Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
Développement du Nord Canada

Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Management Practices Audit of the Lands and Economic Development Sector

Prepared by:

Audit and Assurance Services Branch

Project No. # 14-16

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ACRONYMS

AANDC   Aboriginal Affairs and Northern Development Canada

ADM   Assistant Deputy Minister

AES   Audit and Evaluation Sector

AFI   Aboriginal Financial Institutions

CSA   Control Self-Assessment

DG   Director General

FMSS   Financial Management and Strategic Services

HQ   Headquarters

LED   Lands and Economic Development

LED EC Lands and Economic Development Executive Committee

LED HR Lands and Economic Development Human Resources Committee

LED Ops Lands and Economic Development Operational Committee

LED Pol Lands and Economic Development Policy Committee

MAF   Management Accountability Framework

MPA   Management Practices Audit

MPR   Management Practices Review

ROD   Record of Decision

TOR   Terms of Reference

EXECUTIVE SUMMARY

Background

The Lands Economic and Economic Development Sector (LED or the Sector) is one of nine sectors working to fulfill Aboriginal Affairs and Northern Development Canada's (AANDC's) mandate. LED Sector's primary role is to deliver efficient and effective programs and develop strategic policy tools and resources to enable greater Aboriginal participation in the Canadian economy.

On February 6, 2014, the Deputy Minister approved AANDC's 2014-15 to 2016-17 Risk-Based Audit Plan, which included a Management Practices Audit of the Lands and Economic Development Sector. This audit was initiated by the Audit and Evaluation Sector in July 2014.

LED Sector has undergone numerous and significant change initiatives, including organizational structure changes, internal resource and accountability realignment, and program authority consolidation. The Sector is also operating with a salary deficit, which complicates effective HR planning.

The purpose of this audit was to provide independent, objective and supportable information that can be relied on to assess the management practices of the Sector.

Audit Objective and Scope

The objective of the audit was to provide Senior Management with assurance over the adequacy and effectiveness of a selection of high risk management controls and activities in place to support the achievement of the Lands and Economic Development Sector objectives.

The audit objective was supported by detailed audit criteria developed and aligned with Treasury Board's *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011).*

The scope of the audit covered four management practice areas assessed as being key to mitigating areas of higher risks, as determine through the CSA workshop, a planning interview with the Assistant Deputy Minister (ADM) of LED, a review of previous audit and review findings, and a review of departmental priorities. The four areas included in scope were as follows:

- Governance – Oversight Bodies;
- Governance – Operational Planning and Objective Setting;
- Human Resources Planning; and
- Risk Management.

Audit field work was conducted at AANDC Headquarters (HQ) during August and October 2014. The Audit covered the period 2013-14 for testing and 2014-15 for the operational plans and objectives and human resources planning areas.

Statement of Conformance

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

Observed Strength

As part of the LED Business Planning process, a planning session where Sector priorities are discussed includes representation from Regional Operations Sector as well as Regional Offices. This process enables consideration of program operational input into the Sector's planning process.

Conclusion

Overall the audit found that the LED Sector has implemented some management, oversight and planning processes to support the efficient and effective delivery of required Sector services. Some opportunities for improvement were noted to strengthen management practices in the following areas: oversight bodies; operational planning and objective setting; human resources planning; and risk management.

Recommendations:

The audit identified four areas where control practices and processes could be improved. The following is a summary of the report recommendations:

1. The Assistant Deputy Minister for LED Sector should continue the review of the current governance structure to ensure it is effective and efficient, and to ensure all formal oversight bodies have up to date and communicated Terms of Reference that articulate mandate, membership, and expectations for agendas, supporting information, and records of decisions/discussions.

2. The Assistant Deputy Minister of LED Sector should increase the integration of the Sector's operational planning processes to better forecast and manage operational requirements and prioritize tasks. This would help improve alignment of limited resources, including staff, to Sector priorities.

3. The Assistant Deputy Minister of LED Sector should continue with a workforce analysis in order to inform and support the development of HR strategies and activities that align human resources to LED priorities and operational requirements and proactively manage key HR challenges (retention of corporate knowledge, succession planning and achievement of target competency profiles).

