



# **Aboriginal Affairs and Northern Development Canada**

## **Internal Audit Report**

### **Management Practices Audit of the Treaties and Aboriginal Government Sector**

**Prepared by:**

**Audit and Assurance Services Branch**

**Project No. 13-54**

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## **ACRONYMS**

AANDC	Aboriginal Affairs and Northern Development Canada
ADM	Assistant Deputy Minister
AES	Audit and Evaluation Sector
CSA	Control Self Assessment
DG	Director General
DRAP	Deficit Reduction Action Plan
FMSS	Financial Management and Strategic Services
FSC	Federal Steering Committee on Self-Government and Comprehensive Claims
ROD	Record of Decision
TAG	Treaties and Aboriginal Government
TOR	Terms of Reference

## EXECUTIVE SUMMARY

### ***Background***

The Treaties and Aboriginal Government Sector (TAG or the 'Sector') is one of nine sectors working to fulfill Aboriginal Affairs and Northern Development Canada's (AANDC or the "Department") mandate. The TAG Sector supports the achievement of the Department's strategic outcome of "The Government" which includes good governance, co-operative relationships and treaty management for First Nations, Métis, Non-status Indians, Inuit, and Northerners.

The TAG Sector is responsible for negotiating comprehensive claims, self-government agreements, specific claims and special claims, and some out-of-court settlements with Canada's First Nations; overseeing implementation on behalf of the federal government; providing access to mediation services; and, managing Treaty Commissions and dialogue on pre-1975 treaty issues.

The TAG Sector had actual expenditures of \$821 M in 2011-12 including \$766 M in Grants and Contributions; and \$55 M in salary, and operations and maintenance. In 2012-13, the Sector had actual expenditures of \$ 1.08 B including \$1.07B in Grants and Contributions; and \$58 M in salary, and operations and maintenance. For 2013-14, the TAG Sector has a budget of approximately \$ 807 M including \$ 759 M in Grants and Contributions and \$ 46 M in salary, and operations and maintenance. The TAG Sector consisted of 459 full time equivalents at the time the audit was conducted.

On February 27, 2013, the Deputy Minister approved AANDC's 2013-14 to 2015-16 Risk-Based Audit Plan, which included a Management Practices Audit (MPA) of the TAG Sector. This MPA was initiated by the Audit and Evaluation Sector (AES) in April 2013.

### ***Audit Objective and Scope***

The objective of the audit was to provide senior management with reasonable assurance over the adequacy and effectiveness of a selection of high-risk management practices and controls in place to support the achievement of the TAG Sector's objectives.

The audit objective was supported by detailed audit criteria developed and aligned with Treasury Board of Canada Secretariat's *Audit Criteria Related to the Management Accountability Framework: A Tool for Internal Auditors* (March 2011).

The scope of the audit included the following five high-risk/high priority management controls, as identified through a Control Self-Assessment (CSA) workshop and interviews with senior management from the TAG Sector:

- Management and Oversight Bodies;
- Accountability;
- Risk Management;
- Values and Ethics; and,

- Policy Development and Program Design.

The scope of the audit did not include an assessment of the processes and controls related to the operations of the Sector such as the actual negotiations of specific claims, agreements or settlements. The scope of the audit covered the fiscal years 2010-11, 2011-12 and 2012-13, and the audit fieldwork was conducted at AANDC Headquarters

Previous audit and review findings, a review of departmental priorities, and planned future audit work were also taken into consideration in determining the scope.

### ***Statement of Conformance***

The Management Practices Audit of the TAG Sector 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***

The audit observed a number of operational practices and processes in place to support the efficient and effective delivery of required TAG Sector services.

Specifically the audit noted:

- Numerous management and oversight bodies exist for both program administration and internal sector management including: Federal Steering Committee; Federal Caucus on Self Government and Comprehensive Claims; and Treaties and Aboriginal Government Senior Management Committee.
- Management has documented procedures in place to help guide activities, for example, the mandating and approval process for the transfer and the administration of surplus federal real property to hold for purposes of settling outstanding land claims, and the selection and appointment of federal negotiators.
- The TAG Sector is in the process of implementing a “New Approach” to treaty and self-government negotiations, including moving from a transactional view to completed Comprehensive Regional Management Plans.

