Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Management Practices Audit of the

Regional Operations Sector

Prepared by:

Audit and Assurance Services Branch

Project # 12-17

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ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
AES	Audit and Evaluation Sector
CFM	Capital Facility and Maintenance
CSA	Control Self-Assessment
DM	Deputy Minister
DRAP	Deficit Reduction Action Plan
EPM	Employee Performance Management
HQ	Headquarters
MPA	Management Practices Audit
MPR	Management Practices Review
OPS	Operational Planning and Support
RDG	Regional Director General
RO	Regional Operations
SADM	Senior Assistant Deputy Minister
SMC	Senior Management Committee

EXECUTIVE SUMMARY

Background

The Regional Operations Sector ('RO Sector' or 'the Sector') is one of Aboriginal Affairs and Northern Development Canada's (AANDC) nine sectors. The Sector is responsible for both program delivery and policy development. From a program delivery perspective, the Sector is responsible for delivering all of Aboriginal Affairs and Northern Development Canada's ('AANDC' or 'the Department') programs and services through the Department's seven "South of 60" regional offices. From a policy development perspective, the Sector is responsible for developing policies and programs related to First Nations community infrastructure, governance and emergency management assistance.

The RO Sector had actual expenditures of $38.2 M in 2011-12. The Sector's actual expenditures in 2012-13, following a transfer of the Urban Aboriginal Strategy Directorate to RO Sector, were $63.4 M. The RO Sector consists of 136 Full time equivalents and, at the time the audit was conducted, was organized across the two distinct branches and one directorate:

- Community Infrastructure Branch;

- Governance Branch; and,

- Operations and Planning Support Directorate.

On February 22, 2012, the Deputy Minister approved AANDC's 2012-13 to 2014-15 Risk-Based Audit Plan, which included a Management Practices Audit (MPA) of the RO Sector. This MPA was initiated by the Audit and Evaluation Sector (AES) in October 2012.

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 / high-priority management controls and activities in place to support the achievement of the RO Sector's objectives.

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

The scope of the audit covered the following high-risk / high-priority management practices, as identified through Control Self-Assessment (CSA) workshops and interviews with senior management from the RO Sector:

- Accountability;
- Internal Communications;
- Policy Development and Program Design;

- Budgeting and Forecasting[1];

- Management and Oversight Bodies; and,

- Operational Objective-setting and Planning.

Previous audit and review findings, a review of departmental priorities, and planned future audit work were also taken into consideration when determining the audit scope.

Audit fieldwork was performed at Headquarters (HQ) during the months of February and March 2013. While the audit considered the prevailing environment and state of management practices at the time of fieldwork, for testing purposes, the scope of the audit included the fiscal year 2010-11 through to the second quarter of 2012-13.

Statement of Conformance

The Management Practices Audit of the RO Sector conforms to the Internal Auditing Standards for the Government of Canada, as supported by the results of the quality assurance and improvement program.

Observed Strengths

The audit noted that the RO Sector operates in a dynamic environment characterised by considerable change, evolving expectations and a broad and varied mandate. The Sector is responsible for both program delivery and policy development. From a program delivery perspective, the Sector is responsible for delivering all of Aboriginal Affairs and Northern Development Canada's ('AANDC' or 'the Department') programs and services through the Department's seven "South of 60" regional offices. From a policy development perspective, the Sector is responsible for developing policies and programs related to First Nations community infrastructure, governance and emergency management assistance. Against this context, we identified examples of robust management practices, including:

- **Accountability:** In light of Deficit Reduction Action Plan (DRAP) related challenges that impacted responsibilities and accountabilities across the Department, we noted a strong practice within the Professional and Institutional Development Directorate of the Sector's Governance Branch. Specifically, this Directorate had completed a skills mapping exercise to identify and link the experience and skills of staff to their current and future functional activities to proactively address any potential responsibility gaps that exist.

- **Policy Development and Program Design:** An approved Management Control Framework (MCF) for the Capital Facilities and Maintenance (CFM) Program has been

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[1] The scope of the audit relative to Budgeting and Forecasting was limited to the Sector's practices as they relate to the timely allocation of targeted program funds to regional offices.

developed in support of program management, including the roles and responsibilities of HQ and regional staff (e.g. for policy development). The MCF is a foundational document for the CFM Program that centralizes procedures and guidelines to help ensure that program implementation aligns with the program's policies.

Conclusion

Generally, management practices were found to be effective and adequate. Some areas for improvement were noted to strengthen management practices in the following areas: accountability; internal communications; policy development and program design; management and oversight bodies; and, operational objective-setting and planning.

Recommendations

The audit team identified areas where management practices and processes could be improved, resulting in five recommendations, as follows:

1. The Senior Assistant Deputy Minister of the Regional Operations Sector should ensure that the responsibilities and accountabilities of the new Planning and Business Integration Directorate are clearly defined and communicated within the Sector and across the Department.

2. The Senior Assistant Deputy Minister of the Regional Operations Sector should assess how internal communication and feedback mechanisms are managed and practiced to identify specific opportunities for improvements to timely, two-way communication within the Sector.

