Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
Développement du Nord Canada

Aboriginal Affairs and Northern Development Canada

Internal Audit Report

AUDIT OF AANDC AND ADJUDICATION SECRETARIAT SUPPORT TO THE INDEPENDENT ASSESSMENT PROCESS

Prepared by:

Audit and Assurance Services Branch

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Canada

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LIST OF ACRONYMS

AES	Audit and Evaluation Services
AANDC	Aboriginal Affairs and Northern Development Canada
BPI	Business Process Improvement
CEP	Common Experience Payment
DoJ	Department of Justice
EDI	Electronic Document Interchange
EPM	Employee Performance Management
FTE	Full-Time Equivalent employees
GST/HST	Goods and Services Tax/ Harmonized Sales Tax
HR	Human Resource
IAP	Independent Assessment Process
IFMS	Integrated File Management System
IM/IT	Information Management/ Information Technology
IRSAS	Indian Residential Schools Adjudication Secretariat
IRSRC	Indian Residential Schools Resolution Canada
IRSSA	Indian Residential Schools Settlement Agreement
NAC	National Administration Committee
NRA	National Research and Analysis Directorate, Data Management and Control Unit
NSP	Negotiated Settlement Payment
MAF	Management Accountability Framework
PAYE	Payables at Year-End
POI	Person of Interest
SAO Branch	Settlement Agreement Operations Branch
TB	Treasury Board
TBS	Treasury Board Secretariat
SADRE	Single Access to Dispute Resolution Enterprise
SLA	Service Level Agreement

EXECUTIVE SUMMARY

Background

The mandate of the Adjudication Secretariat is to implement and administer an Independent Assessment Process (IAP) under the direction of the Chief Adjudicator in an independent, objective and impartial manner. Within AANDC, the Settlement Agreement Operations Branch (SAO Branch) is responsible for representing Canada at hearings, negotiating settlements without a hearing, researching and paying the settlements.

The Independent Assessment Process (IAP) is an out of court, alternative dispute resolution process that resolves claims of abuse suffered at Indian Residential Schools. Former students of residential schools who experienced sexual or serious physical abuse may be eligible for compensation through the IAP. The IAP is one element of the Indian Residential Schools Settlement Agreement (IRSSA), which is the largest class action settlement in Canadian history and is expected to bring a fair and lasting resolution of the legacy of Indian Residential Schools.

The IAP is supported jointly by the Indian Residential Schools Adjudication Secretariat (IRSAS or Secretariat) and Aboriginal Affairs and Northern Development Canada (AANDC).

Objective and Scope

The audit objective is to provide assurance over the adequacy, efficiency and effectiveness of the management controls of both AANDC and the Secretariat in meeting their obligations to support the IAP.

The scope of the audit includes the responsibilities of the SAO Branch and the Secretariat to support the IAP and the Chief Adjudicator.

The scope did not include those aspects of the independent alternative dispute resolution processes within the IAP that are administered under the direction of the Chief Adjudicator, an appointee of the Oversight Committee (formed of representatives of the parties to the IRSSA). In addition, it did not include any assessment of decisions made by the independent adjudicators.

Conclusion

Generally, management practices were found to be adequate, efficient and effective at meeting obligations to support the IAP. However, without major concerns some areas for improvement were identified as follows:

Secretariat	AANDC-SAO Branch
▪ employee performance management;	▪ information sharing (Claimant Documentation);
▪ risk management;	▪ timely settlement payment
▪ human resource staffing actions; and	▪ HR staffing actions; and
▪ procurement.	▪ procurement

The audit also identified opportunities where Headquarters corporate functions could better support the Secretariat and SAO Branch in the areas of human resources recruitment and hiring, and procurement.

Recommendations:

It is recommended that the Executive Director of the Secretariat:

1. Identify and implement a more consistent approach across the Secretariat of the reporting of strategic objectives, key activities, related risks and mitigation to improve the clarity of communication, and efficiencies in reporting and monitoring;

3. Ensure staffing action authorizations are performed in advance;

4. Ensure document retention for staffing actions is maintained and available for audit purposes in keeping with expected information management policies;

5. Ensure that the practices of authorizing payments under the Financial Administration Act are consistently applied to all acquisitions and expenditures, including section 32 and pre-audit approval. Pre-audit approval can be improved by using a stamp on invoices, to help ensure the section is completed; and

6. Ensure calculation of goods and services tax/ harmonized sales tax (GST/HST) is performed accurately. .

It is recommended that the Director General of the SAO Branch:

2. Consider the SharePoint information sharing initiative as a means for the SAO Branch to realize efficient and effective use of resources in support of the IAP. If the initiative is pursued, management should ensure there are adequate training resources and system support for the SharePoint software;

7. Ensure staffing action authorizations are performed in advance; and

8. Implement a process to identify and escalate decisions that have exceeded the target completion date by a significant amount of time, to help ensure their completion.

1. INTRODUCTION

1.1 Background

The mandate of the Adjudication Secretariat is to implement and administer the Independent Assessment Process (IAP) under the direction of the Chief Adjudicator in an independent, objective and impartial manner. Within AANDC, the Settlement Agreement Operations (SAO) Branch is responsible for representing Canada at hearings, negotiating settlements without a hearing, researching and paying the settlements.