### ***Conclusion***

Overall, the audit found that the TAG Sector has implemented management, oversight and operational processes to support the efficient and effective delivery of required Sector services. Some areas for improvement were noted to strengthen management practices in the following areas: management and oversight bodies; accountability; and risk management.

## **Recommendations**

The audit identified three areas where control practices and processes could be improved, resulting in the following recommendations:

1. The Senior Assistant Deputy Minister (ADM) for the Treaties and Aboriginal Government (TAG) Sector should improve the existing process to provide for a formal, coordinated, and integrated planning process for the Sector consistent with the principles of the Treasury Board's *Integrated Planning Handbook for Deputy Ministers and Senior Managers*. The process should include the establishment of Sector objectives, priorities, risk and performance measures/targets that are aligned and regularly monitored. Improved planning can help to more clearly align, and realign, limited resources to Sector priorities.  
  
In addition, to help ensure continued oversight for the Sector, the Senior ADM for the TAG Sector should ensure that terms of reference and records of decision for all Sector management committees are documented and properly communicated.
2. The Senior Assistant Deputy Minister (ADM) for the Treaties and Aboriginal Government (TAG) Sector should clarify and communicate roles and responsibilities across all Branches within the Sector.
3. The Senior Assistant Deputy Minister (ADM) for the Treaties and Aboriginal Government (TAG) Sector should implement an integrated risk management process that formally assesses and documents the risks of the Sector against its objectives. The risk assessment should include the impact and likelihood of risks identified with consideration of risk mitigation measures in place. Furthermore, risk management should be integrated into operational plans and key decision making processes, such as table review and HR planning etc.

## **Management Response**

Management is in agreement with the findings, has accepted the recommendations included in the report, and has developed a management action plan to address them. The management action plan has been integrated in this report.

# **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 that first round of MPRs, the Deputy Minister and the Department's 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 Initiative should be continued. As a result of the analysis, a second round of management practices engagements, using a revised approach, was approved.

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.

To date, AES has completed Management Practices Audits (MPA) of all ten regions and three sectors. An additional three MPAs, including the Management Practices Audit of the Treaties and Aboriginal Government Sector ('TAG' or 'the Sector'), were identified for completion 2013-14 as per AANDC's 2013-14 to 2015-16 Risk-Based Audit Plan, approved by the Deputy Minister on February 27, 2013.

In April 2013, AES initiated the MPA of the TAG Sector. The decision to complete an MPA of the TAG Sector was based on the results of an Audit and Assurance Services Branch prioritization exercise that considered the impact and significance of previous engagement findings, the length of time since the completion of the last MPR, and the degree of organizational and senior management change over the past three years.

AES previously conducted an MPR of the TAG Sector in 2009, which included interviews, a documentation review and a review of random samples of human resources and contracting files from the 2007-2008 fiscal year.

## ***1.2 Control Self-Assessment***

The CSA workshop is a venue through which AES 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 Sector's objectives are discussed. The CSA workshop was facilitated 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 CSA workshop discussions, preliminary interviews, and the review of previous engagement findings, the audit team identified five key areas of potential high-risk / high-priority that required further analysis.

### **1.3 The TAG Sector**

The Treaties and Aboriginal Government Sector is one of nine sectors working to fulfill Aboriginal Affairs and Northern Development Canada's mandate. The TAG Sector supports the achievement of the Department's strategic outcome "The Government", which includes: good governance; co-operative relationships; and treaty management for First Nations, Métis, Non-status Indians, Inuit and Northerners.

The TAG Sector is located both at AANDC Headquarters and in AANDC regional offices and is comprised of the following seven branches:

- Negotiations East Branch;
- Negotiations Central Branch;
- Negotiations West Branch;
- Specific Claims Branch;
- Implementation Branch;
- Policy Development and Coordination Branch; and
- Financial Management and Strategic Services Branch.

The Sector has established the TAG Senior Management Committee and the TAG Management Committee to support its governance.

The TAG Sector is responsible for: negotiating comprehensive claims, self-government agreements, specific claims and special claims, and some out-of-court settlements with Canada's First Nations; overseeing implementation on behalf of the federal government; as well as providing access to mediation services and managing Treaty Commissions and dialogue on pre-1975 treaty issues. It conducts policy development in support of these activities and with respect to *Section 35<sup>1</sup> Aboriginal rights* and title issues.

