



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

Review of Management Practices in the Quebec Region

Report
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#1952188

Canada



Review Objectives

The objectives of the management practices review consist of:

- Helping the region and management determine whether current management practices and controls provide for effective and efficient attainment of objectives.
- Informing senior management of the strengths and improvements required as concerns the region's management practices and current controls.
- Informing the Audit and Assessment Sector for audit planning purposes so that said audits are chosen based on the risk level identified for the different sectors, while considering the control systems set up to mitigate risks.



Methodology

- The work was done on site from November 12 to 21, 2008, at the Quebec Regional Office.
- The interviews were conducted with 20 regional representatives including the RDG, ARB, directors, managers, as well as staff members of the Quebec Regional Office.
- A randomly selected sample (and sometimes at the auditor's discretion when the sectors have higher risks) for the purposes of a review of 36 HR-related transactions (including staffing measures, classification, training expenses related to existing training plans, overtime and time off), 15 grant and contribution files, 12 goods and services contracts, as well as 5 acquisition cards during the 2007-2008 fiscal year.



Context

- The Quebec Region is responsible for delivering Indian and Northern Affairs Canada programs to First Nations members living on reserves and communities across Quebec.
- The population covered represents 10% of the total First Nations population in Canada.
- The Quebec region signed a total of 89 funding agreements in 2007-2008:
 - 17 (19%) are multi-year agreements (3 or 5 years)
- The Quebec Region has a regional office in Quebec City.
- Total expenses for 2007-2008 are \$404.2 million, including \$388.2 million in grants and contributions.



General Observations

- **Strengths:**
 - The region has created a Regional Budgetary Allocation Committee (RBAC) for a more corporate management of regional resources. The process for allocating resources is meticulous and aligned with regional strategic objectives.
 - The region has set up a meticulous strategic planning process in five phases. This process is integrated into the regional risk profile and includes a detailed action plan. It is also directly linked with departmental priorities.
 - The region has developed a National Education Scorecard. This dynamic tool allows for the strategic presentation of data from various sources in order to obtain relevant information on First Nations results. This tool facilitates decision-making and helps define strategic directions.
 - The region uses a common risk management process that includes risk identification and assessment. Most staff members, namely managers and directors, are involved in risk identification.
 - Applications for leave are filled out using the PeopleSoft software and can only be approved by authorized managers.
 - The region has an efficient process for dealing with section 33.



General Observations

- Need for improvement:
 - Based on the interviews conducted, most non-managerial employees, as well as certain managers, have little knowledge of the performance indicators, as well as of their connection with strategic objectives and their roles and responsibilities.
 - Despite the involvement of staff members in the risk identification process, they still have difficulty naming the main sector-based or regional risks stemming from the final Risk Profile. The same holds true for the impact these risks might have on their responsibilities.
 - Given that there are several classification systems for information regarding bands, there is a lack of clear, precise and documented business rules for standardized classification.



Human Resources – Information

- The total employee population in the region as at March 31, 2008, was 167 (including indeterminate employees, as well as employees hired temporarily for a period of over three months).
- The region's Aboriginal employees account for 27.8% of the total workforce, which is slightly lower than the 29.1% for the entire Department of Indian and Northern Affairs Canada.
- The region continues to encourage hiring Aboriginal employees in order to achieve the overall INAC target of 50%.



Human Resources – Observations

- The replacement of retiring employees is a risk that was identified for the Quebec Region.
- In total 37.1% of the region's staff is eligible for retirement in the next five years. This percentage exceeds the average for Indian and Northern Affairs Canada, which is 21.2%. The result may be a loss of corporate memory, emphasizing the need to ensure that information retention processes are clearly documented.



Human Resources – Observations

- In general, human resources files were well organized.
- Of the 16 staffing measures samples, 3 were not in compliance with approval authority:
 - 2 samples contained the letter of offer given to and signed by the employee after his hiring date;
 - 1 sample was approved by an acting employee. He had the necessary training, but approval authority had not been delegated to him.
- Of the 5 samples of leave forms, 1 was not approved by the manager within the required time.



Human Resources – Observations

- Of the 5 overtime samples, none had any documentation showing prior authorization.
 - It should be noted that since the start of 2008-2009, prior written authorization is required to work overtime.
- Of the 5 classification samples, 1 was not previously authorized for the positions created. The classification was approved the week after it was created.
- There were no differences among the training plans for the 5 samples checked.