4. The Assistant Deputy Minister of LED Sector should develop and implement a formal and documented integrated risk management framework that assesses and documents the risks of the Sector against its objectives. Risk assessment should include the impact and likelihood of risks identified with consideration of risk mitigation measures in place. This could be integrated into the operational planning process to identify, assess

and monitor the most significant risks that may preclude or limit the achievement of objectives.

Management Response

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

1. BACKGROUND

1.1　Management Practices Initiative

The Audit and Evaluation Sector conducted twenty (20) Management Practices Reviews (MPRs) between 2007 and 2010 as part of a Department-wide initiative to assess the relative strength of regional and sector management practices. Following the completion of the first round of MPRs, the Deputy Minister and the Audit Committee recommended that a summary report be prepared to highlight the strengths and weaknesses of the MPR process and to make a recommendation on whether the management practices review initiative should be continued. Stemming from this analysis, a second round of management practices engagements, using a revised approach, was recommended by the Audit Committee and later approved by the Deputy Minister.

Under a revised approach designed to provide departmental management with an audit-level of assurance, management practices engagements were to be conducted in two phases: a control self-assessment (CSA) workshop and a limited-scope audit. Based on the input gathered through the CSA workshop, the results of previous audits and management practices reviews and an understanding of departmental plans and priorities, a selection of high-risk management practices are identified for inclusion within the scope of each Management Practices Audit (MPA).

To date, the Audit and Assurance Services Branch has completed MPAs for all ten regions and seven of the sectors. Two MPAs are scheduled for completion in 2014-15, including an MPA of the LED Sector, as set out in AANDC's 2014-15 to 2016-17 Risk-Based Audit Plan, approved by the Deputy Minister on February 6, 2014.

1.2　Control Self- Assessment

The CSA workshop is a venue through which Audit and Assurance Services Branch gathers management's perspectives and comments on the importance, efficiency, and effectiveness of a wide range of key management practices. Specifically, the workshop includes a facilitated discussion and sharing of individual perspectives on how well key management practices are functioning in support of the achievement of Branch objectives. The CSA workshop was facilitated by an independent third-party and held on August 17, 2014. The workshop was designed to allow for maximum discussion, using anonymous voting technology to encourage the sharing of perspectives.

Eighteen (18) management practices areas were discussed during the full-day CSA workshop. While there was consistency in how participants viewed the importance, efficiency and effectiveness of some management practices areas, the session also revealed that a range of perspectives exists across the Sector. The analysis of workshop feedback, along with other considerations described in section 2.2 of this report was considered in selecting the management practice areas for inclusion within the scope of the audit.

1.3　Lands and Economic Development Sector

1.3.1 LED Sector

Lands and Economic Development Sector (LED or the Sector) is one of nine sectors working to fulfill Aboriginal Affairs and Northern Development Canada's mandate. LED Sector supports the achievement of the Department's strategic outcome of full participation of First Nations, Métis, Non-Status Indians and Inuit individuals and communities in the economy.

LED Sector works closely with regional offices across Canada through AANDC's Regional Operations Sector and Northern Affairs Organization. LED also works with willing and committed partners, stakeholders and primarily with First Nations, Inuit, and Métis in supporting sound policy development and decision-making, to support its overall mandate.

Since 2012 LED Sector has undergone numerous and significant change initiatives, including organizational structure changes, internal resource and accountability realignment, and program authority consolidation.

The Sector is comprised of the following four branches, a Business Management Unit, and one special operating agency:

- Aboriginal Entrepreneurship Branch;

- Community Opportunities Branch;

- Lands and Environment Branch;

- Policy and Coordination Branch; and

- Indian Oil and Gas Canada (IOGC).

1.3.2 LED Responsibilities

LED Sector's vision is the increased participation of First Nation, Inuit and Métis individuals and communities in the Canadian economy and enabling Aboriginal people to pursue the same opportunities for employment, income, and wealth creation as other Canadians.

