



Indian and Northern  
Affairs Canada

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# Management Practices Review of the Atlantic Region

**Report**  
**January 18, 2008**



Canada



# Review Objectives

- Provide review level assurance that:
  - grant and contributions, contracting, financial management and human resources management practices comply with authorities and are delivered consistent with the TB Management Accountability Framework



# Methodology

- Onsite work conducted August 29-31, 2007 and September 18-21, 2007
- Interviews with 23 staff including DG, Directors, union reps
- Review of a random sample of 39 human resource, 40 grant and contribution, 26 contracting transactions and the post audited financial payments during the 2006/7 year
- Further examination of specific transactions where risks were identified in the above activities



# Context

- 30 of 33 (91%) First Nations are funded through multi-year (3 or 5 years) agreements
  - 1 in third party
  - 7 in co-management
  - 5 self administered
- The Atlantic Region is responsible for delivery of INAC Programs in 4 Provinces
- The regional office is among the largest employers in Amherst Nova Scotia.
- 2006/7 total expenditures \$284 million including \$270 million in grants and contributions





# Observations – Grants and Contributions

- 33 of 40 (83%) transactions examined did not comply fully with the policy requirements.
  - In 30 transactions involving 17 First Nations– audit report received after due date . (The region advises that it adheres to requirements regarding the application of sanctions when reports are not received when due.)
  - In 16 transactions involving 10 First Nations - agreement signed after start date. (The region advises that no funds flow until the agreement is signed.)
  - In 1 transactions involving 1 First Nation - agreement signed without proper program authority
- 84% of First Nations Audited Financial Statements for the 2006/7 years not received as of the July 29, 2007 due date



## Observations – Grants and Contributions (cont'd)

- Atlantic Region uses multi-year agreements more than any other region
- Most of the staff involved in grants and contributions have taken the Canada School of the Public Service training course.



# Observations – Grants and Contributions

- Tobique First Nation was put in third party status in September 2007 after 18 years of intervention;
- Tobique cumulative operating deficit ratio had increased (per INAC Intervention Policy acceptable ratio is 8% or less);
- Given the high risk to INAC funded programs, the policy (April 2007) now **requires** that intervention take place.
- Accountability issues regarding payments to Tobique for Education, Child and Family Services and Capital Investment.





# Observations – Grants and Contributions

- Tobique –Education:
  - Until 2005/6 it was receiving funds from INAC in order to pay for education
  - The multi-year funding agreement did not allow INAC to withhold these funds as long as the services were being provided
  - In 2005/6 funding was halted
  - INAC payments to Tobique have been frozen.





# Observations -Contracting

- 3 of the 26 transactions examined did not comply fully with contracting policies – e.g. the acquisition card was not paid within 30 days
- Difficulty obtaining timely contracting advice from Headquarters (partly due to staff turnover and retirements)



# Observations- Financial Payments

- We noted an error rate in the headquarters selected sample of financial payment transactions which were post audited in the calendar year 2006 of less than 4%. This rate is below the target rate of 5% and significantly below the national average of 15%.
- The HQ post audit policy sample methodology does not cover grants and contributions.



# Observations – Human Resources

- 8 of 42 HR transactions did not comply in full with authorities
  - In 5 transactions - acting appointments of greater than 4 months without inviting expressions of interest (as per PSC advice)
  - In 2 transactions - incomplete documentation
  - In 1 transaction - training authorisations not provided
- 100% of performance reviews regarding 2006/7 and learning plans regarding 2007/8 completed per regional report
- The 6 leave, 4 overtime and 5 classification transactions examined were processed appropriately





# Observations –Human Resources

- The region consists of 30% aboriginal staff compared to a departmental target of 50%. The region gives priority to hiring qualified aboriginals but practice is inconsistent
- The Region is developing an Aboriginal Resourcing Plan which is intended to address this issue.



# Observations –Human Resources

- Several employees expressed concern about the fairness of past HR decisions, some dating from many years ago. Most of the comments about current decisions related to acting appointments.
- Several employees stated that questioning decisions was not welcome. One summarised that employees “are given the opportunity to appeal or complain but are afraid to do so as it black marks their name with various officials”.
- In the 2005 Public Service Employee Survey employees rated the region significantly better than the INAC and the Public Service average on matters such as goal setting ,performance feedback , learning plan development, information sharing, occupational health and safety, ethical problem resolution and ability to initiate a formal redress process without fear of reprisal. However the region received average ratings when asked if they could disagree with their supervisor without fear of reprisal.



# Observations –General Management

- Strengths:
  - Communications - internal and external;
  - Regular meetings- management and all staff;
  - Consultations;
  - Go forward agenda available to all managers;
  - Focus Meetings to address issues;
  - Increased focus on the client;
  - Availability and promotion of training and development
  - Healthy Financial Management of O and M and Budgetary Controls
  - Audit and Accountability committee, Human Resource Policy Committee, Regional Finance Committee, and Senior Management Committee meets monthly





## Observations –General Management

- Need for better data for decision making and management,
- Tendency to draw from capital to meet shortfalls in other areas ; commitment in 2007/8 to pay out multi-year funding commitments on priority basis
- Quality Assurance function needs to be further developed but awaiting tools from headquarters
- Need to establish or enhance service standards regarding regional processes / activities



# Observations –General Management

- HR plan should be integrated into overall Atlantic Region Operational Plan
- Region should establish a Risk Management Plan



## Observations –General Management- Community Based Approach

- Atlantic Region developed community based approach to First Nations to enable a more collaborative and integrated approach to the delivery of programs and services.
- The Atlantic Region proposed approach shifts emphasis from Programs to communities as a focus.





# Recommendations

- HR should:
  - 1) monitor regional staffing for a 6 month period in order to ensure consistency in hiring practice
  - 2) give recruitment of qualified aboriginals priority.
  - 3) take actions to ensure regional management provides opportunities for staff to share constructive criticism .
- HR plan should be integrated with existing Regional Operational Plan



# Recommendations

- Controls over grants and contributions should be strengthened;
- A revised INAC intervention policy and tolerance levels (e.g. current operating deficit ratio) should be developed to meet policy objectives including capacity development and self administration of First Nations and implemented by April 2008;
- A revised national post-audit policy regarding grants and contribution expenditures should be based on risk factors;
- INAC Audit and Evaluation should include Atlantic Region in the grants and contributions audit of 2008/9;
- INAC Audit and Evaluation should conduct an audit of Tobique First Nation funding for the period 2001/2 to 2007/8.



# Recommendations:

- The Atlantic region should refine data collection for decision making, consistent with a national initiative already underway ( Smart Reporting) and implement quarterly reporting;
- The Atlantic Region should develop consistent service standards around the delivery of funding and services to First Nations;
- The Atlantic Region should develop a risk management plan;
- INAC Audit and Evaluation should provide guidance and tools for the Quality Assurance function to all regions;
- Senior ADM SEPRO and CFO should closely examine value of further developing community-based approach to delivery of INAC services in light of current shortcomings/gaps in existing practices and controls and ensure that risks would be mitigated.