



Aboriginal Affairs and Northern Development Canada

Internal Audit Report

Management Practices Audit of the Saskatchewan Region

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TABLE OF CONTENTS

ACRONYMS ii

EXECUTIVE SUMMARY 1

1. BACKGROUND 4

2. AUDIT OBJECTIVES AND SCOPE 5

3. APPROACH AND METHODOLOGY 5

4. FINDINGS AND RECOMMENDATIONS..... 6

 4.1 *Governance and Strategic Direction* 6

 4.2 *Human Resources Management* 9

 4.3 *Values and Ethics* 11

 4.4 *Communications* 12

 4.5 *Risk Management* 13

 4.6 *Monitoring Organizational Performance* 15

5. CONCLUSION..... 16

6. MANAGEMENT ACTION PLAN 17

Appendix A: Audit Criteria 21

ACRONYMS

AANDC	Aboriginal Affairs and Northern Development Canada
AES	Audit and Evaluation Sector
ARDG	Associate Regional Director General
CSA	Control Self-Assessment
DRAP	Deficit Reduction Action Plan
FMC	Financial Management Committee
HRMC	Human Resources Management Committee
MPA	Management Practices Audit
MPR	Management Practices Review
PMA	Performance Management Accord
RBAP	Risk-Based Audit Plan
RDG	Regional Director General
REC	Regional Executive Committee
RMC	Regional Management Committee
ROC	Regional Operations Committee
SIIP	Strategic Initiatives and Innovations Partnerships

EXECUTIVE SUMMARY

Background

A second round of Management Practices Audits (MPAs) was included in the Aboriginal Affairs and Northern Development Canada (AANDC) 2010-11 to 2012-13 Risk-Based Audit Plan (RBAP) on the basis that MPAs provide AANDC with an effective and economical approach to improving management practices and increasing awareness of leading practices. The RBAP was recommended by the Audit Committee and approved by the Deputy Minister on April 19, 2010.

MPAs are completed for all regions and sectors of AANDC. The Saskatchewan Region MPA was the final regional audit to be conducted as part of the second round of MPAs. The audit was undertaken in a period of change and transition, as the region and the Department anticipated major operational changes as a result of the Deficit Reduction Action Plan (DRAP) implementation. This created uncertainty and some anxiety on the part of both management and staff.

The approach for the second round of MPAs included a Control Self-Assessment (CSA) workshop and an audit of management practices and focused on the areas of highest risk as identified by the Audit and Evaluation Sector (AES) through the CSA workshop and a review of previous audit and review findings.

Audit Objective and Scope

The objective of this audit was to provide senior management with assurance over a selection of management practices assessed as being higher risk during a regional CSA workshop, a review of previous audit and review findings, and a review of departmental priorities. For management practices identified as high risk, AES assessed whether the controls and activities in place are adequate and effective in supporting the achievement of regional objectives in a manner that is compliant with applicable policies, procedures and regulations.

The scope of this audit covered the fiscal years 2010-11 and 2011-12. As described in the audit objective, the audit examined higher risk management practices and activities in terms of relative importance and performance. The audit scope for the Saskatchewan Region included the management practices areas of: management and oversight bodies, operational objective-setting and planning, values and ethics, human resources planning, internal communications, risk management and performance measurement.

Statement of Conformance

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

Observed Strengths

Throughout the audit fieldwork, the audit team observed examples of how controls are properly designed and are being applied effectively by Saskatchewan regional management. This resulted in the positive findings listed below:

- Efforts to streamline the Region's governance structure has focused governance activities and improved the clarity of roles and responsibilities;
- Decision-making at the senior management committees has been strengthened through the adoption of *Risk Assessment and Decision Note* templates; and,
- The Region has identified its critical positions, developed competency profiles, and solicited interest in career advancement opportunities as part of its succession planning efforts.

Recommendations

The audit team identified areas where regional management practices and processes could be improved, resulting in four recommendations.

