



Aboriginal Affairs and  
Northern Development Canada

Affaires autochtones et  
Développement du Nord Canada

# **Aboriginal Affairs and Northern Development Canada**

## **Internal Audit Report**

### **Audit of Water and Wastewater Infrastructure**

**Prepared by:**

**Audit and Assurance Services Branch**

**Project # 12-10**

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## ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
SADM	Senior Assistant Deputy Minister
AES	Audit and Evaluation Sector
CFM	Capital Facilities Management
FN	First Nations
FNIIP	First Nations Infrastructure Investment Plan
FNWWAP	First Nations Water and Wastewater Action Plan
ICMS	Integrated Capital Management System
HQ	Headquarters
MCF	Management Control Framework
WWI	Water and Wastewater Infrastructure

# EXECUTIVE SUMMARY

## *Background*

The Government of Canada is committed to helping First Nations in the provision of safe, clean, and reliable drinking water and the sustainable management of wastewater within their communities. To support this goal, Aboriginal Affairs and Northern Development Canada (AANDC) provides funding and advice to First Nations to assist in the design, construction, operation and maintenance of both water and wastewater systems.

The funding provided by AANDC is allocated through annual investments made under the department's Capital Facilities and Maintenance (CFM) Program, within which resides the Water and Wastewater Infrastructure (WWI) Sub-Program. The CFM Program supports community infrastructure investments for First Nations on reserve for four main areas: housing, education, water and wastewater systems, and other. For the audit period (April 1 2010, to March 31, 2012), AANDC provided approximately \$678M in funding to First Nations for water and wastewater systems (includes capital and operations and maintenance funding).

The purpose of the WWI Sub-Program of the CFM is to assist and support First Nations in providing access to clean, safe and reliable water and effective treatment of wastewater for their communities on reserve.

In addition to the allocation of funding via the CFM Program, AANDC has also provided targeted funding to First Nations for WWI investments through Canada's Economic Action Plan and the First Nations Water and Wastewater Action Plan (FNWWAP). FNWWAP, first introduced in 2008, is a joint AANDC-Health Canada initiative that supports First Nations communities in bringing their drinking water and wastewater services to a level comparable to those enjoyed by other Canadians.

AANDC has developed a Management Control Framework (MCF) for the CFM Program (including the WWI Sub-Program). The MCF provides guidance to regional and Headquarters Staff in the overall management of the CFM Program and the Regions are expected to be in compliance with all aspects of the framework, which includes Sub-Program components, the annual planning process, delegated levels of authority and roles and responsibilities.

A key driver in the capital planning and resource allocation process for the CFM Program is the development of the First Nations Infrastructure Investment Plan (FNIIP) which is designed around three linked plans at the community, regional and national levels, and that provides a strategic overview of First Nations infrastructure needs and CFM Program investment.

To demonstrate the success and achievements of the WWI Sub-Program, AANDC is currently drafting a Water and Wastewater Infrastructure Investment Report. This report is a follow up to the Water and Wastewater Infrastructure Investment Report: April 2006 – March 2010, which detailed investments and highlighted progress made between April 1, 2006, and March 31, 2010. The new report being drafted is an update that outlines activities undertaken between April 1, 2010, and March 31, 2012. The report summarizes AANDC's capital investments for

water and wastewater infrastructure, including funding for the operation and maintenance of systems, highlights the outcomes of recent inspections of water and wastewater systems, and identifies the path forward for AANDC's support to First Nations.

### ***Audit Objective and Scope***

The objective of this audit was to assess the adequacy and effectiveness of the controls in place to support the delivery and monitoring of the First Nations Water and Wastewater Infrastructure (WWI) Sub-Program, which is a part of the overall CFM Program.

The audit scope included an assessment of the following:

- The effectiveness of the regional and Program management governance controls for the monitoring and reporting of the Water and Wastewater Infrastructure Sub-Program activities;
- Compliance with selected requirements of the MCF for the CFM Program as it applies to Water and Wastewater Infrastructure projects. This included: funding allocations; governance and management oversight, FNIIP planning process, annual project inspection process; and, the use of the Integrated Capital Management System (ICMS) with respect to recording inspection results; and,
- Water and Wastewater Infrastructure Sub-Program projects approved between April 1, 2010 and March 31, 2012.

The audit examined the related governance and control processes in place at Headquarters as well as at a sample of three Regions: Saskatchewan, Manitoba and Ontario from August 13, 2012 to September 12, 2012.