The TAG Sector had actual expenditures of \$821 M in 2011-12 including \$766 M in Grants and Contributions; and \$55 M in salary, and operations and maintenance. In 2012-13, the Sector had actual expenditures of: \$ 1.08 B including \$1.07B in Grants and Contributions; and \$58 M in salary, and operations and maintenance. For 2013-2014, the TAG Sector has a budget of approximately \$ 807 M including \$ 759 M in Grants and Contributions and \$ 46 M in salary, and operations and maintenance. The TAG Sector consisted of 459 full time equivalents at the time the audit was conducted.

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<sup>1</sup> Section 35 of the *Constitution Act, 1982* provides constitutional protection to the aboriginal and treaty rights of Aboriginal peoples in Canada.



## **2. AUDIT OBJECTIVE AND SCOPE**

### **2.1. AUDIT OBJECTIVE**

The objective of this audit was to provide senior management with reasonable assurance over a selection of management practices of the TAG Sector that have been assessed as being higher risk as identified through a control self-assessment workshop, a review of previous audit and review findings, a review of departmental priorities and interviews with Sector senior management. For management practices identified as high risk, the Audit and Evaluation Sector (AES) assessed whether the controls and activities in place are adequate and effective in supporting the achievement of 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 Treasury Board of Canada Secretariat's *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors* (March 2011)

### **2.2. AUDIT SCOPE**

The audit examined management practices and activities considered to be areas of high risk and/or high priority to the Sector. The scope of the audit covered the following five high risk/high priority management practices, as identified through the CSA workshop and interviews with senior management and from the TAG Sector:

- Management and Oversight Bodies,
- Accountability,
- Risk Management,
- Values and Ethics, and
- Policy Development and Program Design.

The scope of the audit did not include an examination of the processes and controls related to the operations of the Sector such as the actual negotiations of specific claims, agreements or settlements. The scope of this audit covered fiscal years 2010-11, 2011-12 and 2012-13. The audit fieldwork was conducted exclusively at AANDC Headquarters.

Previous audit and review findings, a review of departmental priorities, and planned future audit work were also taken into consideration, when determining the scope.

## **3. APPROACH AND METHODOLOGY**

The audit was conducted in accordance with the requirements of the Treasury Board *Policy on Internal Audit* and followed the *Internal Auditing Standards for the Government of Canada*. The audit examined sufficient, relevant evidence and obtained sufficient information to provide a reasonable level of assurance in support of the audit conclusion.

The probability of significant errors, fraud, non-compliance, and other exposures was considered during the planning phase.

The principle audit techniques used included:

- Interviews with key Sector management (HQ and British Columbia);
- Review of relevant documentation related to management and oversight bodies, accountability, risk management, values and ethics, and policy development and program design.
- A detailed review of records related to management and oversight bodies (including records of decision, management reporting, committee terms of reference, policies, procedures, guidelines, business plans, roles and responsibilities).
- Assessments of the adequacy, effectiveness and efficiency of governance, risk management and internal controls in place to manage the Sector.

The approach used to address the audit objective 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.

## **4. CONCLUSION**

Overall, the audit found that the TAG Sector has implemented some management, oversight and operational processes to support the efficient and effective delivery of required Sector services and programs. Specifically, management and oversight bodies exist for both program administration and internal Sector management, guidance is prepared for some negotiation processes, and a more strategic approach to its treaty and self-government negotiation activities is in process of implementation.

Although a number of sound practices have been implemented, the audit identified areas where control practices and processes could be improved. Three key recommendations were identified relating to: management and oversight bodies; accountability; and risk management.

## **5. FINDINGS AND RECOMMENDATIONS**

Based on a combination of the evidence gathered through the review of documentation, and interviews, each audit criterion was assessed by the audit team and a conclusion was determined for each. 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 document recommendations for improvement.

Audit findings and related recommendations for improvement are categorized below by the following: management and oversight bodies; accountability; risk management; values and ethics; and, policy development and program design.