The IAP is an out of court, alternative dispute resolution process that resolves claims of abuse suffered at Indian Residential Schools. Former students of residential schools who experienced sexual or serious physical abuse may be eligible for compensation through the IAP. The IAP is one element of the Indian Residential Schools Settlement Agreement (IRSSA), which is the largest class action settlement in Canadian history and is expected to bring a fair and lasting resolution of the legacy of Indian Residential Schools.

The IAP is supported jointly by the Secretariat and AANDC. Key functional activities within the IAP include: applications intake review and admission; case management; hearings management; coordination of medical and psychological assessments; and providing financial and medical support as required in accordance with the decision rendered. The adequacy, efficiency and effectiveness of the processes and practices by the Secretariat and SAO Branch to support the IAP are of direct relevance to their combined ability to achieve expected objectives. Cases are expected to be processed in an adequate, efficient and effective manner, supported by documented processes, and processed in accordance with the decisions rendered

This audit was conducted with a focus on assessing the adequacy, efficiency and effectiveness of the management practices relevant to IAP's key functional activities listed above. Specifically, the audit assessed the extent to which they provide reasonable assurance that processed settlements are consistent with the IAP's objectives.

2. AUDIT OBJECTIVE AND SCOPE

The audit objective is to provide assurance over the adequacy, efficiency and effectiveness of the management controls of both AANDC and the Secretariat in meeting their obligations to support the IAP.

The scope of the audit includes the responsibilities of the SAO Branch and the Secretariat to support the IAP and the Chief Adjudicator. Within AANDC, the SAO Branch is responsible for representing Canada at hearings, negotiating settlements without a hearing, researching and paying the settlements.

The scope included consideration of the Management Accountability Framework (MAF) and Core Management Control elements that help ensure effective governance, risk management, stewardship, and accountability related to support to the IAP.

Not included in the scope were those aspects of the independent alternative dispute resolution processes within the IAP that are administered under the direction of the Chief Adjudicator, and appointee of the Oversight Committee formed of representatives of the parties to the Indian Residential Schools Settlement Agreement (IRSSA). In addition, it did not include any assessment of decisions made by the independent adjudicators.

3.   APPROACH AND METHODOLOGY

The audit of the SAO Branch and Secretariat support to the IAP was planned and conducted to be in accordance with the Internal Auditing Standards for the Government of Canada as set out in the Treasury Board (TB) *Policy on Internal Audit* and with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the audit conclusion provided and contained in this report.

The principal audit techniques used included:

- Interviews with key management and staff personnel;
- Review of relevant documentation; and
- Evaluation of the system of internal controls, risk management and governance within the SAO Branch and Secretariat for processes within the audit scope.

The approach used to address the audit objectives included the development of audit criteria against which observations, assessments and conclusions were drawn for both the Secretariat and the SAO Branch. The audit objectives and criteria developed for this audit covered processes in areas of Governance, Risk Management, Claimant Documentation, Scheduling Hearings and Back Office Support are included in Appendix A.

4.   CONCLUSION

Generally, management practices were found to be adequate, efficient and effective at meeting obligations to support the IAP. However, the following areas for improvement were identified:

Secretariat	AANDC-SAO Branch
▪ employee performance management;	▪ information sharing (Claimant Documentation);
▪ risk management;	▪ timely settlement payment
▪ human resource staffing actions; and	▪ HR staffing actions; and
▪ procurement.	▪ procurement

5. OBSERVATIONS AND RECOMMENDATIONS

5.1 Governance

Secretariat

Overall the audit found governance and key operational processes in place to support the efficient and effective delivery of required services to the IAP.

Strategic and Operational Planning

The Secretariat has a strategic plan for the period 2011 through 2014. The Secretariat uses the strategic and operational planning process to help identify future actions, roles and responsibilities and future resource requirements. The audit found that the strategic objectives inform the operational (business) plans for the directorates for the Secretariat.

Interviews with management, a review of supporting documentation and a judgemental sample of Employee Performance Management (EPM) forms, demonstrated alignment between the strategic objectives, directorate operational objectives and individual staff goals.

Financial Planning

There are operational plans for each Directorate within the Secretariat. Directorate operating budgets are informed by the strategic objectives and operational plans. Directors and managers with budget responsibility and authority review the actual spending against their budget on a monthly basis and document detailed variance explanations in the Quarterly Report.

Procurement

Support from the department for procurement services has not been timely. One example highlighted was establishing contracts for adjudicators. Instead of issuing contracts, the department procurement function originally prepared supply arrangements which were not required.

The audit found that due to the fixed time frame of the IAP, timeliness issues arose due to the complexity of procurement processes. Significant attention and effort was required to ensure services were procured for system design and implementation. This was the case for the Electronic Document Interchange (EDI) and Integrated File Management System (IFMS) information management systems.

Human Resource Planning

There is a process for human resource planning which results in a Strategic Human Resources Plan. This plan sets out the organizational goals and the resulting HR priorities. Details of the plan include an HR action plan and staffing plan for 2011-2014.

