

**NATIONAL CAPITAL COMMISSION**

**SPECIAL EXAMINATION REPORT**

**7 November 2002**



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## **To the Board of the National Capital Commission**

### **Objectives, Scope and Examination Criteria**

As required by Part X of the *Financial Administration Act* (FAA), we have carried out a special examination of the financial and management control and information systems and management practices maintained by the National Capital Commission (NCC). The NCC is required by paragraphs 131(1)(b) and 131(2)(a) and (c) of the FAA to maintain these systems and practices in such manner as will provide reasonable assurance that the following statutory objectives are achieved:

- The assets of the NCC are safeguarded and controlled.
- The financial, human, and physical resources of the NCC are managed economically and efficiently.
- The operations of the NCC are carried out effectively.

Our responsibility is to express an opinion on whether, during the period under examination from 1 November 2001 to 31 July 2002, there was reasonable assurance that there were no significant deficiencies in the systems and practices examined.

A plan for the examination, based on our survey of the NCC's systems and practices, was submitted to the Audit and Evaluation Committee on 7 March 2002. The plan identified those systems and practices that we considered to be essential to providing the NCC with reasonable assurance that the above-mentioned statutory objectives are being achieved. The plan included the general examination criteria. We also identified subcriteria that were used to prepare our examination procedures. You will find the list of these general examination criteria and the subcriteria in Appendix A.

Our examination was done in accordance with the plan, as well as standards for assurance engagements, recommended by the Canadian Institute of Chartered Accountants. Accordingly, it included the tests and other procedures that we considered necessary. In carrying out our special examination, we relied on internal audit reports dealing with land and building maintenance and management, environmental management, and revenue generation initiatives.

## **Mandate and Powers**

In 1899, the Ottawa Improvement Commission was established – the first urban planning agency in Canada's Capital. This agency concentrated on the City of Ottawa until 1927, when it was replaced by the Federal District Commission, whose jurisdiction covered a larger region, encompassing parts of Ontario and Quebec. In 1950, this Commission developed the plan for the National Capital Region (the so-called "Gréber Plan"), which defined the National Capital Region as we know it today. In 1959, after Parliament passed the *National Capital Act*, the government created the NCC to realize the recommendations of the Gréber Plan.

The *National Capital Act* of 1959, amended in 1988, gives the NCC the following mandate:

- To prepare plans for and assist in the development, conservation, and improvement of the National Capital Region in order that the nature and character of the seat of the Government of Canada may be in accordance with its national significance.
- To organize, sponsor, and promote such public activities and events in the National Capital Region as will enrich the cultural and social fabric of Canada, taking into account the federal character of Canada, the equality of status of the official languages of Canada, and the heritage of the people of Canada.

The NCC is a Crown corporation that reports to Parliament through the Minister of Canadian Heritage.

In its Corporate Plan, the NCC states that it exists to promote national pride by creating a great Capital for an increasingly diverse body of Canadians, and that the question of national unity continues to drive it as the NCC defines its strategies and programs.

## **Context**

**Activities.** In view of its mandate, the NCC must work closely with a number of partners, including federal departments, Crown corporations, provincial governments, municipalities, private sector companies, and many other non-governmental organizations. It prepares plans for the development of the National Capital Region and manages important real assets. Its portfolio of assets includes the Gatineau Park, urban lands such as LeBreton Flats, parts of the Rideau, Gatineau, and Ottawa River shorelines, the Greenbelt, 200 kilometres of parkways and recreational facilities, 31 bridges, 700 leasehold properties, and six official residences. The NCC is involved with municipalities and provincial governments in developing interprovincial

transportation strategies. It will also participate in the environmental assessment study of future interprovincial bridges.

The NCC organizes and co-ordinates numerous events to promote and animate the National Capital Region, such as Winterlude and Canada Day. It develops and implements marketing and promotional strategies to increase participation in its activities and attract more Canadians to the National Capital Region. The NCC is also responsible for the management and protection of natural resources and the management of recreational facilities. Its jurisdiction extends beyond the assets it possesses because it has the authority to approve the design of any building and the use of any land belonging to the federal government in the Capital Region. Its responsibilities also go beyond the region's limits since the NCC's mandate is to make the Capital Region known throughout Canada.

