



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

**Follow-Up
Management Practices Review
of Lands & Economic Development
Sector**

June 2010

A vertical decorative bar on the right side of the page. It features a dark red background with a subtle, wavy pattern. At the bottom, there is a small inset image of a red maple leaf on a white background, and a blue and white striped border. Below this, the word "Canada" is written in white on an orange background.

Canada



Review Objectives

- The purpose of this follow-up review was to assess specified management practices based on the results of the initial Management Practices Reviews (MRP) issued in July 2008 (LTS) and May 2009 (LED).
- Specifically, the objectives were to:
 - Assist Sector management in assessing whether the current management practices and controls are designed to achieve objectives efficiently and effectively;
 - Inform senior management about areas of strengths and weaknesses in respect of the department's management practices; and
 - Inform the AES risk-based audit planning exercise so that audits conducted in future years can be directed at the areas and horizontal control systems that present the highest levels of risk.



Methodology

- On-site work was conducted during May and June 2010 in the Lands and Economic Development Sector (LED). The review encompassed all branches within the Sector.
- A total of 18 interviews were conducted with management and staff in the Sector. An additional three (3) interviews were conducted with representatives from the Human Resources and Workplace Services Branch and Chief Financial Officer Sector.
- Limited transactional testing was performed on specific types of financial transactions including: travel expenditures, acquisition cards, cell phone/Blackberry expenditures and contracting files. Transactions were selected from the period April 1, 2008 to March 31, 2010.



Context

- The LED Sector is comprised of the following five branches:
 - Strategic Economic Development Policy;
 - Business Development;
 - Community Investments;
 - Lands Management Services; and
 - Indian Oil and Gas Canada.
- In September 2008, an organizational realignment at the Department created the LED Sector. The objective of the re-organization was to integrate INAC's Land and Economy strategic outcome priorities to facilitate a more co-ordinated and strategic approach to promoting economic opportunities.
- During fiscal 2009/10, the Sector continued to face challenges and opportunities in integrating the strategic outcomes into one cohesive organization.
- On April 1, 2010, a second reorganization within the Sector was announced with the intention of supporting the implementation of the Federal Framework for Aboriginal Economic Development; to facilitate collaboration and synergies across the Department and, to ensure improved organizational effectiveness.



Context (cont'd)

- The reorganization, which is expected to be fully implemented by September 1, 2010, will result in the following branches:
 - Lands and Economic Development Policy and Coordination Branch;
 - Aboriginal Entrepreneurship Branch;
 - Community Opportunities Branch;
 - Lands Management and Environment Branch; and
 - Indian Oil and Gas Canada.
- Under the new structure, LED's Western and Eastern regional offices of Business Development will be transferred to the Regional Operations Sector. LED will continue to provide program oversight of the regional activities, however.
- Related reorganization activities are ongoing within branches to more effectively manage the mandate of the Sector and to encourage improved collaboration and communication.
- The overall budget for the Sector (HQ) for 2009/10 was \$94M; consisting of \$21M salaries, \$11M O&M and \$61M of grants and contributions.
- Relative to the Land and Economy strategic objectives, the overall grant and contribution budget (including transfers to the regional offices) was \$244M in 2009/10.
- The total number of employees in the LED Sector was 286 as of March 31, 2010; the majority of which (89%) are indeterminate.
- 15% of the Sector's population will be eligible for retirement within the next five years.



Scope

- The scope reflected specific Sector processes, conduct through follow-up activities (i.e. limited documentation review, interviews and file review), including:
 - Strategic and operational planning;
 - Risk management;
 - Human resources management;
 - Co-ordination of programs and activities;
 - Monitoring;
 - Results-based performance measurement and reporting;
 - Financial management; and
 - Communication.
- For the purpose of this follow-up review, Indian Oil and Gas Canada (IOGC) was excluded from the scope.



Strategic and Operational Planning

Strengths

- LED has a formal strategic planning process that aligns the goals of the Sector to departmental priorities. Progress against plans is reported on a quarterly basis.
- Senior management is planning to use the reorganization to develop a comprehensive strategic plan and to engage employees to design a vision for the Sector.

Areas for Improvement

- Employees have not felt sufficiently engaged in dialogue surrounding the future plans for the Sector which has created apprehension amongst employees.



Strategic and Operational Planning (cont'd)

Recommendations

- There is an opportunity to provide more support to existing managers. As positions and structures are finalized, a review should be undertaken of manager responsibilities, including discussions with managers and teams, to ensure that the expectations are realistic, in line with capabilities/job descriptions and are appropriately distributed.
- Leveraging opportunities to enhance leadership and management skills of directors across the Sector will ensure they are well-equipped to provide the appropriate support and guidance to the management group, increasing commitment.



Risk Management

Strengths

- A Corporate Risk Profile has been developed at the strategic outcome level and a formal process is in place to report quarterly on results.
- Employees have noted increased focus on risk management as part of management culture (i.e. team meetings and decision-making processes); however, continued focus is necessary to ensure risk discussions filter down.

Areas for Improvement

- No significant areas for improvement were noted during the course of the review.

Recommendations

- None



Human Resources / Financial Management

Strengths

- The Resource Planning and Reporting Directorate (RPRD) is seen as value-added by the Sector; embedding structure and control to financial and HR processes.
- The RPRD is perceived to provide a solid support function for the Sector with a strong link to the Chief Financial Officer (CFO) Sector.