### ***Observed Strengths***

Throughout the audit fieldwork, the audit team observed examples of how controls are properly designed and are being applied effectively by Headquarters (HQ) and regional management. This has resulted in several positive findings which are listed below:

- The Regions have sound approaches for the development of their First Nations Infrastructure Investment Plans (FNIIP), reflecting regional needs and priorities;
- Technical and Capital Officers work well together and with First Nations communities to identify new projects and to monitor current projects;
- Advice and support is provided by Technical Authorities to Program management and staff through technical recommendations for capital infrastructure projects and for oversight of the annual inspections; and,
- There is diligence in approving advance / progress payments by delegated authorities.

## ***Statement of Conformance***

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

## ***Conclusion***

Generally, control practices were found to be adequate; however, some opportunities for improvement were noted to strengthen management control practices in the following areas: governance structure, guidance on annual inspections, information system support, and clarification of delegation of authority and project risk management requirements.

## ***Recommendations***

The audit team identified areas where control practices and processes could be improved, resulting in four recommendations.

The Audit and Evaluation Sector recommends that the Senior Assistant Deputy Minister of Regional Operations:

1. Ensure all Regions have a Capital Review Committee in place to prioritize and approve capital project and planning decisions, with Terms of Reference which are up-to-date. Decisions made by the Capital Review Committees should be adequately documented.
2. Develop guidance to assist Regions in implementing a consistent approach for the conduct of annual inspections and ensure inspections are completed appropriately in all Regions and results are properly recorded.
3. Clarify WWI project management information requirements, identify information sources, and develop a consistent approach for how project management information is to be collated using a single system.
4. Clarify Management Control Framework requirements and ensure Regions understand and comply with all aspects of the Management Control Framework for the CFM Program, including the delegated levels of authority, and complete project risk assessments for all current and future projects.

# 1. INTRODUCTION AND CONTEXT

## 1.1. *Water and Wastewater Infrastructure*

The Government of Canada is committed to helping First Nations (FNs) in the provision of safe, clean, and reliable drinking water and the sustainable management of wastewater within their communities. To support this goal, Aboriginal Affairs and Northern Development Canada (AANDC) provides funding and advice to First Nations to assist in the design, construction, operation and maintenance of both water and wastewater systems.

The funding provided by AANDC is allocated through annual investments made under the department's Capital Facilities and Maintenance (CFM) Program, within which resides the Water and Wastewater Infrastructure (WWI) Sub-Program. The CFM Program provides funding totaling over \$1 billion per year and supports community infrastructure investments for First Nations on reserve for four main areas: housing, education, water and wastewater systems, and other infrastructure (roads and bridges, fire protection, electrification, community facilities, etc.). For the audit period (April 1 2010, to March 31, 2012), AANDC provided approximately \$678M in funding to First Nations for water and wastewater systems (includes capital and operations and maintenance funding).

The purpose of the WWI Sub-Program of the CFM is to assist and support First Nations in providing access to clean, safe and reliable water for their communities on reserve. AANDC also provides financial assistance to support FN with building and maintaining safe and effective wastewater treatment systems, and provides funding to train and certify First Nations people to operate water and wastewater plants.

In addition to the allocation of funding via the CFM Program, AANDC has also provided targeted funding to FN for WWI investments through Canada's Economic Action Plan and the First Nations Water and Wastewater Action Plan (FNWWAP). FNWWAP, first introduced in 2008, is a joint AANDC-Health Canada initiative that supports FN communities in bringing their drinking water and wastewater services to a level comparable to those enjoyed by other Canadians. In May 2010, the Government of Canada announced that FNWWAP was extended for two more years, and it was recently renewed for an additional two years in Budget 2012.

AANDC has developed a Management Control Framework (MCF) for the CFM Program (including the WWI Sub-Program). The MCF provides guidance to regional and Headquarters Staff in the overall management of the CFM Program and the Regions are expected to be in compliance with all aspects of the framework, which includes Sub-Program components, the annual planning process, delegated levels of authority and roles and responsibilities.

A key driver in the capital planning and resource allocation process for the CFM Program is the development of the First Nations Infrastructure Investment Plan (FNIIP). The FNIIP planning process is designed around three linked plans that feed into one-another: a First Nations community level plan, detailing infrastructure needs; a regional plan, planning out Program

expenditures; and a national plan, that provides a strategic overview of First Nations infrastructure needs and CFM Program investment.