**Staff.** A number of executives will be retiring in the upcoming years. Good strategies that ensure sufficient resources to complete all projects, as well as appropriate succession planning, will be key success factors in the future. The NCC has taken some measures in this regard. A strategy for developing a succession program was launched for management, and development of training programs was approved.

**Finances.** The NCC needs about \$24 million annually to finance its regular major repairs and properly maintain its assets. The NCC has divested several assets, restored most of its major assets and has plans to address the remaining "rust-out" problems.

The NCC receives an appropriation of about \$18 million to \$ 20 million per year for capital expenditures, which leaves a deficit of about \$6 million a year. It funds this difference by selling surplus properties. The Treasury Board recognizes that it is not always possible for the NCC to sell \$6 million of properties each year and it has therefore agreed to lend money to the NCC when it does not meet its sales target. The NCC owns about \$40 million of surplus properties, which means that in a few years this source of funds will have expired.

The report titled "The National Capital Commission – Enhancing Relations" also called the "Sussex Circle Report", issued in 2000, attributed part of the NCC's negative media coverage to the sales of its surplus properties and recommended that the Treasury Board rescind its 1991 Real Asset Management Strategy that requires the NCC to sell surplus lands to finance capital maintenance. This recommendation was not accepted by the Treasury Board at that time. Eventually, the government will have to make a decision on the sale of NCC's surplus

properties and related funding issues. The Standing Senate Committee on National Finance held a hearing in June 2002 and recommended that the NCC's real asset funding strategy be reviewed. We were informed that the Treasury Board is looking into this issue.

### **A few Figures**

In 2001-2002, the cost of operations was about \$105 million, and the operating income amounted to about \$35 million. The main sources of income were from rental operations (\$18 million), net gain on disposal of capital assets (\$5 million), and sponsorship (\$2 million). The parliamentary appropriations for the cost of operations totalled \$66 million. The book value of its capital assets was estimated at nearly half a billion dollars as at 31 March 2002. The NCC employs about 450 people.

### **Expected Corporate Results**

The examination approach was results-oriented. Therefore, we focussed on whether the systems and practices were adequate to ensure that the NCC's expected corporate results are being achieved. The results the NCC must achieve to accomplish its mandate may be summarized as follows:

- Plan and develop a beautiful Capital, in accordance with its national significance, and communicate the Capital as a symbol of pride and unity to all Canadians.
- Manage, maintain, and preserve the Capital's heritage assets (natural resources, infrastructure, lands, buildings, and monuments) for future generations.
- Organize and sponsor activities of national significance that enrich the cultural and social fabric of Canada.
- Accomplish its mission within its capability and at the least cost.

### **Systems Examined**

We carried out an in-depth examination of the following seven systems we considered to be key to managing the risks that could jeopardize the achievement of the expected corporate results:

- Governance
- Capital planning framework
- Environmental management
- Management of construction and rehabilitation projects
- Contracting of construction and rehabilitation projects

- Communications, marketing, and relations with stakeholders
- Assessing market values of properties

Other key systems underwent basic examination only and were not subject to detailed testing. Based on the information gathered from past audits and our survey work, less work was necessary to obtain the reasonable assurance for the following systems:

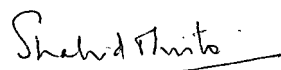
- Updating the Multi-Year Capital Construction Program
- Assets lifecycle management
- Contracting out maintenance and management services
- Revenue generation initiatives

We did not examine other important systems such as financial management, human resources management, and the Promoting and Animating the National Capital Region sector because no further work was necessary to provide reasonable assurance that there were no major significant deficiencies. During our survey work, we interviewed the NCC's senior officers and reviewed key documentation related to these systems. Based on the results of this work and a risk analysis, we determined that they will not be examined further because they present no significant threat to the achievement of the NCC's expected results.

We also conducted a follow-up on the observations of our 1997 special examination report. The results of this follow-up are discussed in the Observations part of this report.