1.3.2.1   Aboriginal Entrepreneurship

The Aboriginal Entrepreneurship Branch supports the creation and growth of viable Aboriginal businesses by providing access to business capital, support services and business opportunities. The Branch focuses on strengthening a sustainable Aboriginal Financial Institutions network, enhancing the implementation of the federal Procurement Strategy for Aboriginal Businesses and supporting the identification of public- and private-sector business opportunities through a variety of partnership and participation based approaches.

1.3.2.2   Communities Opportunities

The Communities Opportunities Branch provides support to First Nation and Inuit communities through various Economic Development Programs, which provides core financial support intended for community economic development planning and capacity development initiatives.

1.3.2.3   Lands and Environment

The Lands and Environmental Management Branch provides direction and support to regional offices to ensure that the Crown fulfills its statutory and fiduciary obligations as the administrator or reserve land. This includes support to Regions in the administration of land tenure instruments, registration of land holdings, the environmental review process, and the management of contaminated sites. The Branch also works to support First Nation involvement in lands and environmental management of reserve lands and natural resources.

1.3.2.4   Policy and Coordination

The Policy and Coordination Branch supports Aboriginal participation in the economy, with a particular focus on opportunities in natural resource sectors. In particular, the Branch manages and is responsible for: the Strategic Partnerships Initiative; federal coordination for Ring of Fire initiatives; the *First Nations Fiscal Management Act* and its three institutions; policy work on access to capital; lead for horizontal economic development policy initiatives across the sector and with other government departments; corporate planning and reporting; and advancing implementation of the federal Framework for Aboriginal Economic Development. The Branch is also home to the National Aboriginal Economic Development Board's Secretariat.

1.3.2.5   Indian Oil and Gas Canada

Indian Oil and Gas Canada is a Special Operating Agency based in Alberta, and is responsible for regulating and managing oil and gas resources on reserve land.

LED also works with regional offices across Canada through the Regional Operations Sector and Northern Affairs Organization; and, in partnership with numerous other public and private stakeholders to implement its programming and policies.

2. AUDIT OBJECTIVE AND SCOPE

The objective of the audit was to provide Senior Management with assurance over the adequacy and effectiveness of a selection of management controls and activities in place to support the achievement of the LED Sector's objectives.

The audit objective was supported by detailed audit criteria developed and aligned with Treasury Board's *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011).* The audit criteria are included in Appendix A.

2.2   Audit Scope

The scope of the audit covered four management practice areas assessed as being key mitigating areas or higher risks, as determined through the CSA workshop, planning interview with the ADM of LED, a review of previous audit and review findings, and a review of departmental priorities. The four areas included in scope were as follows:

- Governance – Oversight Bodies;

- Governance – Operational Planning and Objective Setting;

- Human Resources Planning; and

- Risk Management.

Audit field work was conducted at AANDC Headquarters (HQ) during the period from August to October 2014. The Audit covered the period 2013-14 for testing and 2014-15 for the operational plans and objectives and human resources planning areas.

3. APPROACH AND METHODOLOGY

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

The probability of significant errors, fraud, non-compliance, and other exposures was considered during the planning phase.

The principle audit techniques used included:

- Interviews with key individuals at AANDC (HQ and one Regional office);

- Review of relevant documentation related to the management of the LED Sector including committee terms of reference and records of decision, management reporting, business plans, roles and responsibilities, and risk identification and assessment; and

- Assessments of the adequacy, effectiveness and efficiency of governance, operational and human resources planning, and risk management in place to manage the Sector.

The audit fieldwork was conducted exclusively at AANDC headquarters in Gatineau, Quebec.

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

4. CONCLUSION

Overall the audit found that LED Sector has implemented some management, oversight and planning processes to support the efficient and effective delivery of required Sector services. Although a number of sound practices have been implemented, the audit identified areas where control practices and processes could be improved. Four key recommendations were identified relating to: management and oversight bodies, operational planning and objective setting, human resources planning and risk management.