The National FNIIP is a five year plan, updated annually, summarizing all regional FNIIPs that have been developed in collaboration with First Nations communities. The National FNIIP identifies specific investments per Region, for all of the capital investment areas (e.g. housing, schools and water/wastewater) and identifies national trends in infrastructure investment and CFM program expenditures. At the regional level, specific FNIIPs are developed for WWI Sub-Program investments that incorporate investment opportunities identified by First Nations communities and the Regions prioritize the investment opportunities through the application of the National Priority Ranking Framework, in accordance with the Program's MCF.

To demonstrate the success and achievements of the WWI Sub-Program, AANDC is currently drafting a Water and Wastewater Infrastructure Investment Report. This report is a follow up to the Water and Wastewater Infrastructure Investment Report: April 2006 – March 2010, which detailed investments and highlighted progress made between April 1, 2006, and March 31, 2010. The new report being drafted is an update that outlines activities undertaken between April 1, 2010, and March 31, 2012. The report summarizes AANDC's capital investments for water and wastewater infrastructure, including funding for the operation and maintenance of systems, highlights the outcomes of recent inspections of water and wastewater systems, and identifies the path forward for AANDC's support to First Nations.

## **2. AUDIT OBJECTIVE AND SCOPE**

### **2.1. *Audit Objective***

The objective of this audit was to assess the adequacy and effectiveness of the controls in place to support the delivery and monitoring of the First Nations Water and Wastewater Infrastructure (WWI) Sub-Program, which is a part of the overall CFM Program.

### **2.2 *Audit Scope***

The audit scope included an assessment of the following:

- The effectiveness of the regional and Program management and governance controls for the monitoring and reporting of the Water and Wastewater Infrastructure Sub-Program activities; and,
- Compliance with relevant requirements of the MCF for the CFM Program as it applies to Water and Wastewater infrastructure projects. This included: funding allocations; governance and management oversight, FNIIP planning process, annual project inspections process; and the use of the Integrated Capital Management System (ICMS) with respect to recording inspection results; and,
- Water and Wastewater Infrastructure Sub-Program projects approved between April 1, 2010 and March 31, 2012.



The audit examined the related governance and control processes in place at Headquarters as well as at a sample of three Regions: Saskatchewan, Manitoba and Ontario, from August 13, 2012 to September 12, 2012.

### **3. APPROACH AND METHODOLOGY**

The audit of Water and Wastewater Infrastructure (WWI) 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 *Policy on Internal Audit*.

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

Three regions were selected during the planning phase for site visits: Saskatchewan, Manitoba and Ontario. In addition, individuals within the Program based at AANDC Headquarters were also selected for management interviews and audit procedures were carried out both in Regions and Headquarters (e.g. review of relevant supporting documentation).

The principal audit techniques used included:

- Interviews with key management and staff personnel;
- Reviews of relevant documentation related to management of water and wastewater infrastructure projects;
- Review of the use of ICMS information management system; and,
- Evaluation of the system of internal controls over governance, stewardship (planning and budgeting), results and performance, inspections and information management for processes within the audit scope.

The approach used to address the audit objective 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**

Generally, control practices were found to be adequate; however, some opportunities for improvement were noted to strengthen management control practices in the following areas: governance structure, guidance on annual inspections, information system support, and clarification of delegation of authority and project risk management requirements.

### **5. OBSERVATIONS AND RECOMMENDATIONS**

Based on a combination of the evidence gathered through the examination of documentation, analysis and interviews, 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 associated with the gap was evaluated and used to develop a conclusion and to document recommendations for improvement.

Observations include both management practices considered to be adequate, as well as those requiring improvement. Accompanying the observations of management areas identified for improvement are recommendations for corrective actions.

### **5.1. Governance and Management Oversight**

Governance and oversight arrangements for WWI activities are the foundation for all other components of internal control, providing discipline and structure. Governance bodies (e.g. committees) should receive sufficient, complete, timely and accurate information in order to maintain an effective oversight role and ensure that there is adequate challenge and discussion on all matters related to the WWI. It is important that each Region have a Capital Review Committee (or equivalent) in place to provide for overall oversight of WWI, with documented approval of the key aspects of the WWI, including the prioritization of projects, the development of the First Nations Infrastructure Investment Plan (FNIIP) and budget allocations.