HR services support is provided by AANDC, which makes it difficult for the Secretariat to hire in a timely manner. Interviewees consistently noted how challenging it is for the Secretariat to hire staff in a time frame that would be shorter than that experienced by the Department. This process can

take from 12 to 18 months to complete, which is the standard timeframe across government. This time frame is too long for the Secretariat to effectively and efficiently support the IAP process, which has a fixed time frame within which to complete the assessment. Interviewees acknowledged that the HR hiring process likely cannot be changed hence the use of term, contract, secondments and deployments to help address the HR needs.

Performance Measurement

There are two key requirements included in Section 6 of the Settlement Agreement that act as main performance measures for the Secretariat. These are:

i. IAP claimants will be offered a hearing within 9 months of their claim being admitted into the IAP; and

ii. The rate of claims submitted annually would be 2,500 or less.

The Secretariat monitors the length of time for a hearing to be offered as well as the number of claims submitted annually. In fact, the rate of claims submitted is higher than originally expected, and has reached more than 5,100 per year on average.

The audit noted examples of weekly and monthly reports that include information on volumes:

- IAP Dashboard and revised Dashboard –reports claims data and tracks claims through the various stages. A number of service standards are monitored weekly.

- IAP Weekly Report – includes volume data on 1-800 calls made, applications received and sent.

- EDI Report - tracks the usage of the Electronic Document Interchange system.

- Quarterly report – reports results against key activities and performance indicators/milestones.

A review of the reports revealed that the Secretariat is monitoring progress against their strategic and operational goals. For example, the IAP Dashboard reports the outcomes of activities against the first strategic objective "processing claims in a timely manner", and the Quarterly Report includes activities achieved against each of the strategic objectives.

Communication

The Secretariat contributes to weekly Settlement Agreement Operations Committee (Operations Committee) meetings as well as monthly meetings with the Oversight Committee. This implies collaboration with various stakeholders in the IAP (Crawford Class Action Services, SAO Branch, Chief Adjudicator, Churches, First Nation Representatives and Claimant Counsel) and is in direct support of the IAP process.

Recommendation:

There are no recommendations for this area.

SAO Branch

Overall the audit found governance and key operational processes in place to support the efficient and effective delivery of required services to the IAP.

The SAO Branch role and authority were established with the submission of a Memorandum to Cabinet in 2006/2007.

The audit noted that the SAO Branch considered a subsequent Memorandum to Cabinet, but elected to submit a TB submission, on the basis that the business and risks had not changed significantly from the initial Memorandum to Cabinet in 2006/2007. The SAO Branch is currently preparing a Memorandum to Cabinet submission for funding through 2017, which includes risks associated with the IAP.

The audit confirmed that the SAO Branch has established and chairs the Operations Committee, which meets weekly. The Branch also contributes to monthly meetings with the Oversight Committee, which, along with the other participating stakeholders, helps to improve the effectiveness and efficiency of the IAP process. The Oversight Committee has also formed a Technical Sub-Committee to which the SAO Branch contributes, to develop practical tools for stakeholders.

Recommendation:

There is no recommendation for this area.

5.2   Risk Management

In today's environment, the need for effective risk management to promote good governance and demonstrate accountability is important. There is an expectation that the Secretariat and the SAO Branch understand the key risks to achievement of their objectives and have appropriate mitigation plans in place. Having a documented approach to risk management enables management to better identify, articulate and understand the potential risks and related exposures given current controls and/or mitigation activities. Audit work in this area focused on risk management at the organization level and its application to operational decisions.

Secretariat

Overall, the audit found that there appears to be an adequate risk management process in place to support the achievement of the Secretariat's IAP support service requirements.

The Secretariat has documented risks at the organizational level and has risk mitigation plans. The Secretariat has documented risks associated with each of its strategic objectives included in the Strategic Plan. Each risk has an associated risk assessment, mitigation measure, monitoring and communication activity.

Consideration of risks and related mitigation controls was also noted in the following:

- The Strategic Plan for 2011-14 notes that the risk of not meeting the strategic outcome of advancing reconciliation among former students of Indian Residential Schools and the Government of Canada within the prescribed timeline of the Settlement Agreement is very high;

- The Secretariat prepared an inventory of risks associated with each of the strategic objectives identified in the Strategic Plan;

- The 2011-12 Business Plan includes each of the strategic objectives with related results expected, performance indicators/milestones, quarterly targets and risk assessment;

- The HR Action Plan for 2011-14 includes strategic objectives with related activities, performance indicators/milestones and risk assessment; and

- The Admissions and Adjudication Management Directorate prepared a risk framework that aligns the strategic objectives to the related results expected, performance indicators/milestones, quarterly targets and risk assessment.

However, the audit noted an opportunity for the Secretariat to implement a more consistent approach to the reporting and monitoring of objectives, key activities, related risks and mitigation measures against the strategic objectives. Specifically, the audit noted that the IRSAS Risk Assessment 2011, Risk Management Framework (Admissions & Adjudication Management) and the Quarterly Report Q4 FY 2010-11 each report objectives, key activities, related risks and mitigation measures, however the objectives and activities differ between the three reports.

*Recommendation***:**

It is recommended that the Executive Director of the Secretariat:

1. Identify and implement a more consistent approach across the Secretariat of the reporting of strategic objectives, key activities, related risks and mitigation to improve the clarity of communication, and efficiencies in reporting and monitoring.

SAO Branch

Overall, the audit found that there appears to be an adequate risk management process in place to support the achievement of the Branch's IAP service requirements.