3. The Senior Assistant Deputy Minister of the Regional Operations Sector should work in collaboration with the Policy and Strategic Direction and Chief Financial Officer Sectors to ensure that processes and procedures supporting the development/revision of policies and the design of programs within the Sector are documented.

4. The Senior Assistant Deputy Minister of the Regional Operations Sector should ensure that the Sector's governance structure and the role of any oversight body is formally documented through documented Terms of Reference(s) that articulate its mandate, authority, responsibility, accountability and operating principles. Once completed, the governance structure and the roles and responsibilities of any oversight body should be communicated across the Sector.

5. The Senior Assistant Deputy Minister of the Regional Operations Sector should consider developing formal strategic directions and objectives that reflect the Sector's unique dual mandate of operational delivery and policy development/program design. In light of the Sector's dynamic environment, it will be necessary to enforce regular re-assessment of strategic directions and objectives and ensure that alignment with operational objectives is maintained.

1. BACKGROUND

1.1 Management Practices Initiative

The Audit and Evaluation Sector (AES) 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 Department's 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 Initiative should be continued. As a result of the analysis, a second round of management practices engagements, using a revised approach, was approved.

Under the revised approach, which was 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 feedback received from the CSA as well as the results of previous audits and reviews, and a review of departmental priorities, a limited number of management practices were to be selected for inclusion in an audit.

To date, AES has completed Management Practices Audits (MPA) of all ten regions and one sector. An additional three MPAs, including the Management Practices Audit of the Regional Operations Sector ('RO Sector' or 'the Sector'), were identified in AANDC's 2012-13 to 2014-15 Risk-Based Audit Plan, approved by the Deputy Minister on February 22, 2012.

In October 2012, AES initiated the MPA of the RO Sector. The decision to complete an MPA of the RO Sector was based on the results of an Audit and Assurance Services Branch prioritization exercise that considered the impact and significance of previous engagement findings, the length of time since the completion of the last MPR, and the degree of organizational and senior management change over the past three years.

AES previously conducted an MPR of the Sector in 2009, which included interviews, a documentation review and a review of random samples of human resources and contracting files from the 2008-2009 fiscal year.

1.2 Control Self-Assessment

The CSA workshop is a venue through which internal audit gathers participants' opinions on the importance, efficiency, and effectiveness of key management practices. Specifically, their views on how well each of their key management practices is functioning to support achievement of the Sector's objectives. Two CSA workshops were facilitated by an independent third-party, and were designed to allow for maximum discussion, with anonymous voting technology used to encourage open and honest feedback.

As a result of the workshop discussions, a series of interviews with Sector management and the Sector's Senior Assistant Deputy Minister (SADM), and the review of previous engagement

findings, AES identified the following six key areas of potential risk and/or high priority that required further analysis:

- Accountability;

- Internal communications;

- Policy development and program design;

- Budgeting and forecasting[2];

- Management and oversight bodies; and,

- Operational Objective-Setting and Planning.

1.3   Regional Operations Sector

The RO Sector is one of Aboriginal Affairs and Northern Development Canada's (AANDC) nine sectors. The Sector is responsible for both program delivery and policy development. From a program delivery perspective, the Sector is responsible for delivering all of Aboriginal Affairs and Northern Development Canada's ('AANDC' or 'the Department') programs and services through the Department's seven "South of 60" regional offices. From a policy development perspective, the Sector is responsible for developing policies and programs related to First Nations community infrastructure, governance and emergency management assistance.

At the time the audit was conducted, RO HQ was comprised of two branches and one stand-alone directorate[3].

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[2] The scope of the audit relative to Budgeting and Forecasting was limited to the Sector's practices as they relate to the timely allocation of targeted program funds to regional offices.