5. FINDINGS AND RECOMMENDATIONS

On the basis of evidence gathered, observations and conclusions were drawn for each criteria included in Appendix A. Where a significant difference between the audit criterion and the

observed practice was found, the risk of the gap was evaluated and a recommendation proposed.

5.1 Management and Oversight Bodies

The audit expected that the Sector had established effective management and oversight bodies that meet regularly and have clearly defined, communicated and understood authorities, responsibilities and accountabilities.

The audit noted that a number of management and oversight committees have been implemented to support the management and governance of the LED Sector objectives.

The LED Executive Committee (LED EC) is a Senior Management committee to which all other sector committees report. The LED EC is chaired by the ADM LED and attended by Directors General (DG), and representatives from Indian Oil and Gas Canada, the Business Management Unit and the Quebec Region. The committee meets on a bi-weekly basis to discuss key issues in the Sector, and to share information. The audit observed that LED EC does not have current documented Terms of Reference (TOR). In addition, Records of Decision (ROD) were not maintained until recently.

The LED Human Resources Committee (LED HR) was created in the fall of 2008. Its purpose is to oversee the HR activities of the Sector by reviewing HR trends and issues and leading the implementation of proactive human resources strategies, including strategies on high performing teams and workplace well-being. The committee reports to the LED EC and membership consists of representatives from each Branch at the executive level. The audit noted that the committee has been experiencing challenges in regards to the scope of its mandate (staffing transactions not included), attendance (delegates or non attendance) and meeting frequency. In September of 2014, the LED HR has been replaced by the LED ADM Human Resources Committee. The Committee was established to provide Sector leadership for staffing actions and people management. The Committee is chaired by the ADM and membership includes Branch Directors General and Directors, a Human Resource Advisor and Senior Policy Advisor to the ADM. The committee mandate has been expanded to ensure comprehensive coverage of all HR topics/issues and staffing transactions. TORs for the committee are documented and RODs are maintained.

The LED Operational Committee (LED Ops) is intended to promote effective operations by providing a single forum to the Sector's management team to share information, to discuss and make recommendations regarding the planning and management of financial resources, and human resources, as well as other operational issues. Membership consists of Directors General (voting members), Senior Advisors to DGs, Directors, Head of the BMU, and the IOGC Executive Director. The committee meets on a bi-weekly basis. The LED Ops has a documented TOR and RODs are being maintained. During the course of our audit, it was noted that until recently the LED Ops did not have an effective decision escalation mechanism as well as ADM oversight. This creates challenges with respect to decision making related to allocation and re-allocation of resources. LED management indicated to the audit team that

the ADM will now participate in key meetings of this committee where key operational or resource decisions are being discussed (such as during the mid-year FSR process).

The LED Financial Working Group is a sub-committee of the LED Ops whose mandate is to oversee, review, develop recommendations and report to the LED Ops on issues related to financial management and reporting. The working group meets on a weekly basis and its' membership consists of executives, representatives from each branches as well as operational subject matter experts. The Committee has documented TOR as well as ROD. Interviewees noted that this committee was valuable and believed it was operating effectively.

The LED IM/IT Working Group working group is also a sub-committee of the LED Ops. Its mandate consists of working towards the objectives of AANDC Information Management Policy which strives to achieve efficient and effective information management. The committee, which is chaired by a Director, meets on a monthly basis. Its membership includes two representatives of each branch, of which one must be at the EX level. Documented TORs exist and RODs are maintained. The audit noted, for management consideration, a potential improvement change to this committee by including a committee co-Chair from the Lands and Environment Branch, which houses most of the Sector specific IT systems.

LED Policy Committee's (LED Pol) mandate is to discuss and make recommendations and decisions to help inform the strategic policy directions and business planning across the Sector. Membership consists of Directors General, Directors and one Regional Director. The committee meets on a monthly basis. The committee has documented TORs and RODs.

In addition to the above, a number of working groups meet on a regular basis. These groups include among others the Look Ahead Committee, Bilats with the ADM, Directors and Regional Directors as well as the National Directors call. A number of working groups at the Branch level have also been implemented.