The SAO Branch undertook an assessment of its risks related to its strategic objectives, developing a heat map and risk registry. The risk registry includes a detailed description of risks, consequences, mitigation measures, a risk rating, risk response, monitoring and communication elements. Although used as a framework for risk management and as a communication tool, much of the Branch's risk mitigation actions were identified and applied at a more operational level. In addition, the audit noted that the SAO Branch performed organizational-level risk-planning activities at the outset of the IAP, and considered risk mitigation strategies to address the identified risks.

The SAO Branch identifies, monitors and communicates risks; and the status of mitigation through weekly Operations Committee meetings, as well as monthly meetings with the Oversight Committee, including the Technical Sub-committee. The Oversight Committee addresses a

combination of business-level and strategic-level risks, whereas the Operations Committee typically focuses on business-level risk. The audit also noted that the SAO Branch has undertaken risk identification and mitigation activities in addition to those reported to the Operations Committee. Risks and related mitigation controls were noted for strategic and operational level risks.

Recommendation:

The audit has no recommendation to make for this objective.

5.3 Claimant Documentation

The audit focused on a number of key functional activities. The following notes the audit criteria used to assess each key functional activity. Responsibility for each of the functional activities is noted below in parentheses.

- Identification of claimants (Secretariat);
  - communication and outreach to potential claimants;

- Admission appeals (Secretariat);
  - access to Secretariat services;
  - monitoring of the admission appeals process;

- Documentation, Monitoring and Support (Secretariat & SAO Branch);
  - completion of Canada Document Disclosure (SAO Branch);
  - monitoring of documentation for hearings (Secretariat); and
  - monitoring of documentation for negotiated settlements (SAO Branch).

Secretariat

Overall the audit found that there are a number of controls in place within the Secretariat to help ensure efficient and effective support for the identification and completion of claimant documentation. It was noted during interviews and review of statistical reporting, that there are a significant number of claims that have been admitted into the process and are on hold due to a lack of required documentation. Outstanding documentation can include required documentation from claimants, other federal government departments such as Correctional Services Canada, and medical practitioners. Although many of the reasons for the delays and outstanding claims are beyond the control of the Secretariat, the audit noted that the Secretariat continues to work to identify the root cause of cases on hold, and with the various stakeholders to reduce the number of claims on hold.

A number of controls that help ensure efficient and effective identification and completion of claimant documentation were noted during the audit such as the holding of regular meetings, quality assurance reviews and regular reporting. For a more comprehensive list see Appendix B.

Recommendation:

The audit has no recommendation to make for this objective.

SAO Branch

Overall the audit found that there are adequate controls in place by the SAO Branch to document, monitor and support the completion of Canada Document Disclosure and to monitor completion of claimant documentation for negotiated settlements.

The audit found that there are a number of controls in place within the SAO Branch to help ensure efficient and effective support for the completion of Canada Document Disclosure. The SAO Branch collaborates with the Secretariat and other stakeholders on a weekly and monthly basis to help ensure and explore opportunities to improve efficient and effective support for the completion of Canada Document Disclosure. Interviews and documentation review identified that there is timely, formal collaboration between the SAO Branch and Secretariat, at a strategic level through the monthly Oversight Committee, and at a functional level through the weekly Operations Committee, the weekly Technical Sub-Committee (of the Oversight Committee) and the bi-weekly SADRE call. It was also noted, through interviews and testing, that there is timely, informal dialogue between the SAO Branch and Secretariat to resolve operation-level and individual case-level issues.

The SAO Branch monitors the number of cases on hold, and is in the process of incorporating the metric into the new version of the new IAP Dashboard v2.0, tabled at the weekly Operations Committee meeting. The SAO Branch conducted a business process improvement (BPI) workshop, from which the resulting AANDC Proposal to Increase Efficiency and Capacity was reported. The report notes that processing capacity is frustrated by factors beyond the control of the SAO Branch and Secretariat. Despite this limitation, the SAO Branch has recommended several options to the Operations Committee to resolve the challenges, including improved communication and collaboration with the Secretariat.

The audit found that the SAO Branch has a management framework for Hearings Managers to help ensure consistency in managing and attending hearings. The SAO Branch also employs a sufficient number of adequate controls to assist in the efficient and effective completion of Canada Document Disclosure, such as a broad array of regular reporting, contribution to the weekly SADRE call, clear role and responsibility definition and defined processes. For additional information see Appendix B.

The audit found that the documentation required for negotiated settlement does not differ from cases for which there is a hearing and that a risk assessment is performed for each Negotiated Settlement Payment (NSP) in advance of negotiating the Settlement.

The audit noted a need for uniform information across the SAO Branch, and nationally consistent training. The audit considered, at a high-level the SharePoint web-based software currently being used by the DoJ in support of their IAP-dedicated staff. The SharePoint software would facilitate the sharing of knowledge within the SAO Branch and with the DoJ, improve access to documents and keep SAO Branch East and West regions consistent. SAO Branch has the opportunity to obtain access to DoJ's existing system through a licensing agreement.

*Recommendation***:**

It is recommended that the Director General of the SAO Branch:

2. Consider the SharePoint information sharing initiative as a means for the SAO Branch to realize efficient and effective use of resources in support of the IAP. If the initiative is pursued, management should ensure there are adequate training resources and system support for the SharePoint software.