[3] On February 26, 2013, prior to the issuance of this audit report, the RO Sector announced a re-organization that led to the creation of a third Branch – the Sector Operations Branch. As part of the Sector reorganization, the Operations and Planning Support Directorate was renamed the Planning and Business Integration Directorate and was folded under the Sector Operations Branch. The Emergency and Incident Management Directorate, which was formerly part of the Community Infrastructure Branch was also folded under Sector Operations Branch. These two directorates and the Business Management Unit report to the DG, Sector Operations.
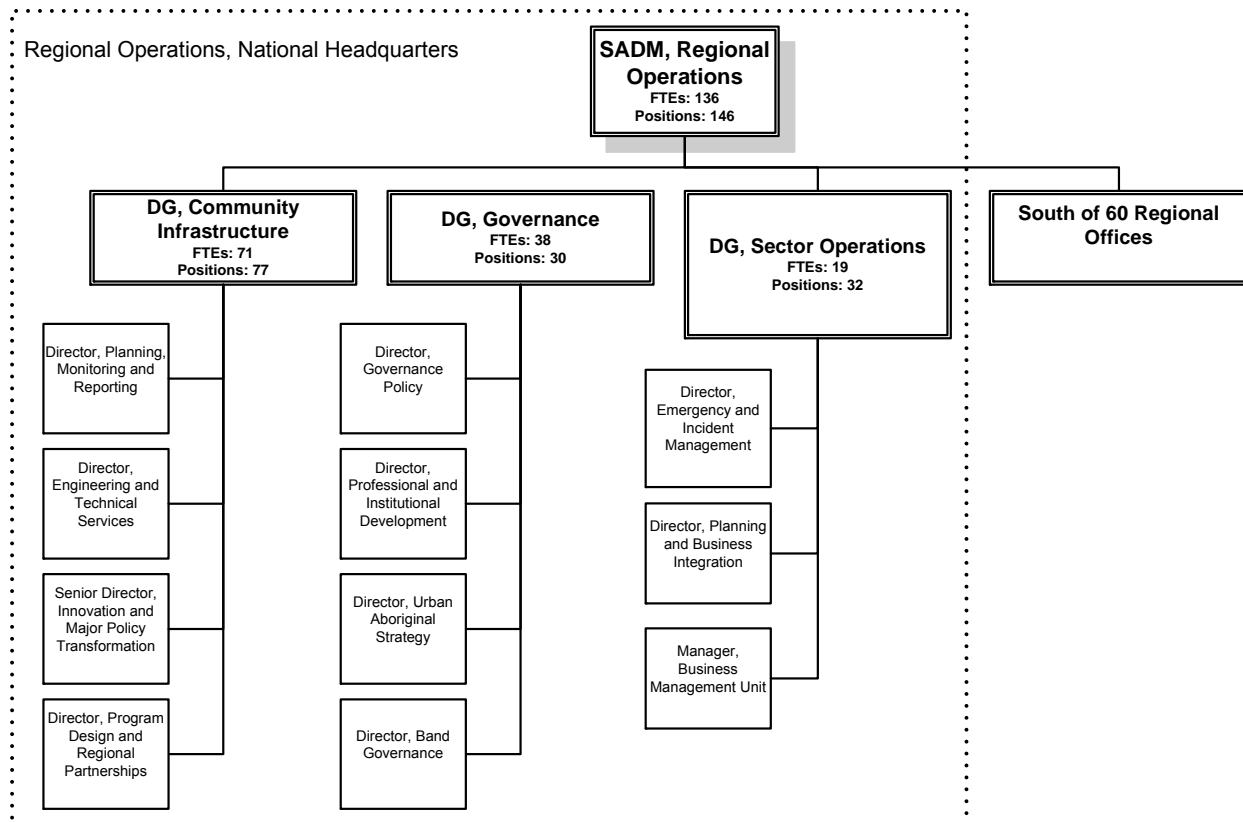
Regional Operations, National Headquarters

SADM, Regional Operations
FTEs: 136
Positions: 146

DG, Community Infrastructure
FTEs: 71
Positions: 77

DG, Governance
FTEs: 38
Positions: 30

DG, Sector Operations
FTEs: 19
Positions: 32

South of 60 Regional Offices

Director, Planning, Monitoring and Reporting

Director, Engineering and Technical Services

Senior Director, Innovation and Major Policy Transformation

Director, Program Design and Regional Partnerships

Director, Governance Policy

Director, Professional and Institutional Development

Director, Urban Aboriginal Strategy

Director, Band Governance

Director, Emergency and Incident Management

Director, Planning and Business Integration

Manager, Business Management Unit

Figure 1 – RO Sector organizational structure based on information as of April 13, 2013[4]

Through the provision of program and policy direction, Community Infrastructure Branch (CIB) supports First Nations and Band members living on reserves across Canada to improve their social well-being and economic prosperity, develop healthier, more sustainable communities, and participate more fully in Canada's political, social and economic development. CIB provides policy and program direction related to the Capital Facilities and Maintenance (CFM) and, until recently, the Emergency Management Assistance Program. The CFM Program supports First Nations communities in building a base of infrastructure that: protects health and safety and enables engagement in the economy; supports service delivery for drinking water and wastewater, housing, education facilities, and other community infrastructure; and, supports regions in assisting First Nations in bringing their fuel tank systems into compliance with new fuel tank regulations.

The Governance Branch (GB) supports the development of First Nations institutions and governance capacity, and implements legislation, while respecting Canada's constitutional and

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[4] FTE and position counts include all FTEs and positions reporting to and including the respective executive at the: Senior ADM level and the Director General (DG) level. For other structures reporting to a Director or reporting to the Senior ADM through the South of 60 Regional Offices, detailed FTE and position counts are not specified in this chart.

statutory obligations. It oversees the implementation and administration of governance processes under the *Indian Act*, while at the same time, reviewing these processes to respond to new challenges and court decisions. The Branch engages in wide-ranging activities to help support communities in their transition to stronger, more effective governance systems, including: providing policy support on First Nations governance and program management; providing technical advice to First Nations and policy support on elections and bylaws; raising awareness and increasing the capabilities of First Nations communities to engage in the development and use of comprehensive community-based plans; and, supporting First Nations governance capacity through tools and resources for governance ,and by providing support to independent First Nations-led institutions.