### **5.1. MANAGEMENT AND OVERSIGHT BODIES**

#### **5.1.1 Management and Oversight Committees**

The TAG Sector, as noted in the 2011-12 Integrated HR and Business Plan, “was created to better harness both the depth and breadth of negotiation and implementation...to address a variety of issues to support progress on claims and self-government”. The audit examined the management and oversight committee structures in place and whether they provided effective

management and oversight of the TAG Sector. Additionally, the audit examined the extent to which responsibilities and expectations of management and oversight bodies were clearly defined, communicated and appropriate.

A number of management and oversight committees are in place to support the management and governance of the TAG Sector objectives. Specifically, the audit noted the following committees in place:

- *Federal Steering Committee on Self-Government and Comprehensive Claims (FSC)*: ADM level representing federal departments and agencies, chaired by the Senior ADM, TAG with documented Terms of Reference (TOR) and Records of Decision (ROD);
- *Federal Caucus on Self-Government and Comprehensive Claims*: the mandate of the Caucus is to strive for interdepartmental and federal interest consensus of all transactional items brought forward to it before recommending their submission to the FSC. There are documented TOR and ROD;
- *Claims Advisory Committee (CAC)*: Reviews and provides recommendations during the claims assessment for negotiations process, chaired by the DG, Specific Claims Branch, and composed of representatives from the TAG Sector and the Department of Justice. There are documented TOR and ROD;
- *Technology and Information Management Committee*: Membership consists of representatives of the TAG Sector and Information Management Branch of the Chief Financial Officer Sector. The committee has documented TOR and ROD.;
- *TAG Senior Management Committee*: Consists of the Senior ADM, DGs, Senior Policy Advisor to the Senior ADM and the Executive Assistant to the Senior ADM. The Committee meets weekly to discuss mainly management and administration issues (HR, staffing and budgets). This committee did not have documented TOR or ROD; and
- *TAG Management Committee*: Membership consists of all the Sector executives as well as corporate representatives from the Chief Financial Officer Sector, Director General Human Resources and Workplace Services Branch, and Policy and Strategic Direction Sector. Meetings normally involve the sharing of information by the Senior ADM to the management team, followed by a round table where information is shared on individual files that are of interest to all. This committee did not have documented TOR or ROD.

The audit revealed that, although management committees (TAG Senior Management Committee and TAG Management Committee) exist, a formal management structure, with communicated TOR and documented ROD has not been implemented. Documented and communicated management oversight is important to help ensure that management's direction, plans and actions are clear, appropriate and achieved. Sector senior management is responsible for the achievement of Sector objectives and implementation of the Sector Business Plan and management practices, including: establishing Sector objectives and priorities, governance, planning, risk management and internal controls related to the Sector. Documented terms of reference and records of decision help promote accountability; efficiency and effectiveness through clarifying mandates responsibilities and accountable decision-

making. Documented records of decision also help to ensure required action is taken in a timely manner.

### **5.1.2 Management Planning and Priorities**

The TAG Sector is responsible for negotiating claims including comprehensive claims and self-government agreements, overseeing implementation as well as providing access to mediation services and managing consultations.

The audit examined the Sector's planning process and the establishment of Sector priorities aligned to the Sector's mandate and how these priorities help to guide operational plans at the Branch level.

For the audit scope period April 1, 2010 through March 31, 2013, the audit obtained and reviewed the Integrated HR and Business Plan 2011-12. Management confirmed that there was no similar documented integrated business plan for the prior or subsequent years. The 2011-12 plan includes an external scan of stakeholders, Sector priorities, planned expenditures, human resources and key activity plans for each Branch.

The audit noted inconsistent coordinated planning and integration across Branches within the Sector, resulting in a lack of clear and communicated Sector objectives and priorities. This was confirmed by management and through our review of the 2011-12 Sector Integrated HR and Business Plan. The Negotiation Branches' priorities are primarily driven by the tables that are in negotiation and often change due to changes in table priorities resulting from external influences from provincial government and/or First Nations.

The Sector priorities noted in the plan include: continue to negotiate and implement treaties, comprehensive claims, and self-government agreements; continue to address specific claims and discharging outstanding lawful obligations; continue to consider development of different policy tools to address Section 35 rights, focus on a number of Joint Action Plan initiatives; and, continue promoting relationships, overseeing, implementing, negotiating, and managing. The plan includes additional priorities to: renew fiscal funding agreements; negotiate and re-negotiate implementation plans; develop supporting policy tools; manage ongoing relationships between federal government, Aboriginal and provincial governments; manage funding relationships; and negotiate resolution issues and agreements. These "priorities" represent more of a list of Sector activities than priorities. Priorities should be clearly aligned with objectives and they should suggest the focus of resources and effort.