The Audit and Evaluation Sector recommends that the Regional Director General of the Saskatchewan Region should:

1. Ensure that the Region's Business Plan is clearly integrated with the Human Resource Plan to demonstrate alignment between planning commitments and the financial and human resources required to achieve them. In integrating these plans, the Region should incorporate its succession planning process to help ensure employee development and training initiatives are aligned to and support the development of the skills and competencies required to meet the Region's short and long term planning commitments.
2. Use the results of the Public Service Employee Survey, published in February 2012, to gather information on possible communication, employee morale and values and ethics issues in the Region and establish a benchmark from which to develop an action plan in response.
3. Ensure the Region develops a formal and documented approach to risk management, including an ongoing process and governance structure for identifying, assessing, monitoring and assigning responsibility for risk mitigating actions. In the development of a regional approach to risk management, the Saskatchewan Region should leverage AANDC corporate risk management expertise where relevant and practical to help ensure a consistent approach to risk management is adopted.
4. Ensure the Region formally documents its approach to performance measurement, including defining the process to develop, integrate, monitor, and report on performance indicators, as well as the process to adjust course, as necessary.

Conclusion

Generally, management practices were found to be effective and adequate. Some areas for improvement were noted in the following management practices areas: operational objective-setting and planning, human resources planning, values and ethics, internal communications, risk management and performance measurement.

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 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 review initiative should be continued. As a result of the analysis, a second round of management practices engagements, using a revised approach, was recommended by the Audit Committee and later approved by the Deputy Minister.

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.

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 Region's objectives. The CSA workshop was facilitated by an AES facilitation team, led by an independent third-party, and was designed to allow for maximum discussion, with anonymous voting technology used to encourage open and honest feedback.

As a result of the workshop discussions, preliminary interviews, and the review of previous engagement findings, AES identified seven key areas of potential risk that required further analysis. These seven areas of risk were as follows: management and oversight bodies, operational objective-setting and planning, values and ethics, human resources management, internal communications, risk management and performance measurement. These risk areas were mapped to relevant Core Management Control categories and relevant audit criteria were developed and assessed (audit criteria are included in Appendix A).

1.3 Saskatchewan Region

The principle mandate of the Saskatchewan Region is to deliver programs and services in the province of Saskatchewan to support Aboriginal people in their efforts 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.

The Saskatchewan Region administers programs and services for the second highest proportion of Aboriginal people in a Canadian province (approximately 15% or 120,000 people, behind only Manitoba) through four offices located in Regina, Saskatoon, Prince Alberta, and Fort Qu'Appelle and a staff complement of approximately 220. The Region provides services to 70 First Nations in six treaty areas, which are represented by nine tribal councils, with 10 independent First Nations.

In 2011-12, the total operating budget for the Saskatchewan Region was approximately \$640 M, over 98% of which was targeted to transfers payments to support programming to First Nations. Programs and services in the Region are delivered through four core directorates: Lands and Economic Development; Strategic Initiatives and Innovations Partnerships; Funding Services; and, Field Operations (North Central and South Budget Centres). The Region's Corporate Services unit supports the activities of the aforementioned directorates.

2. AUDIT OBJECTIVES AND SCOPE

2.1 Audit Objective

The objective of this audit was to provide senior management with assurance over a selection of management practices assessed as being high risk as identified through a regional CSA workshop, a review of previous audit and review findings, and a review of departmental priorities. For management practices identified as high risk, AES assessed whether the controls and activities in place are adequate and effective in supporting the achievement of regional objectives in a manner that is compliant with applicable policies, procedures and regulations.

The audit objective was supported by detailed audit criteria developed and aligned with the Treasury Board of Canada Secretariat's *Core Management Controls*.

2.2 Audit Scope

The scope of this audit covered April 1, 2010 to March 31, 2012. The audit examined management practices and activities considered by management and AES to be high risk in terms of relative importance and performance. In certain instances where audit work was recently conducted or where future audit work is planned, management practices identified as high risk were excluded from the scope of this audit. In addition, management practices considered to be the primary responsibility of Headquarters were removed from the scope of the audit. Headquarters' areas consistently identified as a high risk will be subject to future department-wide audits.

3. APPROACH AND METHODOLOGY

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the audit conclusion provided and contained in this report.

The principal audit techniques used included:

- Interviews with key regional management and staff personnel;
- Review of relevant documentation related to management and oversight bodies, operational objective-setting and planning, values and ethics, human resources planning, internal communications, risk management and performance measurement;
- Evaluation of the system of internal controls, risk management and governance within the Region for processes within the audit scope;
- Conduct of a detailed review of a sample of internal communications (e.g. e-mails, meeting notes, Intranet, etc.); and
- Conduct of a detailed examination of a sample of human resource files to determine whether staffing decisions made by management were linked to the Region's human resources plan and approved per delegated authority.