The audit found that while there are reasonable governance and oversight structures in place for WWI activities with the Regions and Headquarters, governance arrangements and structures differ between Regions and in some instances there is a lack of formal records of decision. Specifically, exceptions were noted in the following areas:

- In some Regions, minutes are not being recorded during the Regional Capital Review Committee meetings. In addition, project prioritization and planning decisions are, in some cases, being made outside of formal capital committees. Some of the decisions not adequately documented by these key governance committees include the approval of the FNIIP and their associated budget allocations;
- In some Regions, there are either no committee Terms of Reference, they are outdated, or do not reflect recent organizational changes within the Region; and,
- Not all Regions have dedicated committees where capital issues are discussed and not all committees meet regularly. For example, in one Region, a key committee for WWI is the Regional Investment Management Board. This committee has not met since 2008 and instead all decisions are made informally by management and formal records of decision are not maintained.

#### **Recommendations:**

It is recommended that the Senior Assistant Deputy Minister (SADM) of Regional Operations:

1. Ensure all Regions have a Capital Review Committee in place to prioritize and approve capital project and planning decisions, with Terms of Reference which are up-to-date. Decisions made by the Capital Review Committees should be adequately documented.

## **5.2. Stewardship**

### **5.2.1 Planning and Budgeting**

Effective stewardship includes following a rigorous and timely process for developing budgets and forecasts, which includes a challenge of resource allocation decisions. It is also important that approved budgets are monitored by regional management on a regular basis. Regional FNIIPs provide the opportunity to look ahead, allocate resources, focus on key objectives and related activities, and identify financial allocations based on project priorities.

Regional FNIIPs are the key planning and reporting tools used by both the Regions and by Headquarters throughout the year and are created for a rolling five year timeframe to identify capital projects (including WWI) that are prioritized for investment. They are developed from First Nations FNIIPs after validating proposed FN requirements and expenditures through close working arrangements and collaborations between regional staff and FN representatives.

The regional Level FNIIPs are developed using a well-defined process that is documented in the National Capital Planning Process and the Program's MCF and all Regions follow similar approaches in accordance with the documented guidance. Regional FNIIP capital projects are prioritized using the *National Priority Ranking Framework* and other priority requirements attached to targeted funds (e.g., First Nations Infrastructure Fund).

A formal process at Headquarters is in place to develop the Water and Wastewater Infrastructure budget allocated for each regional office. Regional allocations are determined based on approved regional resource plans, which include capital infrastructure projects and operating and maintenance costs. These budgets are monitored throughout the year and results are reported in the Financial Status Reports submitted to Headquarters for review.

#### ***Recommendation:***

No recommendations were identified in this area.

### **5.2.2 Annual Inspections of Systems**

Inspections are an effective tool that the Regions and First Nations can use to inform short and long-term planning for water and wastewater investments. Inspection findings inform decisions on how water and wastewater systems are maintained and operated, how the life of their systems can be prolonged, and how system risks can be reduced. As part of their water quality monitoring role, Health Canada reports on the number of systems under drinking water advisories (DWAs) in First Nation communities. Results of Health Canada water inspections, test results and drinking water advisories are used as one input to the AANDC inspection. The risk rating results from AANDC's annual inspections form the basis for WWI resource allocations, with higher risk water and wastewater systems receiving greater attention and investment. They also provide a means for AANDC to assess the outcomes of water and wastewater investments and activities on reserve, enabling key priorities to be identified and resources to be targeted more effectively. AANDC's water and wastewater protocols require that an annual inspection be completed to verify the performance of any centralized water or

wastewater system that is funded in whole or in part by AANDC and serves five or more household service connections (or that serves a public facility).

The WWI inspection process began in 2006 and each water and wastewater system is inspected on an annual basis in each Region. The process of regional annual inspections was not carried out during 2009/2010 and 2010/2011 as a National Assessment was being undertaken. The National Assessment of First Nations Water and Wastewater Systems was conducted by external contractors and assessed the overall risk rating of all water and wastewater systems in FN communities. A Water and Wastewater Infrastructure Investment Report is currently being drafted and includes a tabular representation of the comparison between the findings of the 2009-2011 National Assessment and the 2011-2012 Annual Performance Inspections. Management noted that some of the 2010-2011 National Assessment data was corrupted while being imported into ICMS at Headquarters which caused issues in recording and reporting a complete and accurate listing of water and wastewater systems. Variances in risk rating levels are being investigated by WWI Sub-Program management at HQ in conjunction with regional staff to determine possible causes and required corrective actions.