## **Opinion**

***In our opinion, with respect to the criteria established, there is reasonable assurance that there are no significant deficiencies in the systems and practices examined.***



Shahid Minto, CA  
Assistant Auditor General  
Ottawa, Canada  
31 July 2002



## **Report Summary**

In our last special examination in 1997, we concluded that the NCC had made significant progress in all sectors of activity. Since then, it has demonstrated that it is an organization that is continually evolving and has made further progress in a number of sectors, including communications, planning for the development of the Capital, and environmental management.

In all of the sectors we examined, we noted that the NCC has put in place strong internal controls and processes for safeguarding its assets and managing its activities. For example, for improving its communications, the NCC has developed a draft strategic marketing plan and has demonstrated its commitment to strengthening its public consultation processes. For the Capital planning, the NCC has established a good process for identifying the assets essential to its mandate. It is supported by a long-term strategic plan and more detailed plans for the National Capital Region. Further, in its management of environmental issues, the NCC has implemented several initiatives aimed at protecting the environment.

While our examination did not reveal any significant deficiencies, our observations highlight many good systems and practices as well as some that need further improvement. These observations are presented in the subsequent sections of this report.

## **Observations**

### **1. THE CORNERSTONE IN ACHIEVING ALL EXPECTED RESULTS:**

#### **1.1 Governance**

Corporate governance describes the monitoring structure and process for the management of a Crown corporation with which it can meet its mandate and effectively achieve its objectives. It is a key system in most Crown corporations and will therefore be examined closely in each of the corporations the Office examines.

In 1996, the Department of Finance and the Treasury Board published guidelines for corporate governance in Crown corporations and other public enterprises. We compared the NCC's corporate governance with these guidelines. In 2001-2002, the Board itself conducted an evaluation of the NCC's governance practices using the guidelines issued by the Department of Finance and the Treasury Board. It is committed to repeating this exercise on a periodic basis.

**Stewardship.** We found that the corporate governance structure and practices meet our expectations and the guidelines established by the Treasury Board. The Board members we interviewed told us they are satisfied that they receive all the information they need to exercise effectively their stewardship role. The Board is well supported by three advisory committees of experts that provide it with the desired technical support. The Board is involved in defining the strategic direction of the NCC.

**Board renewal.** Even though boards of directors of Crown corporations do not have authority to appoint directors, they are well positioned to exercise some influence in this area so that only directors with the requisite combination of skills and experience will be appointed. Following the development of the Privy Council Office guidelines intended to guide Crown corporations in preparing board profiles, the NCC developed a board profile that it forwarded to the Minister of Canadian Heritage and the Privy Council Office.

This profile could be improved by adding a more detailed description of the experience and qualifications required for the entire Board and an analysis of the internal and external factors that influence the Board's membership.

**Board independence.** To be effective, the Board of Directors should be able to exercise judgment of management in an impartial manner. We found that there is a clear division between the roles and responsibilities of the Board and management.

The directors interviewed are satisfied with the current structure and feel that they have all the independence they need. The compensation review committee of the NCC annually evaluates the President's performance in his absence and then discusses the evaluation results with him.

**Evaluation of the mandate's relevance.** One of the elements of corporate governance is the periodic review of the relevance of the corporation's mandate. We found that the NCC's mandate is discussed both internally and externally.

The board members we interviewed told us that, although there is no specific schedule for discussing the relevancy of the mandate, they question it when they provide input into the NCC's strategic direction and corporate plan. The representatives we spoke to from the Department of Canadian Heritage told us that when the Department provides a recommendation or reviews the NCC's corporate plan, it takes the mandate's relevance into consideration.

## **2. PLANNING AND DEVELOPING A BEAUTIFUL CAPITAL, IN ACCORDANCE WITH ITS NATIONAL SIGNIFICANCE, AND COMMUNICATING THE CAPITAL AS A SYMBOL OF PRIDE AND UNITY TO ALL CANADIANS**

### **2.1 Capital planning framework**

**A good process for identifying assets essential to its mandate.** The NCC is responsible for preparing plans to develop, preserve, and improve the National Capital Region. It acquires lands and retains those intended to be part of the National Interest Land Mass (NILM) in the National Capital Region. The NCC has adopted systems and processes for identifying real assets that should be part of the NILM because they are essential to accomplishing its mandate, as well as to identifying those that are considered surplus. Its identification process is backed primarily by the Plan for Canada's Capital, which was finalized in 1999 and defines the Capital's strategic development directions. Moreover, the various master plans specify the criteria for assessing the assets that are essential to meeting its mandate, including the following: accessibility, identity, Canadian unity, national significance, and the safeguarding of heritage and natural resources. We noted that the NCC's lands, including its key urban lands,

are covered by a plan. We examined the 2000 update of the NILM and noted that this exercise was based on appropriate criteria.