5.4 Scheduling Claimant Hearings

The audit considered the scheduling by the Secretariat for standard track hearings and coordination with the SAO Branch, as well as the scheduling by the SAO Branch of negotiated settlements.

Secretariat

Overall, the audit found that the controls put in place by the Secretariat to help ensure efficient and effective scheduling of claimant hearings are adequate. These include an effective hearing process, the creation of the role of a Manager Business Process Management and participation in the Operations Committee. For more information refer to Appendix B.

*Recommendation***:**

The audit has no recommendation to make for this section.

SAO Branch

Overall the audit found that there appear to be adequate controls in place by the SAO Branch to coordinate hearings and negotiated settlements.

The SOA Branch and DoJ have established a Memorandum of Understanding with the Department of Justice, which is renewed annually, setting out DoJ and AANDC unilateral and joint roles and responsibilities, deliverables, service standards, planning and reporting the number of full-time equivalent employees (FTE) and their cost, the number of hearings DoJ will attend. The Draft 2009 Business Case indicates that the DoJ's role in the IAP process includes attending/participating in approximately 50% of all IAP hearings representing Canada as defendant.

There were a number of controls to help ensure efficient and effective support for the scheduling of hearings, were noted during the audit and include oversight committees, a milestones monitoring system and reporting of BPI workshop results to the Oversight Committee. For more information refer to Appendix B.

*Recommendation***:**

The audit has no recommendation to make for this area.

5.5   Back Office Support

The audit considered whether there are adequate controls to help ensure efficient and effective back office support to the Chief Adjudicator, Secretariat and IAP process. Back office support comprises of financial management (budgeting and reporting), HR management, procurement and IM/IT support from the department (AANDC). The audit assessed this support through interviews with management from the Secretariat and SAO Branch. In addition, the audit tested a judgmental sample of transactions for the following processes:

- HR Management – tested a sample of 25 staffing actions (hire, acting, deployment, secondment, substantial, term and contract) to assess the efficiency and effectiveness of the HR management controls in both the Secretariat and the SAO Branch;

- Procurement – tested a sample of 25 procurement transactions for goods or services to assess the efficiency and effectiveness of the procurement controls in both the Secretariat and the SAO Branch; and

- Settlement Payments– tested a sample of 25 settlements paid by the SAO Branch upon receipt of decision rendered from the Secretariat to assess the efficiency and effectiveness of the settlement payments processing controls.

Please note that that controls conducted in the administration of Claimant application intake review and admission fall primarily within the decision-making responsibilities of the adjudicator, and as such were considered out of scope for this audit.

Secretariat

The audit tested 15 staffing actions and 20 procurement transactions over the period January 1 through June 30, 2011. The audit included reviewing each transaction for appropriate authorization and the timeliness of the authorization.

- HR Management findings regarding staffing actions:
  - Overall, 6 of the 15 samples were appropriately approved;
  - For another 6, the authorization was not completed in a timely manner;
  - In 2 cases the Staffing and Classification Action Request Form could not be provided by management; and
  - In 1 case, management did not have a copy of the Letter of Offer signed by the employee.

- Procurement findings:
  - 11 of the 20 samples were accurately recorded and appropriately authorized;
  - In 9 instances there was no documentation of section 32 authorization. This included 2 invoices related to the Crawford contract for services, for which a section 32 authorization could not be located by management.
  - Section 34 was appropriately certified, in a timely manner for all 20 samples. In one instance the section 34 certification was given on an invoice which had over-charged the Secretariat.

In 17 instances the individual's name was not printed on the section 34 stamp, making it difficult to validate the signature.

- For 18 of the 20 samples a pre-audit was conducted; for the 2 Crawford invoices, no pre-audit was conducted; and

- In 4 instances the GST/HST calculation was not adequately documented.

*Recommendations***:**

It is recommended that the Executive Director of the Secretariat:

3. Ensure staffing action authorizations are performed in advance.

4. Ensure document retention for staffing actions is maintained and available for audit purposes in keeping with expected information management policies.

5. Ensure that the practices of authorizing payments under the Financial Administration Act are consistently applied to all acquisitions and expenditures, including section 32 and pre-audit approval. Pre-audit approval can be improved by using a stamp on invoices, to help ensure the section is completed.

6. Ensure calculation of goods and services tax/ harmonized sales tax (GST/HST) is performed accurately.

SAO Branch

The audit tested 10 staffing actions, 5 procurement transactions and 25 settlement payments over the period January 1 through June 30, 2011. For settlement payments, 12 samples were selected from information provided by the Secretariat and 13 samples were selected from information provided by the SAO Branch. Care was taken during the course of the audit to ensure Claimant-specific information was not included in the audit documentation. Audit testing included the review of each transaction for appropriate authorization and the timeliness of the authorization.

- HR Management;

    - For 5 out of 10 staffing actions, the authorization was completed after the start date.

- Procurement: No errors were noted.

- Settlement Payment Processing;

    - In all 25 samples the claim number and amounts are consistent between the Secretariat and the SAO Branch. The SAO Branch has a target processing time to render a decision of 30 days for standard track claims and 45 days for complex issues track claims. In one instance it has taken 56 days for the section 34 approval; and

    - Four of the samples were not evaluated for timeliness as they were either NSP or a $nil settlement. Of the remaining 20 samples, 2 samples took less than 30 days, and the remaining 18 samples took between 34 and 45 days for the decision to be considered and certified under section 34.

