



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

Management Practices Review of the Northwest Territories Region

Final Report
July, 2009

A vertical decorative bar on the right side of the page, divided into three sections: a top red section with a wavy pattern, a middle section with a red maple leaf on a white background, and a bottom orange section with a blue and white geometric pattern.

Canada



Review Objectives

- The purpose of the review was to assess whether management practices and controls in the region are sufficient to mitigate risks and identify areas where efficiencies and greater economy can be achieved.
- Specifically, the objectives were to:
 - Assist regional management in assessing whether the current management practices are designed to achieve objectives efficiently and effectively;
 - Provide information to senior management about areas of strength and weakness with respect to management practices; and,
 - Identify areas and make recommendations for follow-up reviews or audits, if required.





Methodology

- On-site work was conducted in January 2009
- 30 interviews were conducted, including the RDG, ARDG, and several directors and managers.
- The scope included specific activities and processes which were validated through review of documentation and the conduct of interviews, including:
 - Strategic and operational planning;
 - Accountability and authority;
 - Risk management;
 - Financial management;
 - Human Resources management;
 - Co-ordination of programs/activities;
 - Performance measurement and reporting;
 - Monitoring; and,
 - Management of grants & contribution programs.
- In addition to the above, a sample of contracting, acquisition card, human resources and grants & contribution transactions were reviewed. Transactions were selected from the 2008-2009 fiscal year.





Context

- 51% of the population in the Northwest Territories (NT) is Aboriginal.
- The First Nations in the Northwest Territories are organized as follows:
 - 23 First Nations and six Inuvialuit communities; and,
 - There are four settled comprehensive land claims agreements in the region
 - There is one settled comprehensive self-government agreement with two other negotiations under way
- The INAC Northwest Territories Regional Office (the Region) operates out of a main office in Yellowknife and six district offices: Inuvik, Norman Wells, Fort Smith, Hay River, Yellowknife and Fort Simpson.
- In contrast to South of 60° where INAC has funding responsibilities, the NT government provides funding directly for education, social and health services.
- INAC, however, provides services such as permits for land use (water, mining rights) that would otherwise be provided by provincial governments.



Context

- 70% of the Region's funding is B-based funding.
- The Region has a high proportion of its budget allocated to Operating and Maintenance as the cost of transportation and monitoring of land use is expensive. The breakdown of budgets by major category for the 2009 fiscal year is as follows:
 - 45% - Operating and Maintenance;
 - 20% - Salary; and,
 - 35% - Grants and Contributions.





Observations – General Management

- Strengths

- The Region has an integrated business and human resources plan which includes objectives, expected outcomes and financial and human resource requirements.
- The Region has developed its own Scorecard which is mapped to INAC's Strategic Outcomes for the North.
- NT Region has implemented some risk management practices:
 - A Corporate Risk Profile has been developed for the Region;
 - A risk-based approach is used for decision-making i.e. when developing a recommendation for Senior Management, the decision includes an analysis of potential risks and impact; and,
 - Risk management is integrated into the regional planning process through the identification of risks and mitigating activities related to the objectives described in the plan.



Observations – General Management

- Areas for Improvement
 - While risks are identified as part of the business planning process they are not linked to the region's Corporate Risk Profile.
 - It has been observed, that the expected results as identified in the region's Scorecard are not linked to the region's business planning process. Management has identified this as an issue and plans to address this in the next fiscal year.
- Where the district offices deliver programs developed at HQ (example: oil and gas and land management), the district offices would benefit from more direct communication/input in the decision-making process at RHQ.





Human Resources - Background

- Only 28% of staff in the Region is Aboriginal while 51% of the population is Aboriginal, however it is important to note that 25% of the population in the region is between 0 and 14 years of age and unavailable for employment.
- There are over 350 employees in the Region.
- 1/3 of positions are term positions; this has proven to be challenging from a recruitment and retention standpoint as employees are looking for stability. Senior Management recognizes this as an issue and had developed a process for assessing whether these terms positions can be converted to indeterminate positions.
- The Region is finding it difficult to be competitive with other levels of government and employers from the private sector because these groups have higher wages and better benefit programs. For example, remote allowances are included in the pensionable earnings calculation for private sector employees.





Human Resources - Background

- Recruitment and retention is a challenge for the North.
- 15 positions (three of which are senior management positions i.e. Directors) out of 350 positions in the Region are acting positions representing a total of 4% of the total staffed population.
- Approximately 58% of staffing actions were not advertised. During the review of the HR transaction log it was noted that many of these transactions related to the extension of existing term positions. Much of the programming in the region (70%) is b-based funding which results in 1/3 of the staffing complement in the Region being Term employees.





Observations – Human Resources

- While the Region achieved 100% completion of Learning Plans for the year, it was noted that there were instances where the Learning Plans had only a vague description of intended learning rather than specific training activities.
- A report which indicates training activity taken is only available at the end of the year. This does not provide adequate management information for ongoing monitoring of training activities throughout the year.





Observations – Human Resources

- The total number of staffing actions in the region exceeded 400 in 2008-2009.
- A sample of seven staffing actions (five acting appointments and two classifications) were reviewed and the following findings were noted:
 - Acting appointments tend to have several extensions; and
 - Rationale for justifying non-advertised acting positions was not always well documented.
- A sample of five Learning Plans were reviewed and the following was noted:
 - Sign-off and approval for training activity was missing in two out of five plans sampled; and,
 - One training plan out of five was not signed by the supervisor as required.
- A sample of five overtime transactions were tested and in three out of five cases there was not a duly signed pre-authorization form.