During the period of the audit, the regional annual inspection process for 2011/2012 was examined, resulting in the identification of a number of inconsistencies across the Regions. The following exceptions and inconsistencies were noted:

- Interviewees in all Regions noted that many errors were detected by the Regions when importing inspection results into ICMS, due to issues related to the inspection questions, which resulted in manual corrections. WWI management continues to address and work to resolve these errors;
- There is limited procedural/guidance documentation detailing the desired approach with respect to the undertaking of annual inspections within the Regions as well as the review, challenge and approval prior to finalization of results. Different approaches are used by Regions to undertake inspections (i.e. Circuit Rider Trainers, AANDC staff, and/or external consultants are used) and quality assurance activities of technical authorities are undertaken and recorded differently (e.g. early/late in process or informally). Consequently, interviewees noted that these different approaches have led to inconsistency and/or errors when comparing results across Regions (e.g. systems have greater tendency to be assessed as higher risk when inspections are conducted by AANDC staff).
- One Region utilizes a manual input approach to record annual inspection results in ICMS, whereas the other Regions use an electronic export and import method to capture inspection data in ICMS. Using a manual approach is prone to increased risk of errors in the data entry and also creates inefficiencies;
- In one Region, annual inspections were not being fully undertaken. For the fiscal year 2011-12, an informal, less rigorous type of inspection was performed for a large

percentage of the wastewater systems and an incomplete list of required inspections was used, causing errors in reporting; and,

- Regional personnel noted that the process to import the inspection results into ICMS invariably identifies a range of data import errors that require resolution prior to the system accepting the final results. Regional personnel involved in the data recording process have identified that the errors are primarily a consequence of the incorrect interpretation and/or completion of inspection questions and responses. A national working group has been created in order to address these issues (e.g. developing guidance). Where input errors are not resolved on a timely basis, there is an increased risk of ICMS not recording accurate and complete information.

***Recommendation:***

It is recommended that the SADM of Regional Operations:

2. Develop guidance to assist Regions in implementing a consistent approach for the conduct of annual inspections and ensure inspections are completed appropriately in all Regions and results are properly recorded.

### **5.2.3 Information System Support**

Effective information management is important to provide support to capital project management personnel and technical services teams and to allow for efficiency in data management, monitoring and reporting. For the WWI Sub-Program, the water module within the Integrated Capital Management System (ICMS) is the primary system used by WWI Sub-Program staff for the recording of annual inspection results. The Program's MCF states that the Regions should use ICMS as a "vital tool for managing and monitoring assets, as well as managing capital projects funding".

With respect to ICMS, the audit found that there are inconsistencies in the use of the system:

- ICMS is not being used consistently by all Regions (i.e. how inspection results are captured, how data is reviewed and entered into ICMS);
- It was noted that in one Region, the primary user of the water module within ICMS maintains separate spreadsheets outside of ICMS for data administration and reporting purposes; and,
- The Regions currently only use the system for recording the results of the annual inspections as the system does not allow for project management (i.e. project tracking and/or budget management) and instead spreadsheets are used to track and manage capital plans and individual water and wastewater projects.

Annual budgets are developed in accordance with set schedules and are monitored on a regular basis via the Financial Status Reporting process; however, due to limitations in the system connectivity between FNITP, OASIS and ICMS, Regions are required to make use of manual

process and spreadsheets to track the regional capital plan (FNIIP) which consequently can increase the probability of error. The capital plan spreadsheets are not linked to the financial system and as a result this makes it more difficult for regional management to accurately report on the financial situation and to properly manage capital projects.

**Recommendations:**

It is recommended that the SADM of Regional Operations:

3. Clarify WWI project management information requirements, identify information sources, and develop a consistent approach for how project management information is to be collated using a single system.

### **5.3. Accountability and Risk Management**

To assist and provide guidance to regional and HQ Staff in the management of the CFM Program, an MCF was developed, and was implemented in 2009.

The MCF for the CFM Program describes a risk-based approach to project management and includes a project risk assessment tool, a matrix approach and model that maps project and recipient risk ratings to determine overall risk ratings to determine review and oversight requirements and the applicable delegated levels of authority.

