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# Management Practices Review and Review of Financial Management Reporting Practices of the Alberta Region

**Final Report**  
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Canada



# Objectives

- Management Practices Review
  - Provide review level assurance that grant and contribution, contracting, financial management and human resources management practices comply with authorities and are delivered consistent with the TB Management Accountability Framework
- Financial Management Reporting Practices
  - Identify and assess the reporting practices designed to facilitate adequate, transparent financial reports
  - Identify potential best practices and opportunities for improvement



# Methodology

- On site work conducted October 29 -November 2, 2007
- 29 interviews with staff including DG, Directors, and union representatives
- Review of a random sample of 41 human resource, 27 grant or contribution, and 18 contracting transactions and post audited financial payments during the 2006/7 year
- Further examination of specific transactions where risks were identified in the above activities
- Review of budgeting, appropriations, forecasting, and reporting activities (*work undertaken by PricewaterhouseCoopers, under contract with INAC, through interviews and limited documentation review*)





# Context

- There are 45 First Nations in the Region
  - 20 of 45 (45%) First Nations are funded through multi-year (3 or 5 year) agreements including 13 through flow through tribal council agreements
  - 2 First Nations are in co-managed intervention
  - 9 are in self managed intervention
  - 11 First Nations are not in intervention but are under either close watch or emerging remedial action plans
- Services delivered through treaty areas 6,7 and 8
- Alberta region provincial costs and standards growing much faster than the national average
- 2006/7 total expenditures \$712 million including \$690 million in grants and contributions



# Observations – General Management

- Strengths

- Relationship with First Nations is positive
- Directors/Managers see their role as ensuring that staff are familiar with their roles and what they are doing
- Regional committee structure (Management Oversight, Operational, Policy Implementation, Fiduciary, HR, and Financial) enhances management control framework and provides multiple checks and balances
- Experience and strengths of a number of key people
- National expertise in program areas such as education and child and family services
- G and C accountability regime in place including early warning system to detect risk factors in funded organizations
- HR practices led union to recommend Labour-Management Committee for receipt of the Regional Award of Excellence



## Observations – General Management

- 6 of the 9 people in the positions of Director, ARDG, and RDG are acting in their position. The resultant uncertainty has an impact on morale and willingness to take risks
- Because no discretionary funding available for additional costs in other programs, Region has been re-allocating discretionary community infrastructure funding (within the Grants and Contributions Vote 10) - creating a growing concern about the adequacy of community infrastructure funding.
- A need exists to enhance and more clearly articulate the region's service standards regarding regional processes and activities





# Observations – General Management

- HQ turnover and structural changes have affected workload and created needs to re-inform or redo things
- ABC/Economic Development roles need to be resolved - uncertainty has an impact on morale and stability
- The First Nations and Inuit Transfer Payment System interface with the Integrated Capital Management System needs to be developed to allow better regional coordination of service delivery and reporting



# Observations – Grants and Contributions

- Based on the limited sample of 27 transactions, the region exercises tight control in processing grant and contribution payments
- A framework is in place to withhold funds when warranted, e.g.:
  - \$524K in 2006 for audits not received
  - Two recipients without signed funding agreements by April 1
- In 2 transactions involving 2 First Nations entities – child and family service compliance requirements not met
- Proposal driven economic development projects of less than 100k were not subject to any independent review (now being reviewed by Regional Operations Committee)
- Implementation of December 2006 policy interpretation change (requiring individual monthly Section 34 signatures) was delayed nationally due to system limitations - now in place





## Observations - Contracting

- Region has had little requirement for high dollar, complex procurement initiatives
- Headquarters no longer can support these very occasional requirements so Region is proposing to obtain this type of support from B.C. Region through a Centre of Expertise concept
- Review of 18 transactions revealed isolated deviations from contracting policies, e.g.:
  - year end purchase without needs list
  - receiving slip not on file
  - contractor did not meet mandatory criteria



## Observation - Financial Payments

- Treasury Board has established an allowable error rate of 5.0% above which a corrective action plan is required
- The Headquarters selected sample of Alberta Region's financial payment transactions which was post audited in 2006 contained an error rate of only .5%