The approach used to address the audit objectives included the development of audit criteria against which observations, assessments and conclusions were drawn. The audit criteria developed for this audit are included in Appendix A.

For the purposes of the examination of internal communications and human resource files, a control-based sample was selected covering the period of audit scope from April 1, 2010 to March 31, 2012. The sampling strategy considered the following factors: coverage across fiscal years; the type of internal communication or staffing action; identified risks; and, the frequency and type of controls to be tested.

4. FINDINGS AND RECOMMENDATIONS

Based on a combination of the evidence gathered through the examination of documentation, analysis and interviews, each audit criterion was assessed by the audit team and a conclusion for each audit criterion was determined. 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 provide 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 the impacts of the identified weakness and recommendations for corrective actions.

4.1 Governance and Strategic Direction

4.1.1 Management and Oversight Bodies

In order to ensure that appropriate governance structures are in place, effective monitoring and oversight bodies that meet regularly and have clearly defined and understood roles and responsibilities should be established. The focus of this audit was on the identification of the key

management and oversight bodies within the Region and the way in which they interact and communicate as a determination of their effectiveness.

The primary management and oversight bodies in the Saskatchewan Region are the Regional Financial Management Committee (FMC) and the Regional Human Resources Management Committee (HRMC). Both of these committees are co-chaired by the Regional Director General (RDG) and the Director, Corporate Services, and include in their membership: the Associate Regional Director General (ARDG), all regional directors, the Manager of Financial Planning and Analysis, and the Manager of Human Resources. The Region has also established a Regional Management Committee (RMC), a Regional Executive Committee (REC) and a Regional Operations Committee (ROC) to oversee its activities.

In October 2009, the Saskatchewan Region undertook a review of its committee structure with the objective of streamlining its governance regime and clarifying the roles and responsibilities of each committee. Through this process, the Region identified opportunities to eliminate or merge committees, clarified the decision-making processes of committees and updated committee Terms of References.

A review of the Terms of Reference for each of the five governing bodies noted above revealed that the mandate and roles and responsibilities of each committee was clear, and with the exception of the REC, did not appear to overlap with the other committees. Interviewees indicated that there may be an opportunity to merge the REC with the RMC as membership of both committees is identical.

A review of a sample of meeting minutes and agendas from the HRMC, the FMC, and the ROC revealed that meetings were occurring on a regular basis, agendas were prepared in advance of meetings and committee members were receiving the information necessary to execute their responsibilities. However, it was also noted that meeting minutes were not being consistently approved and communication of meeting minutes to stakeholders was inconsistent.

Overall, we found the Saskatchewan Region's governance structure effective, with clear and distinct roles and responsibilities. Areas for improvement include the approval and communication of meeting minutes.

Recommendation

No recommendation in this area.

4.1.2 Operational Objective-Setting and Planning

A region's operational objective-setting and planning is enabled by the collective suite of management processes that are in place to set strategic direction, operational plans, objectives and priorities, and to provide clear direction on how resources should be allocated to achieve these plans. The presence of operational objective-setting and planning documents is important to ensure that management's direction, plans and actions are appropriate and responsible.

Reporting documents should include timely and accurate financial and operating information in order to fulfill their oversight function. Resource allocation and budgets include financial, human and physical resources.

In the Saskatchewan Region, the Strategic Initiatives and Innovations Partnerships (SIIP) branch leads the development of an annual Business Plan. Each year, SIIP prepares an initial draft of the Business Plan in consultation with Regional Managers, Directors, the ARDG and the RDG. Once drafted, the plan is shared at the Managers' Strategic Forum for feedback before being presented to the RMC. Through our review of the Business Plan development process and interviews with regional management, the audit team noted that a formal process has not been established to document approval of the Business Plan. While the plan is circulated to Directors for their approval, it is done on an ad-hoc fashion and outside of the formal committee structure.

The audit team also noted that the Business Plan is not clearly integrated with the Region's (financial) Resource Plan or Human Resources Plan. While financial and human resources are inherently considered by management in the development of the Region's Business Plan, we would have expected the Regional Business Plans to contain estimates of the financial and human resources required to achieve each of the Region's priorities and objectives. Interviewees noted that tools and templates have not been created by the Department to promote alignment between plans and resources. In light of this, a Directorate Work Plan Template was created in 2011-12 to encourage financial and human resource integration. Of the five directorate plans reviewed from the 2011-12 fiscal year, one plan clearly demonstrated use of this template.