The Operations and Planning Support (OPS) Directorate (now Planning and Business Integration Directorate) had a broad and varied mandate at the time of the audit. The Directorate's responsibilities included:

- Supporting financial, human resource and strategic planning for the Sector;

- Supporting departmental governance regimes through the provision of secretariat support or by chairing/co-chairing a variety departmental committees.

- Supporting horizontal projects and initiatives within the Department to promote improvements to operational policies and regional operations.

- Providing strategic resource planning advice to senior management and coordinating the Department's efforts towards improving the delivery of services to Canadians.

Organizational and Environmental Context of the RO Sector

Given the RO Sector's broad and varied mandate, the context within which the Sector operates was an important consideration when planning and conducting the audit. The following paragraphs provide details on the Sector's organizational and operational context during the audit.

Not only is the Sector responsible for delivering programs and services in the Department's seven South of 60 regional offices, it is responsible for providing program and policy direction in two key programming areas. Accordingly, the Sector's management practices, including those within the scope of this audit, must be adequate and effective relative to the context within which RO operates. Against this backdrop, the Sector has also been impacted by a variety of organizational restructurings over the last several years dating back to September 2008 when RO Sector was created through a departmental reorganization that saw the Socio-Economic Policy and Regional Operations Sector divided into two separate sectors: the Education and Social Development Programs and Partnerships Sector and RO Sector.

When the Sector was created, the Governance Branch was transferred to RO from Lands and Trusts Services Sector (now Lands and Economic Development). In April 2011, a second branch, Community Infrastructure, was transferred to RO. In March 2013, prior to the completion of this audit, RO was restructured and a third branch, the Sector Operations Branch,

was established. This branch includes the newly named Planning and Business Integration Directorate (formerly OPS) as well as three other functional areas: issue management; emergency and incident management; and the Business Management Unit (previously part of OPS). In addition to the various changes that have occurred at the branch level since RO was created, various Directorates have been added, removed, and restructured within the Sector. A chronology of the reorganizations impacting the RO Sector is provided in Appendix B.

The establishment of the Planning and Business Integration Directorate and the creation of the Sector Operations Branch illustrate the complex and dynamic nature of the Sector's mandate and how its roles and responsibilities continue to expand and change. Given the extent and frequency of the changes that have occurred, Sector plans, priorities and practices must continually be revised and updated. Accordingly, management must remain mindful of this requirement and take continuous steps to address it.

2. AUDIT OBJECTIVE AND SCOPE

2.1 Audit Objective

The objective of the audit was to provide senior management with assurance over the adequacy and effectiveness of a selection of high-risk / high-priority management controls and activities in place to support the achievement of the Regional Operations Sector's ('RO Sector' or 'the Sector') objectives.

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

2.2 Audit Scope

The audit examined management practices and activities considered to be areas of high-risk / high-priority to the Sector. The scope of the audit covered the following six high-risk / priority management practice, as identified through CSA workshops and interviews with senior management from the RO Sector:

- Accountability;
- Internal Communications;
- Policy Development and Program Design;
- Budgeting and Forecasting;
- Management and Oversight Bodies; and,
- Operational Objective-Setting and Planning.

It should be noted that the scope of the audit relative to Budgeting and Forecasting was limited to the Sector's practices as they relate to the timely allocation of the targeted program funds to regional offices.

Audit fieldwork was performed at Headquarters (HQ) during the months of February and March 2013. While the audit focused on management practices currently in place, for testing purposes the scope of the audit included the fiscal year 2010-11 through to the second quarter of 2012-13.

3. APPROACH AND METHODOLOGY

The Management Practices Audit of the RO Sector was conducted in accordance with the requirements of the Treasury Board of Canada Secretariat's *Policy on Internal Audit* and followed the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*. The audit team examined sufficient, relevant evidence and obtained sufficient information to provide a reasonable level of assurance in support of the audit conclusion.

The principal audit techniques used included:

- Interviews with key Sector management and staff;
- A review of relevant documentation related to accountability, internal communications, policy development and program design, budgeting and forecasting, management and oversight bodies, and operational objective-setting and planning;
- Where applicable, a detailed review of records related to accountability, internal communications, and management and oversight bodies (including records of decision, agendas, meeting minutes, work descriptions, e-mail communications, etc.).

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, management practices were found to be effective and adequate. Some opportunities for improvement were noted to strengthen management practices in the following areas: accountability; internal communications; policy development and program design; management and oversight bodies; and, operational objective setting and planning.

5. FINDINGS AND RECOMMENDATIONS

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

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

The findings and recommendations for each in-scope management practice are organized by the following five areas of management, as follows:

5.1   Accountability

    5.1.1   Accountability

5.2   Communications

    5.2.1   Internal Communications

5.3   Policy and Programs

    5.3.1   Policy Development and Program Design

5.4   Stewardship

    5.4.1   Budgeting and Forecasting

5.5   Governance and Strategic Direction

    5.5.1   Management and Oversight Bodies

    5.5.2   Operational Objective-Setting and Planning

5.1   Accountability

5.1.1 Accountability

In any organization, it is critical that authority, responsibility and accountability are clear and that delegated authority is aligned with an individual's responsibility. In addition, an effective organizational structure should be clearly defined and documented; ensuring clear lines of communication and reporting are in place, and providing for an appropriate span of control. Finally, the organization accountabilities in support of collaborative initiatives should be formally defined.