Human Resources – Observations

- A certain number of positions are vacant. Some employees expressed concern about work overload and the resulting quality of the work.
- The Quebec Region has identified this risk and developed an action plan to mitigate it. The plan identifies specific actions to prioritize hiring qualified and competent employees. It also provides for “matching periods” for the transmission of knowledge from former employees to newcomers.



Grants and Contributions – Observations

- After reviewing a sample of 15 grant and contribution files, the following observations were made:
 - Agreements were duly signed regarding section 32. No discrepancy.
 - Report requirements comply with program terms and conditions. No discrepancy.
 - Funding agreements were reviewed in due time by the authorized funding officer. No discrepancy.
 - Funding agreements were signed by the signing officers. No discrepancy.
 - Initial payment requests were made after signing of the funding agreement or any amendments to it. No discrepancy.



Grants and Contributions – Observations

- Changes to the original funding amount were justified and approved by the appropriate authority. No discrepancy.
- Selected payments were made according to the funding agreement terms and conditions. No discrepancy.
- According to the criterion requiring that financial or performance reports be a prior condition for payment, the dates for receiving said reports indicated in the FNITP must correspond to the dates stated in the latter (e-mail, manuscript report, etc.); the following shortcomings were noted:
 - 4 reports received had no date.
 - In one case, the date appearing in the report did not correspond to the date recorded in the FNITP system.



Grants and Contributions – Observations

- According to the criterion requiring the program officer to properly review reports in a timely manner (within two weeks of receipt of said reports), the following eleven discrepancies were observed:
 - 6 reports were reviewed for a period ranging from 43 to 408 days after receipt.
 - 5 reports received over two weeks prior still had not been reviewed at the time of the management practices review.
- One discrepancy was observed for the criterion requiring section 34 to bear the signature of a signing officer.
- No discrepancy was observed for the criterion requiring section 33 to bear the signature of a financial services officer acting as a signing officer.
- According to the criterion requiring that the the Intervention Policy apply if the minimum accounting standards are not met or if the deficit repeatedly exceeds 8%, two discrepancies were observed:
 - In one case (2007-2008), the Intervention Policy is being implemented.
 - In the other case (2007-2008), there was no analysis in the file at the time of the management practices review, which leads to the conclusion that the Intervention Policy does not apply.



Grants and Contributions – Observations

- Although certain activities relating to grants and contributions foster accounting, no standardized method currently exists for an initial assessment of the risk level represented by a recipient, of the type of accounting needed based on the recipient's risk level, and of the documentation required based on the type of accounting.
- In addition to the compliance process for income assistance, education, social services and other programs, the process for auditing ARC financial statements requires that services rendered by recipients for a specific agreement be certified. However, there is no general suitable process for auditing recipient compliance with the overall terms and conditions of agreements.
- We have noticed very good record keeping overall.



Contracts – Observations

- We observed that the contract control docket was used in all 12 contracts sampled. The contract control docket is an excellent control tool that enables contract administrators to meet all the necessary requirements. Using it is an excellent practice and ensures docket standardization.
- Of the 12 contracts audited, only one was changed following receipt of contractor invoices, the total amount of which exceeded the maximum amount stipulated in the contract (\$125).



Acquisition Cards – Observations

- The five samples audited did not contain any discrepancies. The documentation relating to the transactions audited complied with the policy on the use of Treasury Board acquisition cards.
- The approval of section 34 did not appear on the invoices, but rather on a separate sheet. The approval of section 34 should appear on the invoice, as this would force the manager to become familiar with the purchases indicated on it.



Senior Management – Recommendations

- Performance indicators relating to strategic objectives should be discussed regularly with employees in a formal setting.
- The risks determined by the region should be discussed regularly with staff members so that they may take them into consideration in their daily tasks.



Human Resources - Recommendations

- Continue to give priority to replacing retirees and hiring employees indeterminately to fill vacant positions.
- Continue to encourage an efficient transition and transfer of corporate memory when employees leave the organization. Processes should be documented prior to or during the transition period.
- If possible, set specific and measurable objectives associated with regional strategic priorities that appear in annual employee performance agreements.



Grants and Contributions - Recommendations

- Take the necessary steps to ensure that reports are properly reviewed by program officers within the time required (within two weeks of receipt of the reports).
- A comprehensive process for auditing recipient compliance based on risk level should be developed for all grant and contribution agreements. An audit clause should be included in each agreement reached with recipients. Risk level assessment should correspond to the recipient accounting level, as well as to the audit process used by the region.