Recommendations:

It is recommended that the Director General of the SAO Branch:

7. Ensure staffing action authorizations are performed in advance.

8. Implement a process to identify and escalate decisions that have exceeded the target completion date by a significant amount of time, to help ensure their completion.

6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
Secretariat Recommendations It is recommended that the Executive Director of the Secretariat: 1. Identify and implement a more consistent approach across the Secretariat of the reporting of strategic objectives, key activities, related risks and mitigation to improve the clarity of communication, and efficiencies in reporting and monitoring.	The current practice used to manage risks at IRSAS is of a documented approach that: • identifies risks that may prevent IRSAS from achieving its objectives; • assesses existing controls for each identified risk as well as their likelihood and impacts; • develops the best course of action to respond to each risk and acting according to the strategy set out; • monitors and maintaining a risk registry linked to the IRSAS annual business plan; • reports quarterly (noting that consideration is given based on the audience e.g., ANNDC corporate level reporting, Treasury Board reporting, and to the Courts overseeing the implementation of the Settlement Agreement). Risk and risk management training is provided to the senior management on a regular basis (last session - in May, 2011) Unit operational (business) plans include potential risks against their key activities. Going forward, IRSAS will build on these existing practices and processes to further expand the implementation of risk management by: 1. communicating the linkages between	Executive Director of the Secretariat.	October 2011

	its strategic objectives, key activities, risk issues and risk strategies; 2. consistent implementation across the IRSAS; and, 3. developing a more robust reporting mechanism to monitor progress.		
HR STAFFING ACTIONS 3. Should ensure staffing action authorizations are performed in advance.	IRSAS has informed all directors, managers and supervisors that acting requests have to be submitted with sufficient time to allow the processing of the acting start date. If acting is required due to an emergency, an explanation of the situation will be added to the HR file. Corporate Services HR Coordination unit is monitoring the acting requests and will advise the Executive Committee if there are any issues with implementation.	Executive Director of the Secretariat	September 2011
4. Should ensure document retention for staffing actions is maintained and available for audit purposes in keeping with expected information management policies.	IRSAS is reviewing its HR action record keeping process and procedures. The process and procedures will be updated to ensure all staffing action documentation is properly filed and readily available.	Executive Director of the Secretariat	September 2011
PROCUREMENT 5. Should ensure that the practices of authorizing payments under the Financial Administration Act are consistently applied to all acquisitions and expenditures, including section 32 and pre-audit approval. Pre-audit approval can be improved by using a stamp on invoices, to help ensure the section is completed.	IRSAS launched four (4) Requests for Proposal (RFP) to acquire adjudication services. Section 32 signature was not requested by HQ procurement confirming funds were available prior to the preparation of the contract. Management discovered the situation in the fall of 2010 while carrying out post audits. In response IRSAS prepared a note to file and submitted it to AANDC CFO's office. IRSAS is preparing notes to be added to all	Executive Director of the Secretariat.	December 2011

	the RFP files and will be preparing section 32 commitment approval confirming funds are available for these expenditures.		
	IRSAS will prepare section 32 commitment approval for Crawford invoices as well.		
	IRSAS is awaiting the arrival of new pre-audit and section 34 approval stamps which will be distributed to employees required to carry out this work. IRSAS will inform employees of the recommendations of the audit and new procedures to follow through emails, reinforced by meeting discussions.		
	The Corporate Services Finance unit will monitor and advise the Executive Committee of the implementation use of the recommended changes.		
6. Should also ensure its calculation of GST/HST is performed accurately.	IRSAS has implemented the use of the templates as per AADNC/CFO directive to calculate the GST and HST for public-service travel and non-public service travel.	Executive Director of the Secretariat	October 2011
	IRSAS has implemented the GST/HST calculation template as per AANDC directives.		
	The Secretariat will initiate discussions with the CFO to discuss whether their calculation instructions need to be changed.		
SAO Branch Recommendations It is recommended that the Director General of the SAO Branch: 2. Consider the SharePoint information sharing	A MOU with the Department of Justice (DoJ) has been drafted and will be signed before November 30, 2011. The MOU allows to 150 AANDC employees to access DoJ's SharePoint by March 31, 2012.	Director General (DG) SAO Branch	March 2012

initiative should be considered as a means for the SAO Branch to realize efficiency and effective use of resources in support of the IAP. If this is pursued, management should ensure there are adequate training resources and system support for the SharePoint software.			
7. Management should ensure staffing action authorizations are performed in advance.	The SAO DG will remind on a regular basis to managers procedures to ensure proper authorizations are obtained. A roadmap to that effect has been developed by the branch and Corporate HR to help managers to comply. Training to each branch administrative staff should follow.	DG SAO Branch	Every month Roadmap circulated November 2011 Training : March 2012
8. Management should consider implementing a process to identify and escalate decisions that have exceeded the target completion date by a significant amount of time, to help ensure their timely completion.	As part of the IAP dashboard, a weekly report is being produced, circulated and reviewed by the Indian Residential Schools Operations Committee. This report shows the number of files in AANDC's inventory that are between, 1 and 30 days, 31 to 50 days, 61 to 100 days and more than 100 days post decision. AANDC has developed a weekly report that identifies IAP files where more than 50 days post decision. It also provides the reasons for the delay that are captured in SADRE. The files where the delay is within Canada's control will be addressed by the post resolution shared services managers and processed. AANDC is also currently developing a report for the post resolution shared services managers which will indicate files where 35 days have elapsed between the Decision	DG SAO Branch	December 2011

	Received and RSP generated milestones. This will be a good indicator that a file is at risk of not meeting the 50 or 60 day targets.		