Branch planning was noted by management to be completed for the Branches by their respective Director General with little input or participation by Directors and Managers. The view expressed, during several interviews conducted by the audit team, was that the Sector's planning process should be reviewed.

A coordinated Sector integrated planning process is an effective approach to focus resources and should include participation and engagement from all Branches. An integrated plan supports the identification of Sector objectives and priorities, risks that may impact the achievement of objectives, and mitigation measures to manage the risks identified and support the achievement of planned objectives. Additionally, it helps achieve responsibilities and accountabilities and facilitates performance and monitoring through the establishment of key

performance indicators and related targets. The impact of a lack of integrated and coordinated planning includes the lack of clear and communicated alignment of the Sector's workforce with objectives and priorities and the potential mis-alignment over time as priorities change.

### **5.1.3 Performance Measurement, Reporting and Monitoring**

The audit also examined reporting prepared for management and oversight bodies to monitor and assess the progress of the Sector towards the objectives and priorities established. The audit team reviewed a number of reports including:

- Quarterly Reports – prepared by the Sector, reporting on activities planned and completed in support of the Departmental objectives of cooperative relationships and treaty management; and
- Periodic Annual Reports – these tripartite reports are prepared through the combined efforts and cooperation of the First Nation, AANDC and the provincial government. The audit team reviewed samples which reported the results of implemented comprehensive land claim agreements and a final agreement. Management noted that these reports may be a requirement of the treaty and may be tabled in Parliament. Based on the sample reports reviewed, inconsistencies were identified in the presentation of financial and non-financial information, including narratives, financial results, education statistics, etc.

Management consistently noted that the Quarterly Report is a key report relied on by management to monitor progress of the Sector. Information reported over the three year audit scope period changed and, for the 2012-13 period, included expected results/key activities, linkage of planning commitments to mitigate key risks, performance indicators, targets and quarterly results.

The Sector monitors actual performance against planned results as demonstrated by the Quarterly Reports prepared. The audit team noted a number of targets that can only be reported on annually. These include the following:

- Percentage of productive active negotiation tables (annual target 90% of active tables);
- Percentage of milestones reached as identified in the Federal Action Plan Profile; and,
- Percentage of obligations implemented by AANDC.

The audit found that performance measures, linked to objectives and priorities, with clear and measurable targets are not consistently established in the Sector's Quarterly Reports. In some cases, the performance indicator included is an activity to be completed, e.g. "Awareness understanding and integration of the Crown's duty to consult is raised across the federal government" and the related target is a restatement of the activity to be completed, e.g. "Training to federal officials of the Crown's legal duty to consult and evaluation sheet to assess level of awareness and support to departments and agencies integrating Aboriginal consultation with their respective activities". Other examples of activities noted were steps in the process of negotiations for individual tables including for example: renew mandate for negotiations, begin consultation, advance Final Agreement negotiations, advance Agreement in Principle (AIP) negotiations, signing ratification, signing agreement, authority to initial AIP, approval steps for Memoranda to Cabinet.

### **Recommendation #1:**

The Senior Assistant Deputy Minister (ADM) for the Treaties and Aboriginal Government (TAG) Sector should improve the existing process to provide for a formal, coordinated, and integrated planning process for the Sector, consistent with the principles of the Treasury Board's *Integrated Planning Handbook for Deputy Ministers and Senior Managers*. The process should include the establishment of Sector objectives, priorities, risk and performance measures/targets that are aligned and regularly monitored. Improved planning can help to more clearly align, and realign, limited resources to Sector priorities.

In addition, to help ensure continued oversight for the Sector, the Senior ADM for the TAG Sector should ensure that terms of reference and records of decision for all Sector management committees are documented and properly communicated.