Within RO, delegated authority levels (both financial and human resources) are established by AANDC HQ.   Responsibilities and accountabilities are defined and documented through employee work descriptions, the Employee Performance Management process, staff meetings, branch workplans and quarterly reports.   For the Community Infrastructure and Governance Branches, responsibilities and accountabilities are further defined and communicated through program documentation such as Treasury Board authorities, program policies and guidelines, and the Department's Budget Management Regimes.   In the case of the Capital Facilities and Maintenance (CFM) Program, a Management Control Framework has also been established that includes the roles and responsibilities of staff at HQ and in regions.   While staff reductions as a result of DRAP have impacted responsibilities and accountabilities (and workload distributions) within some directorates, Sector management has taken steps to address these impacts.   By way of example, the audit noted that the Professional and Institutional Development Directorate of the Governance Branch completed a skills mapping exercise to identify and link the experience and skills of its current staff to the current and future functional

activities of the Directorate. The results of the mapping exercise were leveraged to support the development staff learning plans.

The audit found, however, that certain responsibilities and accountabilities of the recently restructured OPS Directorate were not clearly defined or communicated. Through interviews with management it was evident that the Directorate had a broad and varied mandate. In addition to housing the Business Management Unit for the Sector and acting as the secretariat for a number of departmental committees, the Directorate supports the regional implementation of departmental policies and programs. Equally as important, it supports the development and implementation of key transformative initiatives within the Department (including horizontal projects) and leads the Department's efforts to improve the delivery of services to Canadians. It is these latter areas of responsibility and accountability that were lacking in clarity. Management advised that this was, in part, the motivation for the recent Sector reorganization that led to the creation of the Sector Operations Branch.

Clearly defined and communicated responsibilities and accountabilities are particularly important for the recently restructured OPS Directorate (now the Planning and Business Integration Directorate) given the breadth of its mandate, the extent to which it works with other sectors in the Department, and the organizational restructuring underway.

Recommendation:

1. The Senior Assistant Deputy Minister of the Regional Operations Sector should ensure that the responsibilities and accountabilities of the new Planning and Business Integration Directorate are clearly defined and communicated within the Sector and across the Department.

5.2 Communications

5.2.1 Internal Communications

Open and effective channels for internal communications and feedback are important in ensuring that decisions are effectively implemented and that accurate feedback is received. They also ensure that relevant information is provided to staff and personnel on a timely basis.

Based on interviews with management and staff and a review of sample communications, a variety of internal communication channels were identified to facilitate the flow of information within the Sector. These communications channels include management and staff meetings that occur within the Sector's branches and the OPS Directorate, email communications, the use of AANDC *Express* – a weekly electronic newsletter, and informal communication (i.e. discussions within working groups and communities of interest). Between HQ and regional offices, the audit noted that the Senior Assistant Deputy Minister holds weekly videoconferences with his direct reports (the Regional Directors General, the Director General of Governance Branch, the Director General of Community Infrastructure Branch and the Director of OPS). This management group also meets at various times during the year as the RO Senior Management Committee (see section 4.5.1). It was also noted that Community Infrastructure Branch and

Governance Branch program staff communicate regularly with their regional counterparts on program related matters.

The audit identified an opportunity to enhance open, effective and timely communication channels within the Sector through formal mechanisms designed to provide greater opportunity for two-way communication. Feedback from interviews and a review of related documentation indicated that the emphasis on, and opportunity for, vertical communication in the Sector has not been consistent. By way of example, we noted that HQ management meetings that include the Sector's SADM, Directors General and Directors have become less frequent in the past year. These meetings provide an opportunity for upward (as well as downward) communication; a mechanism for staff to provide feedback to senior management; and an opportunity to obtain senior management's insight on operational priorities.

The audit also found that meetings at the Director General-Director and Director-Manager levels did not always occur as planned and that RO HQ all-staff meetings were rare. All-staff meetings with well defined agendas provide an opportunity for enhanced horizontal communication across the Sector's branches/directorate. During the CSA session, it was suggested that increased horizontal communication at the operational management level could better inform the linkages between the branches/directorate in the Sector, thereby reducing duplication of effort and reducing confusion regarding roles and responsibilities.

Recommendation:

2. The Senior Assistant Deputy Minister of the Regional Operations Sector should assess how internal communication and feedback mechanisms are managed and practiced to identify specific opportunities for improvements to timely, two-way communication within the Sector.

5.3 Policy and Programs

5.3.1 Policy Development and Program Design

It is important for an organization to have a formal and rigorous approach to policy development and program design. Such an approach should include: sufficient, dedicated and capable resources to support research and policy analysis; established processes to support the development of policies and the design of programs; and, mechanisms to ensure that operating directives, procedures, and guidelines are established in support of policies.