The audit noted that there is potential for overlap in regards to committee mandates, agendas, discussions and authority for decision making. LED staff have corroborated this finding as there are some concerns regarding the effectiveness of some of these committees as well as in regards to "meeting fatigue" due to the large number of oversight and information sharing.

Based on the findings and observations, the audit identified an opportunity to improve the efficiency and effectiveness of the oversight structure by ensuring that existing committees are operating as intended, that their mandates and discussions don't overlap or duplicated, and that formal documentation is maintained. Documented and communicated management oversight is important to help ensure that management's direction, plans and actions are clear, appropriate and achieved. Senior management is responsible for the achievement of Sector objectives and implementation of the Sector Business Plan and management practices. Documented terms of reference and records of decision help promote efficiency and effectiveness through clarifying mandates, responsibilities and accountable decision-making. Documented records of decision also help to ensure required action is taken in a timely manner.

The audit team understands that a review of oversight bodies is currently underway to ensure the committee structure is efficient and effective. This was noted with the implementation of the ADM chaired LED Human Resources, and other changes under consideration (noted above).

Recommendation:

1. The Assistant Deputy Minister for LED Sector should continue the review of the current governance structure to ensure it is effective and efficient, and to ensure all formal oversight bodies have up to date and communicated Terms of Reference that articulate mandate, membership, and expectations for agendas, supporting information, and records of decisions/discussions.

5.2   Operational Planning and Objective Setting

The audit expected that the Sector have clearly defined and communicated strategic direction and objectives, aligned with its mandate, along with operational plans and objectives aimed at achieving its strategic objectives.

The audit found that the Sector adhered to the departmental corporate planning process. The LED Business plan for the period 2014-2015 integrates strategic priorities to operational objectives.

The audit also noted that the Sector has established an effective process to identify key Sector priorities and complete its business planning. The process involves a business planning session that includes representative from all branches in the Sector, representation from Regional Operations, as well as regional office representatives. The audit identified this as a strong practice as it enables consideration of program operational input from regions into the Sector's priority identification and planning process.

Following the Sector priority identification exercise, each branch develops their operational objectives and plans, which are individually integrated into the Sector Business Plan. The audit noted that operational plans are developed independently and there is no formal process to share plans between branches. This lack of planning collaboration can result in inconsistently coordinated planning and integration across branches within the Sector, resulting in a lack of efficient alignment of available resources to operational needs.

Based on the audit findings, there is an opportunity to better integrate the Sector's operational planning. A coordinated Sector integrated operational planning process is an effective approach to focus resources based on needs and pressures, and should include collaboration and engagement between all branches. An integrated plan supports the identification of Sector objectives and priorities, risks that may impact the achievement of objectives, and mitigation measures to manage the risks identified and support the achievement of planned objectives. Benefits of integrated and coordinated planning include: alignment of the Sector's workforce with objectives and priorities and realignment over time as priorities change; helps

clarify responsibilities and accountabilities; and facilitates performance and monitoring through the establishment of key performance indicators and related targets.

Recommendation:

2. The Assistant Deputy Minister of LED Sector should increase the integration of the Sector's operational planning processes to better forecast and manage operational requirements and prioritize tasks. This would help alignment of limited resources, including staff, to Sector priorities.

5.3   Human Resources Planning

The audit expected the Sector to have a Human resource planning process that is aligned with business planning, and considers current and future resource and competency needs, succession planning, and training and development needs.

As noted in the background section, since 2012 LED Sector has undergone numerous and significant change initiatives, including organizational structure changes, internal resource and accountability realignment, and program authority consolidation. There have been implications related to deficit reduction activities, as well as eligible retirement which have impacted both the HR Planning environment as well as the nature of HR Planning risks faced by the Sector.

The audit also noted that the Sector is also operating with a salary deficit, which further complicates effective HR planning.

