and assumptions. Finally, it was expected that the communications plan for the project was reviewed on a regular basis, to ensure that the plan was proactive in nature and addressed identified project risks and issues

The audit found that the project team conducted a risk workshop in January 2015, followed by a risk validation session in March 2015. These two working sessions, conducted in Winnipeg with key representatives from the Province of Manitoba, AANDC HQ and the AANDC Manitoba Regional Office, resulted in the identification, rating, and prioritization of 11 risks for the ORH project as a whole. As a result, a *Federal-Provincial Risk Register for Infrastructure Related Risks Affecting Operation Return Home* (hereafter referred to as 'Risk Register') was created and provides, for each risk, a description, impact and likelihood ratings, risk drivers, potential consequences, a description of risk mitigation strategies in place, and proposed new risk mitigation strategies. The Risk Register is updated quarterly through joint discussions between AANDC and the Province of Manitoba.

Although risks for specific First Nations are mentioned under several of the risks identified in the Risk Register, a risk assessment has not been specifically performed for each First Nation. Given that each First Nation involved in the project is faced with its own challenges, there is an increased need to ensure risk mitigation activities are considered in the context of each First Nation impacted by the ORH Project.

Although risks have been identified through the Risk Register, there has been no formal ongoing management and reporting of risks, including the assignment of risk owners and the tracking of risk mitigation, or the identification of issues based on the risk materializing. Without a fully defined and implemented risk management process for the ORH project, there is an increased risk that key project risks will not be identified, monitored, and/or mitigated/managed by AANDC and its partners, thus resulting in a negative impact on the achievement of the project's objectives.

The initial project plan and schedule was based on assumptions that were not validated through a formal process, including a consideration of external dependency risks. It is important that assumptions are formally documented and the risks related to these assumptions are considered. Otherwise, there is an increased risk that project decisions based on these assumptions related to project schedule and costs may be incorrect.

Although implementation plans have been developed for each First Nation that outline the infrastructure required to be implemented within each community, more detailed project requirements (e.g., the specifications related to the houses that will be built) were not formally captured at project initiation. In addition, a formal benefits analysis to determine the appropriate requirements for the implementation of infrastructure and negotiations (e.g., alleviating overcrowding, mitigation of legal risk, etc.) was not completed. Given this, it is difficult to link project requirements (e.g., the specifications to which a house should be built or AANDC's negotiating positions) to benefits (e.g., the reduction of legal risk based on the implementation of infrastructure). This is required in order to assist with the prioritization of requirements and to

understand the impacts of project decisions (i.e., either proposed scope changes or evolving negotiating positions).

Finally, it is important that communication plans are developed in consideration of project risks and issues. AANDC's communication plan was approved in March 2014 by the RDG and shared with the HQ communications team and the province of Manitoba. The objectives were to explain to the regional and national media and the general public the steps which AANDC is taking to return evacuees home, to support Chiefs and Council in providing information to evacuees on the status of re-entry to communities and to demonstrate the partnership approach being taken to return evacuees to their communities. The plan highlight's AANDC's key communication methods (i.e. media relations supported by social media, website supported by social media, working with the Canadian Red Cross to provide information targeted to evacuees, First Nation community meetings and media monitoring). It also highlights the milestones/communications opportunities at a high level; however, there is no tracking of the different milestones/communications opportunities, and the communication plans have not been revisited frequently enough to reflect changes in the implementation plans and the negotiations. While AANDC has an established communications plan, there is a need to be more proactive and improve external communications, such as aligning communication plans to risk factors, to better manage overall perceptions of the project. While a protocol on joint communications has been drafted which sets out how the negotiating teams for the parties plan to work together on joint communications efforts targeting third parties, this protocol has yet to be implemented. The lack of a comprehensive and proactive communication plan increases the risk of negative publicity for AANDC, and may make the negotiations with the impacted First Nations more difficult.

Recommendation:

4. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to strengthen project risk management:
 - Update the project's risk management approach to include the assignment of risk owners, and the ongoing tracking and reporting to governance bodies on risks and issues;
 - Define a process to ensure project requirements and assumptions are reviewed, defined, and communicated on a regular basis,
 - Review and assess the communication plan on a regular basis, to ensure that the plan is proactive in nature and supports the mitigation of risks and issues.

5.5 Lessons Learned

Additional 'lessons learned' were identified that should be considered by AANDC's management in relation to the initiation of any future projects that are similar in nature to ORH. These lessons learned include:

- Future projects of ORH's size and complexity would benefit from from a project management framework that ensures the necessary functional and resource support mechanisms are identified and provided. This should include developing a framework to consider how to sequence negotiations with First Nations with the delivery of other project objectives, such as the implementation of infrastructure. Furthermore, the Department would benefit from proactively conducting joint planning exercises with stakeholders that AANDC would be required to work with, such as Provinces and other supporting third parties (e.g., charitable or other organizations involved in emergency management).
- Although projects such as ORH likely need to be delivered regionally, future projects of this size and complexity that are considered departmental priorities, would benefit from a project management framework that ensures the necessary support is initially identified and then provided from HQ and/or other regions. Developing an inventory of the required experience and competencies that a project such as ORH requires, and subsequently identifying where this capacity is located throughout the Department, would assist future projects.