Communication of the Region's Business Plan to all regional staff was also noted to be an area for improvement. While Business Plans are shared with Managers and Directors of the Region, there exists no formal strategy to communicate regional priorities and objectives to the rest of the regional staff. A review of the Saskatchewan Region's intranet site revealed that the most recent regional Business Plan posted was for the 2006-07 to 2008-09 fiscal years. Interviewees noted that all-staff meetings have been used in the past to communicate regional Business Plans but such a meeting has not been held since December 2010. Concern by employees as to the lack of all-staff meetings appears to be supported by the results of the 2011 Public Service Employee Survey (published in February 2012), where approximately one quarter of Saskatchewan Region respondents¹ did not think the Department did a good job of communicating its vision, mission and goals.

The audit team found strong communication of regional objectives and priorities to senior management of the Department and to external stakeholders. We also noted that a process has been established to promote the alignment of Business Plan priorities with Regional Directors' Performance Management Accords (PMAs). While the audit team did not assess the extent to

¹ Forty-one percent (41%) of the Saskatchewan Region's employees responded to the 2011 Public Service Employee Survey.

which regional priorities had been incorporated into PMAs, such a process helps to promote accountability for all members of the Region's management team.

The Saskatchewan Region prepares directorate work plans, and more recently, priority-specific work plans (e.g. the Active Measures Partners Implementation Plan 2011-13) on an as-needed basis. Through a review of a sample of work plans from the 2010-11 and 2011-12 fiscal years, the audit team noted that work plans reflected the priorities and objectives of the Saskatchewan Region's Business Plan. Similar to the Region's Business Plan, the directorate work plans reviewed did not provide details on the financial resources required to complete the plans. The audit noted that some directorate work plans did contain human resources information, but its inclusion was inconsistent across the sample of plans reviewed.

Recommendation

See recommendation in Section 4.2.1 *Human Resources Planning*.

4.2 Human Resources Management

4.2.1 Human Resource Planning

Within the federal government context, it is expected that staffing decisions consider current and future needs and are conducted in a manner that is fair and objective. It is critical that management practices and internal control procedures are in place to help ensure policy compliance, fairness and transparency in the staffing process. It is also important that management conducts periodic analyses of the staffing process to investigate possible trends and anomalies.

The Policy and Strategy Direction Sector and the Human Resources and Workplace Services Branch establish AANDC's Human Resources planning processes. In line with AANDC's requirements and to support the Region's human resources activities, the Saskatchewan Region annually prepares three principal planning documents: an Integrated Human Resources Plan; a Human Resources Action Plan; and a Strategic Staffing Plan. Taken together, these documents establish the Region's annual human resources priorities (Integrated Human Resources Plan); set forth the human resources objectives, milestones, risks and mitigation strategies for achieving the Region's human resources priorities (Human Resources Action Plan); and outline the anticipated annual human resource requirements for the Region (Strategic Staffing Plan).

A review of the Saskatchewan Region's Integrated Human Resources Plans for the 2010-11 and 2011-12 fiscal years revealed that while plans were generally aligned with the Region's annual Business Plan objectives, they did not include the estimated financial resources required to achieve the plans, as previously noted in section 4.1.2. The audit team also noted, through a review of the *Saskatchewan Region 2011-12 Human Resources Action Plan*, that the Region established a priority to improve their integrated planning and resource alignment processes. In

support of this objective, we noted that the 2011-12 *Saskatchewan Region Strategic Staffing Plan* contained salary forecasts for each anticipated staffing action, a feature that was not included in the previous year's plan.

Human Resources planning in the Saskatchewan Region is managed by consensus at the HRMC. Prior to presenting a staffing action item for approval, Regional Directors are required to complete a *HRMC Risk Assessment and Decision Note* template that documents the rationale for the staffing action, its linkage to national/regional human resources plans and the financial requirements of the position. This information is then used by the membership of HRMC to debate the merits of the staffing action. If approved, the staffing action is sent to the regional Human Resources unit for initiation.