**NCC plans are prepared in consultation with those of its partners.** As the owner of more than 10 percent of the lands in the National Capital Region, the NCC is the largest landowner and must co-ordinate its plans with its local partners. The NCC has made considerable efforts to consult with its local partners to identify their development directions and take them into account when developing its plans. We examined the core area concept and the NCC's related consultation efforts. Although there are differences of opinion between the NCC and the cities on some issues, we noted that the NCC attempts to harmonize its plans with those of the cities.

**The Lake Leamy Park Sector Plan needs to be revised.** Since 1997, the NCC has continued to update its various plans and has progressed in the preparation of new plans for the development of the National Capital Region. Among other things, the NCC has developed the Core Area Concept of Canada's Capital (which will lead to the development of a sector plan for the Core Area), and it has made changes to the Leamy Lake Park Sector Plan. We examined both of these documents. In examining the Core Area Concept, we noted that the concept accurately reflects the vision and objectives of the Plan for Canada's Capital. The Leamy Lake Park Sector Plan was amended to allow the use of certain lands for the purpose of a golf course. These amendments were conditional to, among other things, a positive environmental screening to be conducted by Fisheries and Oceans Canada under the *Canadian Environmental Assessment Act*. The developer recently abandoned the golf course project.

The environmental screening provided the NCC with more detailed and up-to-date information on the ecological conditions of the park's natural resources. The NCC should review the Leamy Lake Park Sector Plan to incorporate the additional information it has obtained.

**A timetable for the revision of its plans is needed.** We reviewed the process for updating various NCC plans. We found that the NCC has no standard timetable for the revision of its plans and that the informal 10-year timeframe to revise them is not rigorously followed. For example, the plan for the Gatineau Park was approved in 1990 but will not be updated until 2004. A standard based upon appropriate priorities would guide the revision of its plans and set a formal time frame within which the plans should be revised.

## **2.2 Communications, marketing, and relations with stakeholders**

**Important progress has been made.** The NCC attracts the attention of a number of stakeholders, including the public and the media, who scrutinize its activities. In order to improve its image and provide assurance that it is adequately meeting its mandate, the NCC recently implemented the majority of the recommendations of “The Sussex Circle Report”. These efforts resulted in significant improvements to its communications processes. The most important achievements were the development of a draft strategic marketing and communications plan, the establishment of the positions of Vice-President of Communications, Marketing and External Relations and the Officer of Speaker’s Bureau and Community Relations.

**A detailed draft strategic marketing and communications plan has been developed.** Until recently, a comprehensive marketing and communications plan integrating the NCC’s marketing, communications, and external relations activities did not exist. However, detailed operational and promotional plans existed for specific activities. The NCC has been actively working to implement its first strategic marketing and communications plan. An advanced draft currently exists. It includes important elements such as strategic considerations and mention of the priority marketing activities and factors essential to their success.

**A media relations plan is in development.** The NCC is developing a media relations plan that sets out communications principles to guide its media relations efforts. The draft strategic marketing and communications plan is the first step in this direction. A proactive media relations plan that outlines who releases information and when will help the NCC determine the most appropriate methods of publicizing its activities and projects. It will also help determine the most appropriate individuals to respond to questions and give interviews related to specific projects.

The media relations plan should focus on the promotion of activities and on the management of policy issues, particularly those related to the construction and development of real estate assets. The current approach to programming is proactive and positive, but the approach to managing issues that relate to real estate projects is reactive.

While the NCC has an informal process for assigning spokespersons to issues, it is important to set out a formal written policy that identifies guiding principles. For example, encouraging

greater interaction between the media and senior executives could also result in greater visibility and credibility for NCC-related stories.