## **5.2. ACCOUNTABILITY**

The audit team examined the organizational structure of the TAG Sector pre and post Deficit Reduction Action Plan (DRAP), and expected to find the existence of documented, clear and communicated authority, responsibility and accountability. A review of a sample of senior management and management job descriptions noted that, for the sample, roles and responsibilities were aligned with the activities of the respective Branch. Management noted that the TAG Senior Management Committee and TAG Management Committee meetings also help to maintain clarity of roles and responsibilities at the management level.

The government wide DRAP impacted the Sector over the audit scope period. The resulting reduction in staff is something management noted to be a challenge that the Sector is currently addressing. Participants of the Control Self Assessment workshop noted that, in some cases, the span of control for managers has increased due to a reduction in management by some branches without a proportionate reduction in staff, potentially resulting in inefficiencies in the allocation of resources to achieve Sector objectives or lack of adequate supervision and oversight. During interviews with senior managers, it was noted by the audit team, that post DRAP roles and responsibilities were unclear. Part of the solution identified by management is the implementation of regional coordination centers that are expected to help pick up some of the required work, but this has reportedly been a slower implementation than expected.

The possible impact of unclear priorities that are not communicated includes inefficient alignment and realignment of resources in order to achieve Sector objectives and priorities. Staff roles and responsibilities should be considered and aligned to Sector objectives and priorities. The development and communication of a Sector integrated plan is a key tool to help with the realignment of staff responsibilities post DRAP to help ensure efforts are aligned with and support of key organizational priorities.

The audit also examined the Sector's accountability in support of collaborative initiatives. A number of the activities of the Sector require collaboration. To support this collaboration, the audit team noted documented terms of reference and records of decision for the Federal Steering Committee and Federal Caucus on Self Government and Comprehensive Claims. The Senior ADM, TAG, is the Chair of the Federal Steering Committee and the Caucus

Secretariat is provided by the Policy Development and Coordination Branch of the TAG Sector.

Management noted and documentation reviewed identified a “New Approach” that the Sector is in process of implementing, in response to the Government’s announcement in September 2012 for “a faster process (to treaty and self-government negotiations) by focusing our energies and resources on those negotiation tables with the greatest potential for success”. The “New Approach” includes three pillars: create results-based negotiations and focus resources on most productive tables; promote more effective use of alternative measures to manage Section 35 rights outside of treaty and self-government negotiations; and improve federal mandating and reporting process to Cabinet. New reporting developed by the Sector includes a Regional Management Plan that outlines: the regional profile, negotiating partner’s interests and concerns, and a proposed federal strategy. Supporting the regional plan is a comprehensive plan that provides details for individual table negotiations in process.

***Recommendation #2:***

The Senior Assistant Deputy Minister (ADM) for the Treaties and Aboriginal Government (TAG) Sector should clarify and communicate roles and responsibilities across all Branches within the Sector.

**5.3. RISK MANAGEMENT**

The audit team examined the TAG Sector’s risk management approach. We expected to find a documented risk management approach that includes the identification and assessment (likelihood and impact) of Sector risks, responses/mitigations, and monitoring to help ensure the achievement of Sector objectives and priorities. The audit team found that the Sector participated in the risk management process and provided input into the risk profiles developed at the departmental level, and identified elements of risk management at the TAG Sector level. Risk management at the Sector level was found to be largely informal with little coordination across the Sector to identify, assess, monitor and establish risk and risk tolerance. Potential impacts to the Sector include lack of consistent risk tolerance levels across the Sector that may lead to inconsistent decision making or inefficient use of resources that address risks that may be very low.

Elements of risk management noted include the following:

- As part of the 2012-2015 Corporate Business Plan exercise, risk identification at the Sector level was completed by TAG, however there was no documented assessment of likelihood and impact of the risks noted. The risks identified were:
  - Government and Aboriginal Partnership;
  - External Partnership;
  - Legal;
  - Implementation; and,
  - Resource Alignment and Program Alignment.

- A risk scale was included as part of the Quarterly Reports for 2010-11 and 2011-12, which assessed the likelihood of achieving a target or completing an activity.
- The Quarterly Reports reviewed for 2012-13 included a column titled “linkage of planning commitments to mitigation of key risks”. Risks identified included the same risks identified as part of the 2012-15 Corporate Business Plan, i.e. government and aboriginal partnerships risk, external partnership risk, legal risk, implementation risk, resource and program alignment risk.
- The Comprehensive Regional Management Plans include a section for “risk mitigation strategies”, which is completed by AANDC for each Aboriginal group. The document reviewed during the audit reported this section as “n/a” for the first five First Nations listed.