Communication of staffing actions to regional staff is the responsibility of the hiring directorate initiating the staffing action. While this process is not centralized within the Region's Human Resources unit, interviewees did note that notifications were generally received when a staffing competition was being run. It was also noted through a review of the Saskatchewan Region's intranet site that a Human Resources page has been created to share important human resources information with regional employees, including links to the Region's human resources plans and Public Service job postings.

Through a review of 13 staffing action files from the Region², the audit team observed that all files were in conformance with relevant legislation and government policies, and were approved according to delegated authorities. The audit team noted opportunities for management to improve the alignment of staffing actions with Region's resource budget. Six of the staffing files reviewed did not provide detail on the financial impact of the staffing action.

The audit team also noted, through interviews and a review of human resources documentation, that the Saskatchewan Region has been active in recent years in developing strategies to help ensure the Region possessed the staff competency and skills required to meet their current and future objectives. In 2009-10, the Region developed a Succession Plan that: identified the short and long-term human resources priorities of the Region; defined the Region's succession process; and, assigned responsibilities for employees, managers and the Human Resources unit. Soon thereafter, the Region developed competency profiles for critical positions and circulated a call-letter to staff to solicit interest in participating in the initiative.

The Region should continue to build upon their initial succession planning efforts to help ensure that the Region has necessary human resources to meet its objectives, especially in light of the aging workforce demographics prevalent in the Public Sector and the prevailing labour market conditions in Saskatchewan.

² A sample of 15 staffing action files was originally selected for the audit; however, one of the files selected was later cancelled and was thus incomplete, and one file selected could not be located by the Region.

Recommendation

The Regional Director General of the Saskatchewan Region should ensure that the Region's Business Plan is clearly integrated with the Human Resource Plan to demonstrate alignment between planning commitments and the financial and human resources required to achieve them. In integrating these plans, the Region should incorporate its succession planning process to help ensure employee development and training initiatives are aligned to and support the development of the skills and competencies required to meet the Region's short and long term planning commitments.

4.3 Values and Ethics

4.3.1 Values and Ethics

Management's operating philosophy is a critical element in establishing employee commitment and loyalty and should reflect a commitment to a healthy and well-balanced work environment and appropriate employee recognition. An equally important pillar of management's operating philosophy is a commitment to ethical values and integrity. Ethical values and integrity should be reinforced through management actions and employees should feel comfortable bringing up concerns without fear of reprisal. Interviewees did not demonstrate the same level of awareness when it came to understanding the requirements of the new *Values and Ethics Code for Aboriginal Affairs and Northern Development Canada (AANDC Code)*. The new AANDC Code is based on the *Values and Ethics Code for the Public Sector* (both of which came into effect in April 2012) and the Treasury Board *Policy on Conflict of Interest and Post-Employment*, and is designed to provide guidance to all AANDC employees about their responsibilities and expected behaviours with regard to values and ethics in the workplace. While all departmental staff received a notification e-mail that the new AANDC Code had come into effect and which included an on-line information package, employees were generally unfamiliar with their responsibilities under the AANDC Code and indicated that no formal training had been provided on how to interpret and apply it.

Interviewees also raised common concerns with respect to the current level of office morale and noted that more could be done to promote values and ethics in the office.

A detailed review of the results from the 2011 Public Service Employee Survey revealed that the Saskatchewan Region consistently scored lower than the Department and the Public Service at large, when comparing survey participants' views on values and ethics related areas, including: how informal complaints are dealt with; whether management leads by example in ethical behaviour; whether discussions about values and ethics occur in the workplace; and, whether management would resolve concerns raised in the survey.

Through interviews with management and staff, the audit team observed a general awareness among interviewees as to the mechanisms available to them in the event an ethical dilemma occurs, with interviewees citing the Department's intranet site and their supervisor as two potential avenues to consult should they have any questions or concerns.

The audit was undertaken in a period of change and transition, as the region and the Department anticipated major operational changes as a result of the Deficit Reduction Action Plan (DRAP) implementation. This created uncertainty and some anxiety on the part of both management and staff.

Recommendation

See recommendation in Section 4.4.1 *Internal Communications*.

4.4 Communications

4.4.1 Internal Communications

Open and effective channels for internal communications and feedback are important in ensuring that decisions are effectively implemented and that accurate, open and honest feedback is received. It is also important that internal communications and feedback mechanisms provide timely and relevant information to staff and personnel.