The audit found that the Sector follows the departmental HR planning process, and an approved HR plan is in place. The audit also noted that the Sector had also recently updated the LED HR Action Plan which also includes an action plan on Healthy and High Performing Workforce. The audit also noted that costed organizational charts were developed to assist in managing salaries and HR planning.

The audit noted, however, the HR plan is not integrated with other planning documents including the LED Business Plan and Branch Operational Plans. This can further challenge the alignment of human resources to Sector requirements, priorities, and pressures. The audit acknowledges that the departmental planning processes/cycles make this integration more difficult as the HR and Operational planning call-out cycles are not aligned.

Human resources planning is a process that involves identifying current and future HR needs. When effectively implemented, it supports the recruiting and retention of the right people, building a supportive work environment and developing the capacity necessary to deliver against the organization's objectives. In his call for Public Service renewal, the Clerk of the Privy Council directed federal departments and agencies to improve human resources planning as part of integrated business planning. An important part of this integrated approach is succession planning and management of employee competencies. Taken together, these

planning processes help identify, develop, and retain the talent necessary to achieve current and projected business objectives.

Based on the audit findings, there is an opportunity to improve HR planning practices by conducting an environmental scan and workforce analysis to inform the Sector's workload pressures, inform the required (or "target") competency profile, and identify skills gaps. This analysis would assist the alignment of human resources to operational needs. The audit team understands that the Sector has completed an LED human resource "footprint" exercise at the Regional level and is in the process of completing one for LED Sector. This analysis would assist the alignment of human resources to operational needs within the Sector.

Recommendation:

3. The Assistant Deputy Minister of LED Sector should continue with a workforce analysis exercise in order to inform and support the development of HR strategies and activities that align human resources to LED priorities and operational requirements and proactively manage key HR challenges, which include retention of corporate knowledge, succession planning and achievement of target competency profiles.

5.4 Risk Management

The audit expected that the Sector has a formal and documented approach with respect to risk management which would enable management to formally assess, routinely monitor, and formally respond to the risks it has identified in order to help ensure the achievement of Sector objectives and priorities.

The audit found that a number of risk management activities are being completed in the Sector. Specifically, the Sector participated in the department's Corporate Risk Profile Process and provided input into the risk profiles developed at the departmental level. The audit identified elements of risk management within LED Sector level.

Elements of risk management noted include the following:

- As part of the 2014-2015 Sector Business Plan, risk identification at the sector level was completed by LED. The Risks were aligned with the Department's Corporate Risk Profile. For each risks identified, a mitigating strategy was determined. However, there was no documented assessment of likelihood and impact of the risks noted.

- The Quarterly Reports reviewed also included a column titled "imminent risks/challenges". Risks identified included AANDC Corporate Risk as identified in the Sector business plan. Risks identified were rated and mitigating strategies were determined.

- The LED Sector HR Action Plan for 2012-13 to 2013-14 includes a risk scale which assesses the likelihood of achieving specific milestones.

- A number of risk assessment tools have been implemented at the program operational level to assess risks related to specific projects or files.

While some practices were observed, the audit found that a formal and comprehensive risk management framework was not in place at the Sector level. Risk management within the Sector level was largely informal with little coordination across the Sector to identify, assess, monitor and establish risk and risk tolerance.

Leading practices in risk management include a complete environmental scan of all of the risks that may impact the Sector's ability to achieve objectives and priorities. Risks identified should be measured considering likelihood and impact, mitigation measures in place and risk tolerance. The resulting risks and mitigations should be monitored over time to help ensure the achievement of the Sectors objectives and priorities. A risk management process to identify, assess, mitigate and monitor risk should be formally defined.

Recommendation:

4. The Assistant Deputy Minister of LED Sector should develop and implement a formal and documented integrated risk management process that assesses and documents the risks of the Sector against its objectives. Risk assessment should include the impact and likelihood of risks identified with consideration of risk mitigation measures in place. This could be integrated into the operational planning process to identify assess and monitor the most significant risks that may preclude or limit the achievement of objectives.