APPENDIX A – AUDIT OBJECTIVES AND CRITERIA

Objective	Audit Criteria	Applicability	
		Secretariat	SAO Branch
1 – Governance	Governance	✓	✓
	Citizen Focused Service	✓	✓
	Stewardship (Financial Management including Settlement Payment Processing)	✓	✓
	People (HR Management)	✓	✓
	Results and Performance	✓	✓
2 – Risk Management	Risk Management	✓	✓
3 – Claimant Documentation	Identify Claimants	✓	-
	Admission Appeals	✓	-
	Documentation, Monitoring and Support	✓	✓
4 – Scheduling Hearings	Standard Track and Negotiated Settlements	✓	✓
5 – Back Office Support	Financial, HR, and Information Management/Information Technology (IM/IT) services provided by AANDC	✓	✓

APPENDIX B – CONTROLS REVIEWED

CLAIMANT DOCUMENTATION – SECRETARIAT

Controls to help ensure efficient and effective identification and completion of claimant documentation noted during the audit include:

- Crawford Class Action Services Inc. is the court ordered Monitor and operates under the Monitoring Funding Agreement. Services provided by Crawford include taking in admissions, monitoring a 1 800 call line for claimants and providing information management systems including EDI to track decisions and IFMS to track additional detail related to a claim such as the naming of a new Person of Interest (POI);

- The Secretariat admissions group maintains regular meetings with Crawford;

- The Secretariat has a dedicated internet website for claimants and legal counsel to access and obtain information related to the IAP;

- The Secretariat has completed three annual reports wherein the Secretariat reviews work completed by Crawford to help ensure the quality of the service provided;

- The Secretariat developed a Desk Guide for Legal Counsel (June 2011) designed to provide legal counsel with information and guidance with respect to the IAP. It is "not a substitute for Schedule D of the Settlement Agreement but instead is a practical resource for common procedures and issues that arise during the conduct of the IAP";

- Crawford provides a number of reports on a regular basis that the Secretariat monitors.

- The Secretariat provides a number of reports to internal management and the Oversight Committee:

    – Admissions Weekly Snapshot – a report prepared by the Secretariat to monitor Crawford, admission unit caseload, and reasons and disposition of claims refused; and

    – Admissions Unit Week over Week Caseload and Flow Through – to illustrate graphically the flow of admitted claims into and out of the admissions unit;

- The Secretariat, Client Services Management unit completed an outreach strategy to establish a framework for communication and planning with both internal and external stakeholders to ensure maximum outcome is achieved in the time line set out in the Settlement Agreement. The results of the strategy increased the number of outreach sessions provided by the Secretariat from approximately 60 prior to the implementation of the outreach strategy to approximately 140 subsequently; and

- SADRE (Single Access to Dispute Resolution Enterprise) is the primary system that is used to track the progress of claims through the process. SADRE is monitored by the Secretariat and is the basis for reporting against the key milestones used by management to track the IAP process. The previous Management Practices Review noted that this system was not meeting functional and reporting requirements of the Secretariat. This current audit noted that in general, users of the system are able to use the system for their needs in supporting the IAP. The bi-weekly SADRE call is a teleconference that includes SADRE users (SAO Branch,

Secretariat and National Research and Analysis Directorate, Data Management and Control Unit (NRA)), during which issues are raised, management action proposed and progress is monitored. Management has also implemented additional information management systems to help augment the support to the IAP that include EDI and IFMS detailed below:

– The EDI was an initiative to enable the parties of the IAP to electronically transfer protected documents back and forth in place of courier services, and other methods of document transfer, such as mail, CDs etc.; and

– The IFMS is under development to help provide more detail regarding the collection of mandatory documents and monitoring the status of this effort. The system has been initiated to help monitor the current state of claims and related collection of the mandatory documentation. A pilot was initiated with claimant legal counsel and is expected to be expanded to include adjudicators. Implementation is expected by end of fiscal 2011/12.

CLAIMANT DOCUMENTATION – SAO BRANCH

The SAO Branch employs a sufficient number of adequate controls to assist in the efficient and effective completion of Canada Document Disclosure:

- The SAO Branch posts a number of reports that it generates and a number of reports it receives from service providers on a web portal that is available to Operations Committee members,

- Service Level Agreement between the NRA and SAO Branch (DRAFT) manages information on behalf of the SAO Branch, relative to the IAP. This service level agreement (SLA) defines the joint NRA and SAO Branch roles and responsibilities with respect to service standards, targets and time lines, potential service fees, the processes to provide each service, and establishes communication and reporting requirements and processes;

- NRA IAP Monthly Dashboard is the NRA's monthly dashboard report to the SAO Branch, in response to reporting and monitoring oversight contemplated in the SLA. This dashboard includes the volume of research requested and completed with details by region (East, West and National (total);