## Observations – Human Resources

- In the 2005 Public Service Employee Survey employees rated the region significantly better than the INAC and the Public Service averages on matters such as claiming overtime, continuity of staff, use of flexible work arrangements, union/management relationships, and availability of accessibility tools
- Employees rated the region significantly lower than the INAC and the Public Service averages with respect to pressure to work overtime, number of approval stages, time taken to rethink the way work is done, opportunities for development assignments, openness of competitions, clarity of organizational direction and sharing of information





## Observations – Human Resources

- The region has been significantly affected by expenditure reductions which, in part, resulted in declaring 21 employees surplus since 2005/06
- Union expressed view that action is only taken on people issues if a grievance is threatened
- Several staff indicated that work is much more important than the people
- HR decisions which could not have been anticipated and included in Human Resource Plans require Regional Human Resource Committee consideration and approval



## Observations – Human Resources

- 89.2% (68.8% in 2005/6) of performance reviews completed regarding the 2006/7 year compared to a national average of 70.4%
- 85% (14.2% regarding 2006/7) of learning plans completed regarding the 2007/8 year compared to a national average of 42.3%
- The 5 leave, 6 overtime, 5 classification and 20 staffing transactions examined were processed appropriately and in full compliance
- 4 of the 15 staffing actions examined involved competitive acting assignments. In each case the initial appointments had been extended for at least 12 months and in 3 cases more than 2 years. In all cases of acting, the positions were encumbered



# Recommendations

- Region should continue to take action to respond to 2005 Public Service Employee Survey
- Region should examine practices regarding work versus people balance
- Region should improve linkage (e.g. via Regional Human Resource Committee Record of Decision) between one and three year HR Plans and actual HR decisions
- Region should examine practices of extending acting appointments beyond initial appointment for periods of more than 12 months





# Recommendations

- Headquarters should develop computer interface between First Nations and Inuit Transfer Payment System and Integrated Capital Management System
- Region and Headquarters should examine implications of budgetary shortfalls.
- Region and headquarters should take action to reduce number of senior level acting appointments
- Region and headquarters should take action to resolve roles and relationships of Aboriginal Business Canada and Economic Development



# Observations – Financial Management Reporting Practices (PwC)

- Good Practices noted:
  - Multi-dimensional financial re-forecasting and budget management processes
  - Approval process for overtime
  - Regional committee formal decision process
    - Regional Investment Management Board
    - Regional Financial Management Committee
  - Chart of accounts leveraged to support decision-making
  - Joint review of capital projects resulting in increased accuracy of estimates



# Observations – Financial Management Reporting Practices (PwC)

- Workload and Awareness
  - Perceived workload issue for the Alberta Region staff
  - Need for improved Departmental awareness of the financial management control framework for oversight purposes as related to Financial Status Reports and related cost driver exercises
- Forecast to Actual Management
  - Close monitoring and flexibility within certain accounts allows for some expenditure management
- Financial Information Monitoring and Reporting
  - Lack of departmental standardized, system generated financial reports
  - Limited formal departmental definition of commitments and system inability for early and complete recording of all commitments





# Observations – Financial Management Reporting Practices (PwC)

- Alignment and Communication
  - Lack of alignment between Alberta region forecast and Headquarters' allocation within the budget methodology binder
  - Lack of alignment between INAC's mission and its funding instruments in allowing First Nations to revert back from multi-year to more restrictive funding instruments
  - Limited alignment in departmental organizational structure and budgetary management structure



## Recommendations (PwC)

- Deputy Minister should realign accountabilities and responsibilities so that the provider of financial services in regions reports to the CFO for improved alignment in funding decisions
- CFO should continue with the focus on implementing the CFO model
- CFO should ensure there is a national audit of payments and agreements pertaining to vote 10 to ensure proper authorities are being respected and obtain evidence on the consistency of financial management practices across the Department
- CFO should develop and maintain a protocol for managing soft commitments including definitions, rules and necessary system modifications



## Recommendations (PwC)

- CFO should expand the use of the chart of accounts in order to minimize the use of spreadsheets
- CFO, as part of the CFO model implementation, should consider making use of Alberta region best practices in other regions
- ADM SEPRO and RDGs should review past studies, e.g. Expenditure Review, with the view to implementing opportunities to alleviate budgetary and workload pressures
- Internal audit should document the management control framework in the regions and evaluate in terms of controls, risk management and governance, and compliance with the Accountability Act