**Multiple and timely innovative channels are employed for communicating its activities.** To generate public attention via local and national media coverage, the NCC issues news releases and engages in broadcast interviews. The Commission also capitalizes on opportunities offered in the high-tech industry to capture audiences in creative ways. The Speaker’s Bureau, currently under development, will be another important vehicle for transmitting the NCC’s mandate and activities in a consistent manner and reinforcing key corporate messages.

**Public opinion research as a measure of impact.** The NCC has engaged in public opinion research as a means of measuring the success of its marketing and communication initiatives. For example, it intends to include questions on a national omnibus survey to obtain baseline data on awareness and perceptions of the greater Canadian population about their Capital. We believe these initiatives will help the NCC to monitor its success in attaining key outcomes associated with its mandate.

**Committed to strengthen its public consultation processes.** Our examination included the testing of the following public consultation initiatives:

**Four public  
consultation  
initiatives  
examined  
in greater detail**

Annual General Meeting
Special Interest Group Meeting
The public meeting for the reconstruction of the Bytown bridges and Sussex Drive
The public meeting for the Blocks W & X LeBreton Flats Remediation

We noted that consultation initiatives are evaluated with questionnaires and a detailed report of the session is drafted and made available to interested parties. The NCC should continue to evaluate its consultation initiatives in order to improve the public participation in the decision-making process.

The NCC informs interested parties about public information and consultation sessions and is committed to strengthening its public consultation processes further by consulting the public earlier and more often. Correspondingly, the draft strategic marketing plan promises to develop a

more proactive public consultation strategy to address the needs of residents and interest groups in the National Capital Region.

**3. MANAGING, MAINTAINING, AND PRESERVING THE CAPITAL’S HERITAGE ASSETS FOR FUTURE GENERATIONS**

Our examination included detailed testing of a sample of construction and rehabilitation projects. The projects and related systems tested were the following:

<b><i>Eight construction and rehabilitation projects examined in greater detail</i></b>	<b>PROJECT</b>	<b>SYSTEM EXAMINED</b>
	Heritage greenhouse restoration	<ul style="list-style-type: none"> <li>• Project management</li> <li>• Contracting of services</li> </ul>
	Renovation of a lease building	
	Illumination works to a bridge	
	Le Breton Flats infrastructure and remediation	<ul style="list-style-type: none"> <li>• Contracting of services</li> <li>• Project management</li> <li>• Environmental management</li> <li>• Public consultation</li> </ul>
	Water retention basin management	<ul style="list-style-type: none"> <li>• Environmental management</li> </ul>
	Bridge reconstruction	
	Irrigation system reconstruction	
	Visitor centre extension	

**3.1 Management of construction and rehabilitation projects**

**Complex real estate assets.** As the “Capital builder,” the NCC manages a number of complex major construction and development projects. The complexity has arisen from the nature of the assets: the national importance of properties, the age and condition of assets, the heritage designations given to properties, and the need to work around the schedules of the occupants.

**An effective prioritization process is in place.** The NCC uses a multi-year planning process to identify rehabilitation requirements for its assets based on priority factors such as health and safety issues. The plan is reviewed regularly and the list of projects is updated at least annually. The rationale for setting priorities for projects and identifying costs is based on good analyses.

**The automated and integrated life cycle management system is still under development.**

In 1997, we noted that the NCC started to develop an automated and integrated information system for the life cycle management of its assets. Although it has progressed slowly, the NCC continues to work on the system development and plans to have it completed by 2005.

**Moving toward a more structured project management system.** We examined the systems and practices in place for managing projects, and we reviewed three large construction and rehabilitation projects. We observed that project managers are diligent in monitoring of the progress of projects and that good financial controls are in place. Accountabilities for successful delivery of projects are clear, and project managers are given sufficient authority to complete their tasks.

The Project Management System is based on a six-step process for how the projects should be managed and sets out a good base for managing projects. The degree to which the procedures associated with the project management system should be applied, is not defined by the project management policy.

We noted some good practices being implemented by project managers. However, these are ad hoc and not a formal part of the NCC management system. A more structured system to share these practices with others and requiring project managers to apply these good practices would ensure that the project management process is applied consistently throughout the NCC.