- NRA SAO Branch Weekly Reports is the NRA's weekly dashboard report to the SAO Branch, similar to the monthly report (noted above);

- Progress Report on IAP Aging Files Inventory reported monthly by the NRA to the SAO Branch on research requests and backlog, and reported against service standard (165 day target);

- Article 12 Institutions – Monthly reports by NRA to SAO Branch on the number of research requests for schools (Institutions) submitted and completed, including school-specific results;

- AANDC Proposal to Increase Efficiency and Capacity is a report on results from the July, 2011 BPI workshop, which uses the assumption that Canada's Representatives can attend an average of 6 hearings per month. The SAO Branch prepared the Resolution Manager Workload, which estimates the time required to attend a hearing; and

- The SAO Branch contributes to the weekly SADRE call, hosted by the Secretariat, and includes the NRA.

SCHEDULING CLAIMANT HEARINGS - SECRETARIAT

Overall, the audit found that the controls put in place by the Secretariat to help ensure efficient and effective scheduling of claimant hearings are adequate. These include:

- The efficiency and effectiveness of hearings has improved since the previous Management Practices Review conducted February 2010. The hearings management process has been documented and consistency among the Hearings Management Officers has improved. Management is in the process of upgrading web-based software, to arrange hearings with claimant legal counsel, adjudicators and Canada's representatives. It is expected that this will help improve the logistics of conducting the hearings and help reduce the number of hearing cancellations, which has increased over the months of June and July 2011;

- The Secretariat addresses postponements and cancellations in their Deterring Hearing Postponement, Information Paper for Oversight Committee, August 3, 2011, which explores options for deterrence measures and consequences for unjustifiable hearing postponements or cancellations. The Paper also includes a qualitative risk analysis for consideration by the Oversight Committee members, which covers the impact and trade-offs on the efficiency of scheduling hearings;

- Efficiency and effectiveness of the hearings was reportedly improved through: i) use of Bank of Montreal MasterCard to book the meeting room for the hearing, ii) the gift for the elder attending the hearing is now managed by the Chief Adjudicators office, iii) the Hearing units no longer use purchase orders to pay elders for attending hearings, this is now handled by the Chief Adjudicators office where the adjudicator signs a form, which facilitates the payment, and iv) the use of soft commitments in the accounting system of record, OASIS is used for each travel authorization which helps create payables at year end (PAYE);

- The role of Manager Business Process Management was created in April 2010 in order to help improve the efficiency and effectiveness of processes in place at the Secretariat. Specific items noted by the audit include the following:

  – To improve the data integrity related to cancellations and postponements of hearings management looked at establishing definitions of hearing cancellation, postponement and continuation. A number of reasons for an increase in cancellations and postponements were found, and observations were presented to management and to the Oversight Committee in an effort to find solutions;

  – To improve the clarity of the data related to claims on hold and help improve the process to see where improvements are possible, management examined the reasons for claims being on hold and were able to determine whether there are opportunities to reduce the number of claims reported as on hold; and

- The Secretariat participates in the Operations Committee to discuss issues related to the Settlement Agreement, including the IAP process.

SCHEDULING CLAIMANT HEARINGS – SAO BRANCH

Controls to help ensure efficient and effective support for the scheduling of hearings, noted during the audit include:

- The SAO Branch has established and chairs the Operations Committee to discuss issues related to the Settlement Agreement, including the IAP process. Review of minutes from a sample of minutes noted monitoring of action items related to the SADRE system;

- The SAO Branch has identified cancellations as a risk, and prioritized the resolution of this issue. Cancellations are often made at a point in time when travel arrangements have already been made by stakeholders, including the Claimant and their Counsel. Controls over the postponement issue include; i) the identification of the issue in the Quarterly Report to the TB as a risk, with mitigation strategies, ii) the issue is the subject of discussion at the Oversight Committee, iii) the postponement metrics have been reported at the Operations Committee, and iv) the issue is discussed in the AANDC Proposal to Increase Efficiency and Capacity;

- The Tracker system was developed to help monitor the key SAO Branch milestones; and

- The BPI workshop results reported to the Oversight Committee, and resulted in the AANDC Proposal to Increase Efficiency and Capacity, which contemplates improved efficiencies through an increased number of NSPs:

  – NSPs are a more efficient and equally effective means by which claims can be settled. The SAO Branch indicates in the AANDC Proposal to Increase Efficiency and Capacity report that NSP is the biggest opportunity to improve the IAP process. In that report, the SAO Branch recognizes that NSPs have had an adverse affect on the scheduling of hearings, and that there is an opportunity for improved communications and collaboration with stakeholders (the Secretariat and Claimant Counsel) to help ensure efficient and effective settlement of claims (consistent with the Secretariat's Deterring Hearing Postponement, Information Paper for Oversight Committee, August 3, 2011); and

  – When there is an NSP, the SAO Branch is in direct contact with Claimant Counsel, and does not involve the participation of the Secretariat. The NSP still requires collaboration between the SAO Branch and Secretariat, to help ensure that a Claimant is not scheduled for both a hearing and negotiating a settlement through NSP. The SAO Branch has identified an opportunity for improved communication with the Secretariat as a means of resolving those instances where the Claimant is in both streams