To assess the extent to which open and effective internal communication channels exist and are functioning as intended, the audit team conducted interviews with management and staff and a review of a sample of communication documents, including: presentations; meeting agendas and minutes; e-mails; intranet postings; and, strategy documents. While the audit noted that a variety of internal communications channels exist to promote open and effective feedback across the organization, the effectiveness and timeliness of these channels was noted to vary considerably depending on the employee's level and the organizational unit in which they work. At the Manager and Director levels, interviewees noted communication to be effective and timely, especially for those who belong to a regional governing body or the Managers' Strategic Forum. However, at the employee-level, interviewees found the effectiveness and timeliness of communications to be an area for improvement. While most employee interviews indicated positive opinions about the effectiveness of communication with their supervisor, the effectiveness of the communication within their directorate or organizational unit was noted to be inconsistent.

Through a review of the 2011 Public Service Employee Survey results for the Saskatchewan Region, the audit team noted that the Region's performance in the area of internal communications consistently scored lower than AANDC as a whole and the Public Service at large. In particular, less than one in three respondents in the Saskatchewan Region viewed information flows from senior management as effective and less than half of respondents believed they received meaningful recognition for their work.

The primary mechanism used in the Region to communicate information in a timely manner is e-mail. Additional communication tools used in the Region include: AANDC Express notices; all-

staff e-mails; the Region's intranet site; Frontline Facts³; committee meetings; and, all-staff meetings. With the exception of Front-Line Facts and committee meetings, which were noted to be effective among its participants/users, these tools were noted to be ineffective. Specifically, the audit team noted:

- Web pages and documents from the Region's intranet site are outdated, thus limiting its effectiveness as a communication tool;
- Region-wide communication was largely focused on external accomplishments (through AANDC Express notices) and news articles on the Region (all-staff e-mails), and did not contain information about the Region's internal priorities, objectives or upcoming activities; and,
- An all-staff meeting has not been held in the Region since December 2010.
- Throughout our interviews, employees expressed a desire for increased face-to-face meetings with management.

In 2008, the Saskatchewan Region's Communication unit was tasked by the RMC to develop an internal communications plan for the Region. In response, the results of focus group discussions with regional staff and a regional staff survey were presented to RMC as well as with short- and long-term recommendations to strengthen internal communications. Since that time, however, progress toward the development of a plan appears to have stalled.

Recommendation

The Regional Director General of the Saskatchewan Region should use the results of the Public Service Employee Survey, published in February 2012, to gather information on possible communication, employee morale and values and ethics issues in the Region and establish a benchmark from which to develop an action plan in response.

4.5 Risk Management

4.5.1 Risk Management Approach

In today's environment, the need for effective risk management, to promote good governance and demonstrate accountability, is critical. There is an expectation that AANDC regional offices understand their key risks and have appropriate mitigation plans in place. Having a documented approach to risk management enables management to better identify, articulate and understand the potential risks to the achievement of the organization's objectives and to determine the exposure to these risks given controls and/or mitigation activities. In this area, the audit focused on risk management at the regional level; other risk management activities conducted in the Region (e.g. recipient risk assessments, intervention and financial monitoring) were not included in the scope of this audit.

³ An electronic portal designed to share information on recipients to front-line staff.

The Saskatchewan Region does not have a regional risk profile, and has yet to establish a formal process to: identify and document risks; develop risk mitigating plans and assign responsibility; monitor and report on mitigation strategies; and adjust course, as necessary. The audit did find evidence of increased risk management activities in the Region's planning and decision-making processes.

From a planning perspective, the Region has identified a number of "key" internal and external risks in its draft 2012-13 Business Plan, which align to the departmental risks outlined in the most recent AANDC Corporate Risk Profile. This is an improvement from the 2011-12 Business Plan, which did not identify regional risks; only planning commitments were risk-assessed and linked to departmental risks. Each key risk identified in the draft 2012-13 Business Plan is accompanied by corresponding mitigating actions but no mention is made of the monitoring or reporting requirements for each risk. In addition, the assignment of responsibility for each key risk was not evident.

A review of a sample of three directorate work plans from the 2011-12 fiscal year indicated that two plans had identified key risks to the achievement of objectives, of which, one – the directorate work plan that followed the Saskatchewan Region's template – included an outline of planned mitigation strategies. The identification of risks and mitigation strategies was not incorporated in the one directorate work plan included in our sample reviewed from the 2010-11 fiscal year.