6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date (Month & Year)
<p>1. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to strengthen project governance:</p> <ul style="list-style-type: none"> Update the Project Charter to reflect the evolution of project governance, for instance, the role the Associate Deputy Minister has recently taken on of chairing regular meetings with the project team and key internal AANDC stakeholders, as well as coordinating and tracking against the project's work plan; Update the Project Charter to reflect the required appropriate linkages between HQ Sectors and the Manitoba Region; Conduct regular briefings to update central agencies in a timely manner; and, Ensure regular project reporting mechanisms (e.g., dashboards) include the tracking of project risks and issues, how they are intended to be mitigated, by whom, and the current status of the mitigation activities. 	<ol style="list-style-type: none"> The Project Charter will be updated to reflect the evolution of project governance, inclusive of the assignment of risk owners, as well as the role of new leadership on the file: Director General, Strategic Initiatives, and Regional Operations. The Project Charter will be updated to reflect the required and appropriate linkages between HQ Sectors and the Manitoba Region. Central Agencies will be contacted to determine the appropriate level and frequency of briefings. The Dashboard will be updated to include risks and proposed mitigation strategies. 	<p>Senior Assistant Deputy Minister, Regional Operations</p> <p>Director General, Strategic Initiatives, Regional Operations</p> <p>Regional Director General, Manitoba Region</p>	<ol style="list-style-type: none"> March 2016 March 2016 March 2016 March 2016

<p>2. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should ensure that a formal resource plan is developed for the project that includes the resource requirements (i.e., roles, level of effort and timing) in the directorates in the Manitoba Region that are involved in the execution of the project, as well as resources outside of the region (e.g. AANDC HQ) with the required experience and competencies who need to be more formally involved with the project.</p>	<ol style="list-style-type: none"> 1. A Resource Plan is submitted to Financial Management Committee on an annual basis as a request for a special allocation with a rationale as to project requirements and a proposed source of funds. This will be resubmitted for the next fiscal year. 2. In addition, roles and responsibilities will be updated through the revision of the Project Charter, inclusive of formalizing accountabilities and ensuring consistency with the Resource Plan. 	<p>Senior Assistant Deputy Minister, Regional Operations</p> <p>Director General, Strategic Initiatives, Regional Operations</p> <p>Regional Director General, Manitoba Region</p>	<ol style="list-style-type: none"> 1. March 2016 2. March 2016
<p>3. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to enhance the project's Management Control Framework:</p> <ul style="list-style-type: none"> • Formally document and approve the process for the approval and funding of components under the ORH project between AANDC and the Province of Manitoba; • Implement additional controls to address the increased risks related to the funding of the individual infrastructure projects as part of the project; and, • Determine how the ORH project will fund the related 'non-infrastructure' components of the project within the current project governance 	<ol style="list-style-type: none"> 1. In collaboration with the Province of Manitoba, Operation Return Home will document the project approval funding processes. 2. The project has recently instituted additional controls to those already identified within the MCF for the CFMP. For example, AANDC and the Province of Manitoba have developed and implemented: enhanced bidder instructions (including Conflict of Interest guidelines); step-by-step progress payment process; and, enhanced tracking of scheduling and progress. Project management will also seek other opportunities to enhance such controls. 	<p>Senior Assistant Deputy Minister, Regional Operations</p> <p>Director General, Strategic Initiatives, Regional Operations</p> <p>Regional Director General, Manitoba Region</p>	<ol style="list-style-type: none"> 1. March 2016 2. Progress report: September 2016 3. Progress report: September 2016

<p>and management control framework; and, document the required controls to be implemented and adhered to, related to any additional project governance and management control framework mechanisms that may be required in order to fund these activities.</p>	<p>3. Operation Return Home has undertaken these activities within existing program and funding authorities. All costs associated with ORH will be tracked for potential cost-share eligibility. Lessons learned from the delivery of this project will be considered and incorporated within the larger context of infrastructure investments and project management.</p>		
<p>4. The Senior Assistant Deputy Minister, Regional Operations, and the Regional Director General, Manitoba Region, should undertake the following activities to strengthen project risk management:</p> <ul style="list-style-type: none"> • Update the project’s risk management approach to include the assignment of risk owners, and the ongoing tracking and reporting to governance bodies on risks and issues; • Define a process to ensure project requirements and assumptions are reviewed, defined, and communicated on a regular basis, • Review and assess the communication plan on a regular basis, to ensure that the plan is proactive in nature and supports the mitigation of risks and issues. 	<ol style="list-style-type: none"> 1. Consistent with the response to item 1, the Project Charter and Risk Register will be updated to ensure the appropriate assignment of risk owners. 2. In addition to updating the Project Charter, Operation Return Home will update the Implementation Plan and Risk Register on a quarterly basis, recognizing that having a process to validate assumptions and consider the risks related to these assumptions will assist in mitigating them. 3. The Communications Plan will be reviewed and updated on a quarterly basis to ensure it is proactive in nature and supports and demonstrates the mitigation of risks and issues. 	<p>Senior Assistant Deputy Minister, Regional Operations</p> <p>Director General, Strategic Initiatives, Regional Operations</p> <p>Regional Director General, Manitoba Region</p>	<ol style="list-style-type: none"> 1. March 2016 2. March 2016 3. March 2016

Appendix A: Audit Criteria

To ensure an appropriate level of assurance to meet the audit objectives, the following audit criteria were developed:

Governance and Strategic Direction	
1.	Effective mechanisms are in place to set and maintain Project Direction, including the clarity of objectives. Appropriate approaches are used to provide governance to the project, including an effective governance framework, accountability model, budget controls, and issue management process.
Delivery Management	
2.	Effective mechanisms are in place to support the delivery of the correct project outcome, including the appropriate level of planning and scheduling, and the management of stakeholders.
Resource Management	
3.	Project resources are appropriately planned and selected.
Risk Management	
4.	The risk management approach is appropriate given the nature of the project.

Appendix B: Relevant Policies, Directives and Guidance

The following authoritative sources were examined and used as a basis for this audit:

- AANDC Management Control Framework for Infrastructure Elements
- Project Charter for the Operation Return Home Project