The current approach to risk management is not defined, comprehensive or coordinated across the Sector and can result in inconsistent acceptance of risks and suboptimal use of resources. Leading practices in risk management include a fulsome environmental scan of all of the risks that may impact the Sector’s ability to achieve objectives and priorities. Risks identified should be measured, considering likelihood and impact, mitigation measures in place and risk tolerance established. The resulting risks and mitigation measures should be monitored over time to help ensure the achievement of the Sector’s objectives and priorities. The risk management process to identify, assess, mitigate and monitor risk should be formally defined.

***Recommendation #3:***

The Senior Assistant Deputy Minister (ADM) for the Treaties and Aboriginal Government (TAG) Sector should implement an integrated risk management process that formally assesses and documents the risks of the Sector against its objectives. The risk assessment should include the impact and likelihood of risks identified with consideration of risk mitigation measures in place. Furthermore, risk management should be integrated into operational plans and key decision making processes, such as table review and HR planning, etc.

**5.4. VALUES AND ETHICS**

The audit team examined values and ethics and expected the Sector to follow a documented code for values and ethics and that management, through its actions, demonstrates that integrity and ethical values are not compromised. The audit found that the Sector follows the AANDC Values and Ethics Code that came into effect on April 2, 2012. As part of the department wide implementation of this code, all staff received an email communication on April 2, 2012 requesting that they sign and agree to the conditions of the new Code. The Code is available to all staff via the AANDC intranet. No significant findings were observed in this area.

***Recommendation:***

No recommendations were identified in this area.



## **5.5. POLICY DEVELOPMENT AND PROGRAM DESIGN**

The audit team assessed the Sector's approach to policy development and program design and the resources in place to support research and policy analysis. The audit expected that the Sector would have a formal and rigorous approach to policy and program design with resources to support research and policy analysis.

The Director General, Policy Development and Coordination, is accountable for the design, development and implementation of an overall TAG policy framework as well as a comprehensive suite of policies and guidelines. The audit team noted that the Policy Development and Coordination Branch has put in place a three pillar policy development and program design framework comprised of: the introduction of Annual Report and Management Plans; Alternative Measures for Unproductive Tables; and, a streamlined approval and renewal process.

A key element of progressive improvement to policies and programs is the identification and consideration of policy and program issues and leading practice to support lessons learned. The audit team noted that management provided samples of lessons learned guidance from negotiations and implementation that have been documented to help support changes to these processes. Samples reviewed during the audit included guidance to help address: overlapping claims and shared territory issues, certainty, and reconciliation and recognition. The audit also found that the current process for negotiation and implementation focuses on individual tables.

During interviews with the audit team, management noted that the Sector could do more to systematically analyze, integrate and communicate lessons learned to support continuous improvement in key policies, programs and processes.

### ***Recommendation:***

No recommendations were identified in this area

## 6. MANAGEMENT ACTION PLAN

Recommendations	Management Response / Actions	Responsible Manager (Title)	Planned Implementation Date
<p>1. The Senior Assistant Deputy Minister, TAG Sector, should improve the existing process to provide for a formal, coordinated, and integrated planning process for the Sector consistent with the principles of the Treasury Board's <i>Integrated Planning Handbook for Deputy Ministers and Senior Managers</i>. The process should include the establishment of Sector objectives, priorities, risk and performance measures/targets that are aligned and regularly monitored. Improved planning can help to more clearly align, and realign, limited resources to Sector priorities.</p> <p>In addition, to help ensure continued oversight for the Sector, the Senior ADM for TAG should ensure that TORs and records of decision for all Sector management committees are documented and properly communicated.</p>	<p>Agreed. Improved TAG Sector planning already in process and to be integrated into AANDC Corporate planning cycles (i.e., Corporate Business Plan; Quarterly Report).</p> <p>As part of broader TAG planning activities, the Federal Action Plan and Priorities (FAPP) will become a standard, central Sector-wide repository database, which will be user friendly and will allow end-users to benefit from sharing data seamlessly. Through its dynamic reporting approach, FAPP will support Sector-wide integrated planning and identification of risks.</p>	<p>Senior ADM, TAG Sector</p>	<p>March 31, 2014</p> <p>March 31, 2014</p>