From a decision-making perspective, the audit team was provided with examples of decision notes used by the HRMC and the ROC to outline the risks of a particular decision item (e.g. the risks of not conducting a staffing action). While these decision note templates represent a positive practice, the audit team did not find evidence to demonstrate the monitoring of identified risks, particularly when decision items were rejected.

Monitoring of regional risks is conducted through the Department's quarterly reporting process and through discussions at various regional governing bodies. Through a review of the Saskatchewan Region's 2010-11 and 2011-12 Quarterly Reports, it was noted that:

- Regional risks contained in the Saskatchewan Region's Business Plans were identified in the Region's 2011-12 Quarterly Reports but not in those from 2010-11;
- Not all risks identified in the first three quarters of 2011-12 were referenced in the final quarterly report for 2011-12; and,
- Risks identified in the 2011-12 quarterly reports did not carry forward into the Region's draft 2012-13 Business Plan.

A sample of meeting minutes from the FMC, the HRMC, the ROC, and the RMC revealed that while risks were actively discussed, a formal process had not been established to document, communicate and monitor these risks.

Developing a Regional Risk Profile is an important governance and management oversight practice. A Regional Risk Profile should be based on a documented approach, using standardized templates and rating criteria, and be supported by a formal risk assessment, the development of mitigating action plans and a robust monitoring process. The results of the periodic risk assessments can be used by management to inform ongoing budget and resource allocation decisions by focusing resources and attention on areas of higher risk.

Recommendation

The Regional Director General of the Saskatchewan Region should ensure the Region develops a formal and documented approach to risk management, including an ongoing process and governance structure for identifying, assessing, monitoring and assigning responsibility for risk mitigating actions. In the development of a regional approach to risk management, the Saskatchewan Region should leverage AANDC corporate risk management expertise where relevant and practical to help ensure a consistent approach to risk management is adopted.

4.6 Monitoring Organizational Performance

4.6.1 Performance Measurement

To help identify how management is progressing against planned activities, it is important to identify planned results and performance measures that are linked to organizational objectives. In addition, it is critical that management monitors its actual performance against planned results and adjust course as needed. Any monitoring and reporting information systems used in support of these processes should be reliable.

The responsibility for the Department's performance measurement framework rests with AANDC's Policy and Strategic Direction Sector. Each year, the Sector determines the departmental objectives and provides direction to the Regions on the Department's priority areas and what Headquarters would like to see reported from a regional perspective. For its part, the Saskatchewan Region has yet to establish a performance measurement framework to outline the performance measurement process in the Region.

While the Region does not have a formal performance measurement framework, the audit team did observe that regional performance measures and requirements are captured in three key planning and reporting documents: the Saskatchewan Region Business Plan, Quarterly Reports; and within individual directorate work plans. Through a review of the Saskatchewan Region's Business Plans and a sample of directorate work plans, the audit noted that while performance indicators that linked back to regional and departmental objectives were found in all plans, corresponding performance measures and targets were not clearly stated in directorate work plans. That is, performance measures were, at times, provided without targets (or vice versa), or performance indicators were not always worded in such a way to allow for results to be clearly measured or reported.

Performance against the Saskatchewan Region's annual Business Plan is reported on a quarterly basis through the Department's Quarterly Reporting process. The audit noted that progress against these plans is monitored at the Director level and discussed by management at the Region's primary governance bodies. It was further noted by the Senior Assistant Deputy Minister, Regional Operations that results, risks and mitigations are also discussed at the Regional Operations management table and with the Associate Deputy Minister. The Regional Planner for the Saskatchewan Region also noted that performance targets are embedded into Executive Performance Agreements as a means of promoting the achievement of regional performance objectives.

Recommendation

The Regional Director General of the Saskatchewan Region should ensure the Region formally documents its approach to performance measurement, including defining the process to develop, integrate, monitor, and report on performance indicators, as well as the process to adjust course, as necessary.

5. CONCLUSION

Generally, management practices were found to be effective and adequate. Some areas for improvement were noted in the following management practices areas: operational objective-setting and planning, human resource planning, values and ethics, internal communications, risk management and performance measurement.