The audit found that resources are in place to support policy development and program design activities, including research, consultation and analysis of policy options and related program impacts. While resource levels were impacted as a result of DRAP, including policy and program advisors and analysts, management within the Sector's program branches (Community Infrastructure and Governance) advised that working groups/teams can and will be established when needed to support policy development and program design within the Sector. They advised that these teams can be established from staff within their Directorates, from other Directorates, from other branch or sectors, and/or from regional offices.

The audit revealed that management and staff are knowledgeable of the processes to be followed within the Sector when developing or revising policies and designing programs, including the need to ensure that adequate consideration is given to past audit and evaluation results, other policy or legislative requirements, and the needs of internal and external stakeholders. It was also noted that mechanisms are in place and are regularly updated (i.e. program specific frameworks, protocols, templates and tools) to support program management that represent directives, procedures, and guidelines in support of policies. In particular, an approved Management Control Framework for the CFM Program has been developed to support policy development and implementation.

The audit did, however, identify that the Sector's processes and procedures to support policy development and program design have not been formally documented. While the Department has a formal process for the review and approval of significant policy changes, reliance is placed on program branches to conduct the necessary consultation, research and analysis in support of policy development and program design. Interviews indicated that the Sector places considerable reliance on the knowledge of existing staff to ensure that the necessary steps in this regard are completed. Although it is not a departmental requirement for sectors to formally document such processes and procedures, the audit supports such documentation as a good management practice, particularly in light of the resource challenges created by DRAP and the Sector's increased leverage of teams (with its shared responsibilities and accountabilities) to support policy development and program design.

Well defined and formally documented processes and procedures would help ensure that Sector expectations are clear to staff when developing policies and designing programs and would also provide a framework to ensure that the Sector is able to demonstrate how the results of consultation, research and analysis are used to support policy development and program design. Documenting such processes and procedures may require input and consultation with other sectors within the Department such as Policy and Strategic Direction and Chief Financial Officer Sectors.

Recommendation:

3. The Senior Assistant Deputy Minister of the Regional Operations Sector should work in collaboration with the Policy and Strategic Direction and Chief Financial Officer Sectors to ensure that processes and procedures supporting the development/revision of policies and the design of programs within the Sector are documented.

5.4   Stewardship

5.4.1 Budgeting and Forecasting

An organization should ensure that timely budgets and forecasts are developed at an appropriate level of detail through a rigorous process, with budgets allocated to responsibility centres in a timely manner. During the planning phase of the audit, the aspect of budget and forecasting identified as being the high risk was the timely distribution of grant and contribution

program budgets to regional offices. As a result, the scope of the audit was designed to focus on the Sector's practices as they relate to the timely allocation of the targeted program funds to regional offices.

AANDC's annual budget allocations are based on a global funding regime which consists of "core" and "non-core" (or targeted) funds. In preparation for the allocation of the annual budgets, regions and sectors are required to submit Resource Plans indicating their forecasted expenditures and budget activity level across all programs. Based on the Resource Plans submitted, the Department's Financial Management Committee allocates budgets to regional offices prior to the start of the fiscal year. These allocations include core program funds, as well as funds in relation to certain non-core programs. The remaining non-core budgets, typically those associated with proposal-driven programs, are allocated to HQ branches such as the Community Infrastructure Branch and the Governance Branch for subsequent distribution to regional offices (or direct distribution to recipients).

The audit found that the RO Sector's allocation of non-core budgets to regional offices occurs in a timely manner, between April and June of the fiscal year depending on the specific program and branch. While there is evidence that non-core budget funds having been allocated to regions later in the fiscal year than the historical norm, the delays are generally beyond the Sector's control (e.g. budget announcements impacting Community Infrastructure Branch or Governance Branch programs that occur later in the fiscal year, a temporary holdback of program funds at a Departmental level). Accordingly, the audit found no evidence indicating that program budgets are not being allocated to regional office by Community Infrastructure Branch or Governance Branch on a timely basis.

Recommendation:

No recommendations were identified in this area.

5.5   Governance and Strategic Direction

5.5.1 Management and Oversight Bodies

Effective governance includes the decision-making process and the process by which decisions are implemented (or not implemented). To support good governance, it is important that management oversight structures and mechanisms are established and functioning, with clearly communicated mandates, and that these governance structures have a clear role and purpose.

At a departmental level, the Operations Committee has authority to review and provide management direction on departmental operations requiring the attention of the Deputy Minister (DM) or the Associate DM. Strategic Policy Committee has authority to review, approve and provide direction on policy proposals requiring the attention of the DM or the Associate DM. The Strategic Policy Committee also considers key emerging strategic policy issues or challenges. Taken together, these committees provide overall departmental oversight in regard to AANDC's policy development/program design and program delivery activities, both of which are areas of responsibility of the RO Sector.

Within the RO Sector, the governance and management oversight structure that oversees RO activities is the RO Senior Management Committee (SMC). RO SMC meets several times a year to discuss Sector specific activities and initiatives, as well as other departmental matters affecting AANDC's regional operations. The audit found that while records of discussion are maintained for the committee, no Terms of Reference or mandate has been established to document its oversight role or the process by which decisions are made and implemented. Interviews also confirmed that members of RO SMC participate in a weekly teleconference call, however neither agendas nor meeting minutes are maintained. Without a clearly defined (and communicated) role and purpose, we could not assess whether RO SMC represents an appropriate oversight body in support of Sector governance.