Observations – Grants and Contributions

- The Region uses Comprehensive Funding Agreements (CFA); using a standard template. Should a recipient decide to participate in another program, the CFA is amended once the proposal has been approved.
- Each recipient provides audited financial statements with a “Federal Schedule”. This schedule includes a summary of revenues and expenses for each program the recipient has received funding. While the “Federal Schedule” does provide additional details for the program manager, it does not provide sufficient detail to determine if the expenditures are compliant with the CFA.
- The Region relies on this information alone and, consistent with the findings of internal audits and other regional management practices reviews, currently does not have a formal program of recipient audits.



Observations – Grants and Contributions (cont'd)

- 15 Grants and Contributions transactions were tested and the following observations were noted:
 - Additions of new programs to existing CFAs are not always adequately documented;
 - It was reported that proposal assessments are stored in FNITP; however, when transactions were reviewed, it was noted that assessments were not always stored in FNITP; and,
 - There are no official client service standards with respect to processing proposals so it is difficult to measure timeliness of response to recipient and of review of reports.



Observations - Contracting

- We examined 11 contract files (four-sole source; three-call-ups; four-competitive) and noted the following observations;
- For call ups:
 - In all cases, the documentation for the justification and evaluation of the proponent was not well documented. Specifically, the criteria was described but no narrative was provided to support the assessment used;
 - Justification for one contract amendment could not be located in the file;
 - In one case, the Request for Supplier Arrangement (RSA) was not appropriately signed off;
 - For one of the files, there was no evidence that three competitive bids had been received or documentation as to why fewer than three bids were received; and,
 - Work commenced before the contract was signed for two out of three files examined.



Observations - Contracting

- For competitive contracts:
 - In all four cases, work commenced before the contract was signed; and,
 - There was one missing file (contract file no 09-0028-01).
- For sole-source contracts:
 - In one case out of four the Statement of Work was not approved by the appropriate individual.





Observations - Contracting

- A sample of five acquisition card payments were reviewed and the following observations were noted:
 - Three cardholders out of five signed S34 for their own acquisition card purchases; this is an inappropriate segregation of duties; and,
 - In three out of five cases reviewed, a monthly reconciliation of supporting receipts to monthly statement was not performed as required.





Recommendations

General Management

- The risks identified in the Corporate Risk Profile for the Region should be linked to the business planning process.
- Management should develop a mechanism for information sharing that would more directly link district offices to RHQ with respect to programs they are delivering.
- While reviewing the regional scorecard, management should ensure that it is appropriately linked to the region's business planning process; i.e. that performance indicators in the scorecard be included in the Responsibility Centre performance indicators where relevant and appropriate. The indicators should also be aligned with the Department's corporate level performance indicators.



Recommendations (cont'd)

Human Resources

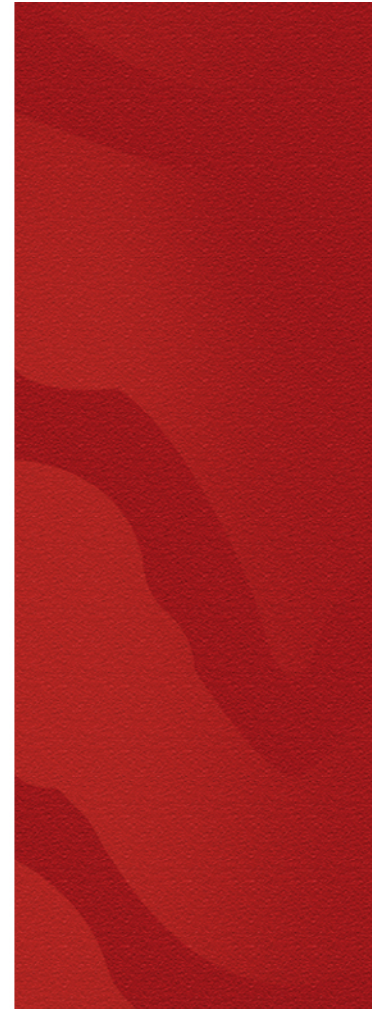
- Supervisors should ensure that Learning Plans include sufficient detail regarding learning activities and that Learning Plan are approved.
- Training should be monitored throughout the year to determine whether training is taking place as expected.
- Justification for non-advertised acting positions should be sufficiently documented for audit trail purposes.
- Overtime should be authorized in advance of work performed ahead of time by having the supervisor sign the Pre-Authorization Form.



Recommendations (cont'd)

Grants & Contributions (Gs & Cs)

- A risk-based plan for monitoring compliance of Grants and Contributions agreements should be developed and implemented by the Region.
- Management should further leverage FNITP as a central repository for documentation related to Gs & Cs programs.
- Management should develop client service standards such as how much time it will take to process recipient proposals.





Recommendations (cont'd)

Contracting

- Contracting controls should be monitored to ensure that policies are followed and that:
 - Contracts are signed before work on the contract begins;
 - The Statement of Work (SOW) and Request for Supplier Arrangement (RSA) are appropriately approved; and,
 - Justification for selecting suppliers and/or competitive processes are appropriately documented in the files.
- For appropriate segregation of duties, an authorized individual other than the acquisition cardholder should be approving Section 34 of the FAA.
- Reconciliations of the acquisition card statement to supporting receipts should be conducted on a monthly basis. The reconciliations should be reviewed and approved by the cardholder's supervisor.