As per the MCF, delegated levels of authority for all Major Capital projects are determined based on overall risk factor determined by the risk-based project assessment. For the purposes of the CFM Program, these authority levels supersede those found on the Department's Delegation of Signing Authorities document, as they pertain to Section 32 (commitments) and Section 34 (spending approval) of the *Financial Administration Act*.

The audit found there was some confusion and a lack of understanding among Regional staff interviewed regarding the delegated levels of authority requirements as described in the MCF for the CFM Program and whether these apply to the overall project brief and/or to the individual payments related to projects. Specifically, all sample progress payments examined by the audit did not follow the delegation of authority as described in the MCF. Program management reported that the increased delegated authority levels requirements were only meant to apply for the project brief approval, not spending approvals. The presentation of this information in the MCF is not sufficiently clear, as the explanation of this is in the section directly following the Delegated Levels of Authority, rather than in more relevant section of the MCF.

In addition, the delegated levels of authority should be applied based on the level of project risk. It was noted however, that none of the Regions visited during the audit had undertaken formal project approval risk assessments as required by the Program's MCF and were therefore not applying the delegation of authority based on an overall risk factor determined by the risk-based, governance regime. The risk-based project approval process is also used to determine the recipient monitoring and reporting strategy. Some Regions, however, continue to perform capital project monitoring as if projects were assessed as medium or high risk. A risk-based approach would allow for greater efficiency and reduced reporting burden for both recipients

and AANDC staff. Program management reported that they are aware that many Regions have yet to make proper use of the risk assessment tool and additional training is planned.

**Recommendation:**

It is recommended that the SADM of Regional Operations:

4. Clarify Management Control Framework requirements and ensure Regions understand and comply with all aspects of the Management Control Framework for the CFM Program, including the delegated levels of authority and complete project risk assessments for all current and future projects.

## **5.4. Results and Performance**

Measuring, monitoring and reporting on performance is necessary in order to facilitate effective results reporting and clearly demonstrate the successes and achievements of a Program's goals and objectives. This is necessary in order to demonstrate that the Program is effective and that there is an adequate and acceptable return on the investment. It is also required to ensure accountability and to allow the Director General of the Community Infrastructure Branch to monitor and report upon the impact and success of the WWI Sub-Program.

Annex F of the MCF for the CFM Program contains a range of key performance Indicators (KPI) for the overall CFM Program. With respect to the WWI-related indicators, the audit found that these are reported on by Program staff at HQ primarily for internal requirements and to inform the Program's Investment Report. The primary data source for the KPIs is the Integrated Capital Management System (ICMS), which in turn is populated by the results of the regional annual inspections of water and wastewater systems. In addition, the KPI data is used periodically in reports such as the annual Sustainable Development report and the annual Departmental Performance Report (DPR).

The primary KPI that the Regions are required to report on for the WWI Sub-Program relates to progress of their annual inspections (i.e. # planned, # completed, etc...) which is reported through quarterly reporting to the Program at HQ.

Based on a review of a sample of regional quarterly performance reports, it was noted that the executive summary provided an overview of the accomplishments for the year and a dashboard which indicated whether each strategic objective was either achieved, on target, or behind plan. The quarterly reports' strategic objectives have specific activities, performance indicators, risk assessment and results.

In addition, the Program at HQ is currently drafting the "Investment Report" that is a report produced on a periodic basis (the previous publication was March 2010) that is intended to show the investments made to date as well as a reflection of outcome of the recent National Assessment of all water and wastewater systems and their risk ratings.

**Recommendation:**

No recommendations were identified in this area.

## 6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. The Senior Assistant Deputy Minister (SADM) of Regional Operations should ensure all Regions have a Capital Review Committee in place to prioritize and approve capital project and planning decisions, with Terms of Reference which are up-to-date. Decisions made by the Capital Review Committees should be adequately documented.</p>	<p>SADM has directed RDGs to ensure they have a robust Regional First Nations Infrastructure Investment Plan process and Capital Review Committees (or equivalent), with terms of reference, in place.</p> <p>Community Infrastructure Branch (CIB) will start a follow-up process with Regions which will continue during fiscal year 2013-14 to confirm that adequate investment planning and capital review processes have been established and decisions documented.</p>	<p>Senior Assistant Deputy Minister of Regional Operations</p>	<p>November 2012</p>
<p>2. The SADM of Regional Operations should develop guidance to assist Regions in implementing a consistent approach for the conduct of annual inspections and ensure inspections are completed appropriately in all Regions and results are properly recorded.</p>	<p>Revised annual inspection guidance, providing clear instructions was issued in October 2012. Further, the Regional Operations Working Group will develop a framework by June 2013 for a risk-based scheduling of inspections to be implemented in the 2014-15 annual performance inspection cycle.</p> <p>The Management Control Framework (MCF) for the Capital Facilities and Maintenance Program (CFMP) sets out requirements for the timing of inspection reporting. To ensure inspections are completed appropriately in all Regions and are properly recorded,</p>	<p>Senior Assistant Deputy Minister of Regional Operations</p>	<p>October 2012  June 2013</p>



Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	<p>regions are required to report progress on annual inspections in their Quarterly Reports. CIB monitors this reporting, and the rate of data uploaded to ICMS to ensure that inspections are completed appropriately and results are properly recorded. Uploads of inspection data will take place during December 2012 and January 2013 according to the established timetable.</p>		<p>January 2013</p>
<p>3. The SADM of Regional Operations should clarify Water and Wastewater Infrastructure (WWI) project management information requirements, identify information sources, and develop a consistent approach for how project management information is to be collated using a single system.</p>	<p>A long-term strategy to enhance the effectiveness of the ICMS project tracking and support regions in meeting the project management information requirements of the MCF will be presented to the ICMS Steering Committee for approval.</p> <p>To support regions in using ICMS to track projects, the ICMS team will provide regional offices with a guidance document: ICMS Infrastructure Investment Planning and Project Tracking (Instructions for the use of ICMS Project Tracking and Capital Planning modules).</p> <p>Work to explore the feasibility of integrating the ICMS and FNITP project reporting systems into a single system will not be undertaken until the planned change to the underlying platform of the FNITP has been completed.</p>	<p>Senior Assistant Deputy Minister of Regional Operations</p>	<p>December 2012</p> <p>June 2013</p>
<p>4. The SADM of Regional Operations should clarify MCF requirements and ensure Regions understand and</p>	<p>CIB is updating the MCF to provide greater clarity on approvals processes for projects that are high risk and of high materiality (\$10M and above) and on how to</p>	<p>Senior Assistant Deputy Minister</p>	<p>November 2012.</p>

<b>Recommendations</b>	<b>Management Response / Actions</b>	<b>Responsible Manager (Title)</b>	<b>Planned Implementation Date</b>
<p>comply with all aspects of the MCF for the CFM Program, including the delegated levels of authority, and Regions complete project risk assessments for all current and future projects.</p>	<p>calculate and apply risk management to capital projects. This includes new text in the body of the MCF as well as more robust instructions in the Annex. CIB will be presenting the revised MCF to Operations Committee for approval in mid-November, 2012.</p>	<p>of Regional Operations</p>	

## Appendix A: Audit Criteria

The audit objective was linked to audit criteria developed in alignment with Core Management Controls. Additional audit criteria were developed to address specific risks identified in the planning phase.

<b>Audit Criteria</b>	
<b>Governance</b>	
1.1	There is adequate and effective governance and oversight over Water and Wastewater Infrastructure (WWI) and the oversight bodies receive sufficient, complete, timely and useful information.
1.2	There are clearly defined roles and responsibilities for AANDC and other stakeholders to provide for effective oversight over WWI.
1.3	Sufficient information is provided by technical authorities to Program management and staff in order to support technical recommendations for Capital Infrastructure Projects and for oversight of risk assessments.
<b>Stewardship – Planning</b>	
2.1	A formal process is in place to develop, challenge and approve the First Nations Infrastructure Investment Plan (FNIIP).
<b>Stewardship – Budgeting</b>	
3.1	A formal process is in place to develop the Water and Waste Water Infrastructure budget, including the prioritization, challenge and approval of funding allocations.
3.2	Annual budgets are developed in accordance with set schedules and are monitored on a regular basis.
3.3	Progress payments made against agreed budgets are supported by adequate supporting documentation and are formally approved.
<b>Results &amp; Performance</b>	
4.1	Management has identified planned results and performance measures which are linked to Program objectives.
4.2	Management monitors and reports against planned results on a regular basis.
<b>Inspections</b>	
5.1	Management has a documented approach with respect to annual inspections that is applied consistently.
5.2	Annual inspections are subject to review, challenge and approval prior to finalization of results.
<b>Information Management</b>	
6.1	Information management systems meet the needs of users and support the Program.