Sector management advised that efforts are underway to formalize the governance structure for RO Sector, including the role of RO SMC.

Recommendation:

4. The Senior Assistant Deputy Minister of the Regional Operations Sector should ensure that the Sector's governance structure and the role of any oversight body is formally documented through documented Terms of Reference(s) that articulate its mandate, authority, responsibility, accountability and operating principles. Once completed, the governance structure and the roles and responsibilities of any oversight body should be communicated across the Sector.

5.5.2 Operational Objective-setting and Planning

In support of an effective governance regime, an organization should have in place operational plans and objectives aimed at achieving its strategic objectives. In this regard, an organization first needs to clearly define and communicate its strategic direction and objectives, ensuring that they are aligned with its mandate. It should then establish operational plans and objectives aimed at achieving these strategic objectives.

On an annual basis, RO prepares a Business Plan as per departmental requirements. The RO Sector Business Plan identifies key planning activities by Branch (and, in the case of OPS, by Directorate), with these activities aligned to the Department's Strategic Outcomes and its key priorities. For each planned activity/commitment, performance indicators/milestones are established, and quarterly targets are set to measure progress. On a quarterly basis, management reports on their progress against the plan through the Quarterly Reporting process, which includes an assessment of the risk of not meeting each objective. Objectives are revisited, as required, based on the risk assessment and the extent of progress made towards achieving the objective.

We found that although RO's priorities and objectives are defined and communicated through its annual Business Plan, management has not defined or communicated a strategic direction or objectives for the Sector. As noted earlier in this report, the Sector has a broad and varied mandate, making the establishment of a strategic direction and objectives both challenging and important. The breadth of its mandate is evident in the fact that Sector commitments within its

annual Business Plan align with two of the four departmental Strategic Outcomes as well as Internal Services. Furthermore, while the Sector is responsible for infrastructure and governance programming, a significant part of its mandate represents the delivery of the programs and services through the Department's seven South of 60 regional offices. In this regard, the Sector is responsible for implementing the strategic priorities and objectives identified by other branches and sectors.

Although current departmental directives do not require individual sectors to develop strategic objectives and priorities (or a Strategic Plan), interviews with Sector management suggested a value in having a formally developed and communicated strategic plan at the Sector level. Formalizing and communicating a strategic direction and objectives would help to promote a common understanding of the Sector's longer term strategic vision amongst both management and staff.

Recommendation:

5. The Senior Assistant Deputy Minister of the Regional Operations Sector should consider developing formal strategic directions and objectives that reflect the Sector's unique dual mandate of operational delivery and policy development/program design. In light of the Sector's dynamic environment, it will be necessary to enforce regular re-assessment of strategic directions and objectives and ensure that alignment with operational objectives is maintained.

6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
1. The Senior Assistant Deputy Minister, Regional Operations should ensure that the responsibilities and accountabilities of the Planning and Business Integration Directorate are clearly defined and communicated within the Sector and across the Department.	The sector has commenced activities which support the recommendation such as the recent re-organization within the Planning and Business Integration Directorate and the creation of the Sector Operations Branch. Additional activities planned/ underway: Revise Director, Business Planning and Implementation work description. Revise/communicate the mandate and roles & responsibilities of the Directorate.	Senior ADM, Regional Operations Director General Sector Operations	Fall 2013
2. The Senior Assistant Deputy Minister, Regional Operations should assess how internal communication and feedback mechanisms are managed and practiced to identify specific opportunities for improvements to timely, two-way communication within the Sector.	The RO management team will develop a list of opportunities which would improve timely, two-way communication within the Sector.	Senior ADM, Regional Operations All Directors General	October 2013
3. The Senior Assistant Deputy Minister, Regional Operations should work in collaboration with the Policy and	Regional Operations will partner with PSD and CFO to ensure that departmental processes and procedures are	Senior ADM, Regional Operations	November 2013

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
Strategic Direction and Chief Financial Officer Sectors to ensure that processes and procedures supporting the development/revision of policies and the design of programs within the Sector are documented and consistent with departmental approaches.	communicated to relevant staff and that departmental tools are accessible to employees. Regional Operations will develop and communicate internal processes which ensure that documentation supporting the development/revision of policies and program designed are tracked, documented and accessible.	Director General Sector Operations	March 2014
4. The Senior Assistant Deputy Minister, Regional Operations should formally document the Sector's governance structure and formalize the role of any oversight body through documented Terms of Reference(s) that articulate its mandate, authority, responsibility, accountability and operating principles. Once completed, the governance structure and the roles and responsibilities of any oversight body should be communicated across the Sector.	The Sector is implementing a Management Board Structure which aims at establishing a collective decision making process, which will include all DGs reporting to the Senior Assistant Deputy Minister RO. The following are activities which will be developed: 1- Terms of Reference, defining membership, mandate, roles and responsibilities. 2- Management Operations Calendar for specific recurrent activities such as: HR /Financial Planning, Corporate Planning and Reporting and Corporate Call-Outs. 3-Development of a Management Board	Senior ADM, Regional Operations Director General Sector Operations/Senior Advisor to the Senior ADM	October 2013