6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
1. The Assistant Deputy Minister for LED Sector should continue the review of the current governance structure to ensure it is effective and efficient, and to ensure all formal oversight bodies have up to date and communicated Terms of Reference that articulate mandate, membership, and expectations for agendas, supporting information, and records of decisions/discussions	The ADM is currently reviewing the Sector committee structure to ensure that committees are efficient, responsive to sector priorities and avoid overlapping functions.

TORs and records of decision for some Sector management committees are documented and properly communicated but LED will ensure that this practice is consistent for all other Sector management committees. | Assistant Deputy Minister for LED Sector | January 2015 |
| 2. The Assistant Deputy Minister of LED Sector should increase the integration of the Sector's operational planning processes to better forecast and manage operational requirements and prioritize tasks. This would help improve alignment of limited resources, including staff, to Sector priorities | The ADM will establish a formal process for the integration of financial and human resources into the operational planning process and ensure accountability by monitoring the implementation at the Sector level. | Assistant Deputy Minister for LED Sector | March 31, 2015 |
| 3. The Assistant Deputy Minister of LED Sector | The LED Sector is currently conducting | Assistant Deputy | March 31, 2015 |

should continue with a workforce analysis exercise in order to inform and support the development of HR strategies and activities that align human resources to LED priorities and operational requirements and proactively manage key HR challenges, which include retention of corporate knowledge, succession planning and achievement of target competency profiles.	a HQ footprint exercise that will mirror the Regional footprint exercise aimed at providing a snapshot of work (HR effort) going across key sector business lines. Going forward this will be used as a tool to access pressures and support medium/long term planning. The sector HR committee has TOR and will regularly deal with talent/succession etc.	Minister for LED Sector	
4. The Assistant Deputy Minister of LED Sector should develop and implement a formal and documented integrated risk management process that assesses and documents the risks of the Sector against its objectives. Risk assessment should include the impact and likelihood of risks identified with consideration of risk mitigation measures in place. This could be integrated into the operational planning process to identify assess and monitor the most significant risks that may preclude or limit the achievement of objectives.	LED will identify, document and integrate risk, particularly in relation to legal, external relationships and government partnerships risks into sector program and planning documents. The sector will develop a risk management assessment tool, aligned to operational business. This tool will be reviewed quarterly to ensure risks are monitored and appropriated mitigation strategies are in place.	Assistant Deputy Minister for LED Sector	March 2015

APPENDIX A: AUDIT CRITERIA

An audit plan was developed using a risk-based approach to identify key risks facing the achievement of the Sector objectives and expected results. Principle techniques used to identify the key risks included interviews with management and key stakeholders, and a documentation review. Key risks were then linked to the core processes and practices in place within the Sector that are designed to mitigate these risks. This information was then used to determine the audit criteria to support the objectives and scope of the audit. References to the Treasury Board's *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011)* are included for each audit criteria.

Audit Criteria	
Management and Oversight Bodies	
1.1	The oversight body (or bodies) has a clearly communicated mandate that includes roles with respect to governance, risk management and control (G-2)
Operational Objective-Setting and planning	
2.1	The organization has clearly defined and communicated strategic directions and strategic objectives, aligned with its mandate. (G-3)
2.2	The organization has in place operational plans and objectives aimed at achieving its strategic objectives.(G-4)
Human Resources Planning	
3.1	Human resource planning is comprehensive and aligned with business planning. (PPL-1)
Risk Management	
4.1	Management has a documented approach with respect to risk management (RM-1)
4.2	Management formally assesses, routinely monitors and responds to the risks it has identified. (RM-4)
4.3	Management formally responds to its risks (RM-5)

APPENDIX B: RELEVANT POLICIES/DIRECTIVES

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

Government of Canada Management Frameworks
- Treasury Board's *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011).*

LED Planning, Monitoring and Reporting Tools
- 2012-13 to 2013-14 LED HR Action Plan
- 2013-14 to 2015-16 LED HR Action Plan
- 2013-14 LED Business Plan
- 2014-15 LED Business Plan
- LED Quarterly Reports – 2013-14 / 2014-15 (Q1&2)