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	<p>analysis of the HR planning implications for each “Planning Commitment” outlined in the in the Regional Corporate Business Plan for 2012-13, and will update this analysis when the Regional Corporate Business Plan for 2013-14 is complete. This HR planning analysis will be approved by regional HRMC and will be considered in decisions related to staffing and learning.</p>		
<p>2. The Regional Director General of the Saskatchewan Region should use the results of the Public Service Employee Survey, published in February 2012, to gather information on possible communication, employee morale and values and ethics issues in the Region and establish a benchmark from which to develop an action plan in response.</p>	<ul style="list-style-type: none"> • Undertake an analysis of the PSES results of the Saskatchewan Region. • The Region will establish a PSES 2011 Action Plan Committee led by an EX Champion, and include representative(s) of middle management and staff representation from the four office locations. • The Region will prepare and implement an action plan in response to the PSES 2011. The proposed action plan and periodic progress updates will be communicated to all regional staff. 	<p>Regional Director General, Saskatchewan Region</p>	<p>March 31, 2013</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>3. The Regional Director General of the Saskatchewan Region should ensure the Region develops a formal and documented approach to risk management, including an ongoing process and governance structure for identifying, assessing, monitoring and assigning responsibility for risk mitigating actions. In the development of a regional approach to risk management, the Saskatchewan Region should leverage AANDC corporate risk management expertise where relevant and practical to help ensure a consistent approach to risk management is adopted.</p>	<ul style="list-style-type: none"> • The Region will develop a Regional Risk Profile through consultation with middle and senior managers, with technical support from AANDC HQ risk management experts. • The Region will develop a mitigation action plan, which will be monitored by the Regional Financial Management Committee. • Information from the Regional Risk Inventory and the Mitigation Action Plan will inform the development of the 2013-14 Regional Corporate Business Plan and quarterly reports. 	<p>Regional Director General, Saskatchewan Region</p>	<p>Regional Risk Profile complete by January 31, 2013.</p> <p>Regional Mitigation Action Plan Completed by March 31, 2013, with implementation and monitoring commencing April 1 2013.</p>
<p>4. The Regional Director General of the Saskatchewan Region should ensure the Region formally documents its approach to performance measurement, including defining the process to develop, integrate, monitor, and report on performance indicators, as well as the process to adjust course, as necessary.</p>	<p>Region will continue to identify and report on performance indicators and milestones in the Quarterly Reports.</p> <p>The Region will develop a Regional Performance Measurement Regime, documenting processes with respect to the development, monitoring and reporting of performance measures in the following</p>	<p>Regional Director General, Saskatchewan Region</p>	<p>March, 2013</p>

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
	<p>contexts:</p> <ul style="list-style-type: none"> • The Regional Corporate Business Plan and Quarterly Reports. • Directorate-level Work plans. • Project/Strategy Specific Plans. • Performance Agreements for executives. 		

Appendix A: Audit Criteria

The audit objective is linked to audit criteria developed in alignment with Core Management Controls. Additional audit criteria were developed to address specific risks identified in the planning phase.

Audit Criteria	
Governance and Strategic Direction	
1.1	Effective governance structure/ mechanisms are established and management is actively involved and exercises oversight of regional processes.
1.2	The oversight body (or bodies) has a clearly communicated mandate and role.
1.3	The Region has clearly defined and communicated strategic directions and strategic objectives, aligned with its mandate.
1.4	Strategic and operational priority setting includes challenge of assumptions and alignment of priorities with available resources and operational capacity.
Values and Ethics	
2.1	Management, through its actions demonstrates that the Region's integrity and ethical values cannot be compromised.
Human Resources Management	
3.1	Human resource planning is aligned with strategic and business planning.
3.2	Recruitment, hiring and promotion consider the current and future needs of the organization.
Internal Communications	
4.1	Open and effective channels exist for internal communications and feedback.
Risk Management	
5.1	Management's direction and approach to risk management are formally articulated, communicated and understood.
5.2	Management identifies the risks that may preclude the achievement of its objectives.
5.3	Management formally assesses, routinely monitors and responds to the risks it has identified.
5.4	Management appropriately communicates and reports its risks and risk management strategies to key stakeholders.
Results and Performance	
6.1	Management has identified planned results and performance measures linked to organizational objectives.
6.2	Management monitors actual performance against planned results and adjusts course as needed.