	<p>In addition, PDCB and IB will develop a priorities planning document to assess workload priorities and resources and realign as required to meet Branch, Sector and Departmental priorities.</p> <p>TORs and records of decision for some Sector management committees are documented and properly communicated (such as, for both the DG and Executive Federal Steering Committee meetings) Measures will be taken to ensure all other Sector management committees have TORs and records of decision.</p>		<p>March 31, 2014</p> <p>TORs for other Sector management meetings will be completed by October 31, 2013</p>
<p>2. The Senior Assistant Deputy Minister, TAG Sector, should clarify and communicate roles and responsibilities across all Branches within the Sector.</p>	<p>Agreed. SADM, TAG will use the Corporate Business Plan and Quarterly Reports identify roles and responsibilities.</p>	<p>Senior ADM, TAG Sector</p>	<p>March 31, 2014</p>

<p>3. The Senior Assistant Deputy Minister, TAG Sector, should implement an integrated risk management process that formally assesses and documents the risks of the Sector against its objectives. Risk assessment should include the impact and likelihood of risks identified with consideration of risk mitigation measures in place. Furthermore risk management should be integrated into operational plans and key decision making processes, such as table review and HR planning etc.</p>	<p>TAG has a Sector Risk Profile; at operational level, risks are assessed on regular basis and when required by legal service.</p> <p>Risk Management process also through Table Review</p> <p>In the renovated FAPP database, risk assessment and mitigation will be incorporated systematically into the table by table planning process.</p> <p>FAPP will also enhance our capacity to monitor and assess risks in respect of policy gaps and requirements.</p>	<p>Senior ADM, TAG Sector</p>	<p>March 31, 2014</p> <p>Ongoing on Annual basis(linked to Corporate Business Plan)</p> <p>March 31, 2014</p>
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## Appendix A: Audit Criteria

The audit objective is linked to audit criteria developed in alignment with Treasury Board of Canada Secretariat's *Audit Criteria Related to the Management Accountability Framework: A Tool for Internal Auditors (March 2011)*.

<b>Audit Criteria</b>	
<b>Management and Oversight Bodies</b>	
1.1	Effective oversight bodies are established.
1.2	The TAG Sector has clearly defined and communicated strategic directions and strategic objectives, aligned with its mandate.
1.3	The TAG Sector has in place operational plans and objectives aimed at achieving its strategic objectives.
1.4	The oversight body is provided with sufficient, complete, timely and accurate information.
1.5	The TAG Sector monitors actual performance against planned results and adjusts course as needed.
1.6	The TAG Sector monitors compliance with policies and program objectives on a regular basis.
<b>Accountability</b>	
2.1	Authority, responsibility and accountability are clear and communicated.
2.2	A clear and effective organizational structure is established and document.
2.3	The organization's accountability(ies) in support of collaborative initiatives (e.g. with other governmental departments or other organizations) are formally defined.
<b>Risk Management</b>	
3.1	The TAG Sector has a documented approach with respect to risk management.
3.2	The TAG Sector assesses the risks it has identified and responds accordingly.
<b>Values and Ethics</b>	
4.1	Management, through its actions, demonstrates that the organization's integrity and ethical values cannot be compromised.
4.2	TAG Sector has documented values and ethics expectations and code of conduct policy.
<b>Policy Development and Program Design</b>	
5.1	The TAG Sector has resources to support research and policy analysis.
5.2	The TAG Sector has a formal and rigorous approach to policy and program design.

## **Appendix B: Relevant Policies/Directives**

The following authoritative sources (i.e. guidance documents/policies) were examined and used as a basis for this audit:

- Streamlined Mandating and Approval Process
- Guidelines for Transfer of Administration and Holding of Surplus Federal Real Property for Comprehensive Claims Settlement Purposes
- Selections and Review Guidelines for Contract Federal Negotiators
- The specific Claims Policy and Process Guide
- Reconciliation and Recognition Guidelines for Comprehensive Land Claim Negotiations
- Guide for Federal Implementers of Comprehensive Land Claims and Self-Government Agreements