Areas for Improvement

- There is a perception that the RPRD, at times, duplicates existing processes and makes repeated requests without providing rationale for why the information is needed.
- Succession planning is viewed as a serious concern in the short to medium term for the Sector; with several key employees nearing retirement age and the potential to lose corporate knowledge and history.
- The perception of uneven work distribution and uncertainty regarding the future direction of the Sector have increased concerns over employee morale and enthusiasm.

Recommendations

- As the RPRD continues to evolve and document processes in support of financial management and compliance, communication strategies should be employed to educate RCMs (and other stakeholders) on expectations and the purpose behind new control mechanisms.



Human Resources / Financial Management (cont'd)

Recommendations

- Educational sessions can be used by the RPRD to solicit feedback from the Sector on whether processes are functioning as intended, while simultaneously facilitating future process improvements based on feedback.
- RCMs should work with the HR Branch to develop a strategy to address short and medium-term succession planning needs. Contingency plans, including transfer of knowledge to existing staff and appropriate documentation of corporate knowledge, should be considered in the strategy.
- There is an opportunity to use the reorganization as a mechanism to engage staff in development of their own working environments. Brown bag sessions with senior management, roundtables and one-on-one sessions may provide an opportunity for Sector staff to feel engaged and participate in the development of the new organization and begin to take more ownership and responsibility for their work, teams and environment.
- Other opportunities to engage and improve the working environment could include rotation opportunities across branches, staff participation in various intra-sector committees, spotlights on specific jobs and cross-branch communication and development activities.



Coordination of Programs and Activities

Strengths

- Employees view the upcoming reorganization and planned committee structure as a positive approach to improve coordination and clarity of activities within the Sector.
- Employees appreciate the weekly meetings held by Directors as a vehicle to communicate necessary and timely information to the staff on an ongoing basis.
- The quarterly reporting process is seen as an effective tool to support intra-sector collaboration and communication.

Areas for Improvement

- Silos continue to exist within the Sector with limited communication across branches. However, many employees expect the reorganization will help enhance coordination.



Coordination of Programs and Activities (cont'd)

Recommendations

- As the Sector solidifies plans for implementing the reorganization, continued efforts should be made to engage staff in discussions and to provide staff with timely information.
- The planned committee structure associated with the reorganization was perceived by staff as a positive measure to increase collaboration and communication across branches. To the extent possible, staff should be engaged with the committee structure, either through participation or through the establishment of mechanisms to communicate decisions/messages from the committees to individual branches and teams.



Performance Measurement and Reporting

Strengths

- Performance measurement frameworks are being developed by strategic outcome which incorporate the use of indicators.
- Monitoring of performance against indicators is conducted as part of the quarterly reporting process.

Areas for Improvement

- No significant areas for improvement were noted during the course of the review.

Recommendations

- None



Contracting and Payments

Observations

- Twelve (12) contracting files were tested for compliance against Government of Canada and INAC procurement policies.
 - Low dollar value (2)
 - Sole-source (7)
 - Call-up against standing offer (7)
- The following exceptions were noted:
 - In one (1) transaction, a contracting file could not be located.
 - In three (3) transactions, the financial information from OASIS could not be reconciled to the contracting file.
 - In three (3) transactions, the contract work had commenced prior to signing of the contract.
 - In one (1) transaction, the appropriateness of the Section 32/34 signature could not be verified due to missing dates.
 - In two (2) transactions, the contracts on file were not signed by the contractor.



Contracting and Payments (cont'd)

Recommendation

- The CFO Sector, the RPRD and Sector RCMs should work together to ensure complete, accurate and up to date contracting files, including:
 - Contracts are signed prior to commencement of work;
 - Appropriate reflection of contract information into OASIS;
 - A signed copy (both INAC and contractor, as applicable) of the requisition, contract and any amendments/call-ups are included in the contract file; and
 - RCMs performing Section 34 on applicable invoices are signing and dating to evidence their timely review and approval.



Transactional Testing

Observations

Travel Claims

- Of the 30 travel claims and expenses tested, the following exceptions were noted:
 - In six (6) transactions, the documentation of selected expenses could not be located.
 - In four (4) transactions, the original receipts for specific travel expenses were missing.
 - In six (6) transactions, the pre-approvals for specific travel expenses were missing.
 - In nine (9) transactions, the delegated authority signature to evidence Section 34 approval was missing or inappropriate.

Mobile Charges

- Of the 30 cell phone/blackberry charges tested, the following exceptions were noted:
 - In four (4) transactions, the supporting statements were missing for selected mobile charges (May 2008 to July 2009).
 - In five (5) transactions, the delegated authority signature to evidence Section 34 approval was inappropriate (Nov. 2008 to Nov. 2009).



Transactional Testing (cont'd)

Observations

Acquisition Cards

- Of the 6 acquisition cards tested, the following exceptions were noted:
 - In four (4) transactions, the delegated authority signature to evidence Section 34 approval was inappropriate (cardholder approved their own receipts) (Sept. 2008 to Aug. 2009). Process improvements have been designed to avoid this exception going forward.

Recommendations

- Recognizing that processes have been improved to ensure controls are consistently in place, the RPRD and Sector RCMs should work together to ensure complete, accurate and compliant travel and mobile charge files are in place prior to payment, including:
 - Complete travel claim files with evidence of pre-approval, completed and signed travel claims, supporting evidence/receipts for all applicable charges, and appropriate approvals by the Section 34 delegated authority;
 - Confirmation of the appropriate delegated authority signing Section 34 prior to processing;
 - Documentation of the date of the Section 34 approval to ensure appropriate and timely validation of expenses; and
 - Complete invoices to support mobile charges for validation of appropriate use of cell phone/Blackberry.