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	workplan that will identify management priorities and action items with leads, deliverables and deadlines.		
5. The Senior Assistant Deputy Minister, Regional Operations should consider developing formal strategic directions and objectives that reflect the Sector's unique dual mandate of operational delivery and policy development/program design. In light of the Sector's dynamic environment, it will be necessary to enforce regular re-assessment of strategic directions and objectives and ensure that alignment with operational objectives is maintained.	The sector is developing an integrated corporate business plan which would incorporate and support the delivery of program level objectives which would support the advancement of departmental strategic objectives.	Senior ADM, Regional Operations	March 2014

Appendix A: Audit Criteria

The audit objective is linked to audit criteria developed in alignment with Treasury Board of Canada Secretariat's *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011).* Additional audit criteria were developed to address specific risks identified in the planning phase.

Audit Criteria	
1. Accountability	
1.1	**Accountability**: Authority, responsibility and accountability are clear and communicated.
1.1.1	Responsibilities and performance expectations to which managers and supervisors are held accountable are formally defined and clearly communicated. Job descriptions and/or performance agreements should exist for this purpose and be up-to-date.
1.1.2	Employees' duties and control responsibilities are clearly defined.
1.1.3	Employee Authority is formally delegated and delegated authority is aligned with individuals' responsibilities.
1.1.4	A clear and effective organizational structure is established and documented.
1.1.5	The organizational structure is up-to-date and widely communicated
1.1.6	The organizational structure permits clear and effective lines of communication and reporting (e.g., established reporting relationships – formal or informal, direct or indirect – provide managers information appropriate to their responsibilities and authority)
1.1.7	Managerial spans of control are appropriate.
1.1.8	The organization's accountability(ies) in support of collaborative initiatives are formally defined.
1.1.9	Memoranda of understanding, terms of reference or equivalent documents exist for those government-wide or horizontal initiatives to which the organization contributes.
1.1.10	The documentation clearly outlines the organization's roles, responsibilities and accountabilities of the organization.
2. Communications	
2.1	**Internal Communications**: Open and effective channels exist for internal communications and feedback.
2.1.1	Communication channels exist that provide appropriate and timely information horizontally to staff in Branches and across the Sector as needed.
2.1.2	Communication channels exist that provide appropriate and timely information vertically to staff within the Sector.
3. Policy and Programs	
3.1	**Policy Development and Program Design**: The organization has resources to support research and policy analysis.

3.1.1	Sufficient resources exist for the analysis of policy options and program design.
3.1.2	The organization has access to adequate subject-matter expertise for the conduct of policy research.
3.1.3	Responsibility for research, consultation and analysis of policy options and related impacts on program is clearly and formally delineated.
3.1.4	The organization has a formal and rigorous approach to policy and program design.
3.1.5	Established processes are in place and are followed (and are documented) for the development of policy and the design of programs.
3.1.6	Policy and program design (or re-design) considers: • evaluation results on the impacts (intended and unintended) of programs or policies; • other policy or legislative requirements; and • needs of stakeholders (as determined through consultation or other means)
3.1.7	Results from consultation, research and analysis is formally considered, approved and used to coordinate and integrate changes to existing policies or programs.
3.1.8	Mechanisms are in place to ensure that operating directives, procedures, and guidelines are established in support of policies
4. Stewardship	
4.1	**Budgeting and Forecasting:** Management has developed effective and efficient budgeting and forecasting practices which are appropriate and sufficient based on departmental timelines.
5. Governance and Strategic Direction	
5.1	**Management and Oversight Bodies:** Effective management and oversight bodies are established and functioning, with clearly communicated mandates, and are kept informed of significant developments.
5.2	**Operational Objective-Setting and Planning:** The organization has clearly defined and communicated strategic directions and strategic objectives, aligned with its mandate.
5.2.1	Strategic direction and objectives are established and revisited through formal strategic planning activities. Consideration is given to government priorities, identified risks and client needs.
5.2.2	The organization has in place operational plans and objectives aimed at achieving its strategic objectives
5.2.3	Processes for the establishment of operational plans and objectives are in place and operating effectively
5.2.4	Processes are in place to ensure that operational plans are appropriately integrated (e.g. those of regional offices).

Appendix B: Overview of Regional Operations Sector Reorganizations

September 2008: RO Sector created through departmental reorganization. Socio-Economic Policy and Regional Operations Section divided into two separate sections: Education and Social Development Programs and Partnerships Sector and Regional Operations.

September 2008: Governance Branch transferred to Regional Operations from Lands and Trusts Services Sector (now Lands and Economic Development).

April 2011: Community Infrastructure Branch transferred from Education and Social Development Programs and Partnerships Sector to Regional Operations.

March 2013: Sector Operations Branch established to house issues management, emergency and incident management, sector business planning and integration, and the business management unit.