The NCC recognizes that awareness, understanding, and consistent application of the procedures of the project management system need to be increased. It is aware that corporate training should be provided on a regular basis. It has started internal consultations on this matter and held an internal workshop to improve its system.

### **3.2 Land and building maintenance and management**

**Quality of land management and maintenance services.** In 1996, the NCC contracted out its land management and maintenance activities to six corporations (of which five were created by former NCC's employees). The NCC is satisfied with the quality of services that it receives from its contractors. We have not conducted a scientific survey; however, based on interviews with stakeholders, it appears that the quality of services has been maintained.



**A formal inspection program for buildings has been implemented.** The management and maintenance of about 700 leased properties was contracted out to a private sector company in 1996. The scope of the contract included inspections to be carried out by the contractor. In our special examination report in 1997, we recommended the NCC to clarify its policy on inspections to carry out itself inspections to assess the quality of services that it has received. We noted that such a formal inspection program has recently been implemented.

### **3.3 Environmental management**

**A good base for managing environmental issues.** The NCC has started several initiatives aimed at protecting the environment. Its environmental management program, through its systems and practices, sets a good base for guiding environmental activities. The program as a whole complies with the relevant federal legislation and industry standards. It is also supported by tools such as checklists and guidelines used to monitor, evaluate, and report on its environmental performance.

**Monitoring procedures are in place.** We observed that procedures are in place for monitoring the activities undertaken on the NCC's properties and evaluating the environmental risks that result from these activities. We also observed that managers are generally aware of the risks facing their respective portfolios.

**Updated inventory of environmental risks.** The NCC has prepared inventories of environmental risks related to its properties and it develops an annual action plan to address them. This plan is based on a set of significant environmental aspects, such as water quality, that were assembled and prioritized through a detailed risk analysis carried out in 1998 and updated on an annual basis. The action plan is important to assist senior management in reviewing the organization's environmental performance and reporting on its activities.

**Effective environmental assessments.** We examined in greater detail the environmental assessment process and the implementation of mitigation measures of four construction and rehabilitation projects. The environmental assessments reviewed were carried out effectively and identified the environmental effects that allowed for the request of appropriate permits.

In the four cases examined, we noted that while mitigation measures were identified in the environmental assessment process and communicated to the project manager, there was no

sign-off by the manager indicating that the measures had been implemented. The structured project management system discussed earlier in the report would provide more consistency in the conduct of environmental assessments.

**Contaminated sites are classified and remediated against proper standards.** The NCC uses the highest standards for classifying and remediating its contaminated sites and for identifying remediation costs and time frames. In our special examination report of 1997, we noted that several sites involving a high risk of contamination had not yet been assessed. In 2002 only 13 high-priority contaminated sites (of a total of 1,535 prioritized properties) remain to be assessed. The NCC intends to have them assessed by 2003.

#### **4. ACCOMPLISHING ITS MANDATE WITHIN ITS CAPABILITY AND AT THE LEAST COST**

##### **4.1 Contracting of construction and rehabilitation projects**

The complex capital projects undertaken by the NCC make it necessary that tendering and procurement practices balance the technical abilities of the contractor with the prices paid for goods and services. Many of the NCC capital projects are renovations of property where the full extent of the repair or rehabilitation is not always known until the work area is exposed or more closely examined. In addition, the projects undertaken involve sites of national or historical importance. The NCC must be confident that the contractors are competent enough to address all unforeseen circumstances and provide recommendations and alternatives to its staff.

**The tendering process could be further improved by placing greater emphasis on technical and experience requirements over the price when necessary.** Over the past few years, the NCC has improved its tendering process. It has introduced standing offer agreements to quickly contract with suppliers that have a proven track record with the NCC. In addition, it has added conditions and notifications in its request for proposals to specify that the prior performance of contractors can be used in the tender evaluations. The NCC has also introduced a formal procedure of asking project managers to comment on the performance of contractors at the end of a contract.

In the projects examined, the NCC used its standing offer agreements to obtain consulting advice. We found that supporting documentation was well prepared, that the advice sought was needed, and that the use of standing offers was justified.

In the more complex situations where, for example, heritage assets are involved, there is a greater need to balance the selection of the lowest price and the qualifications and experience of the contractors. In these difficult situations, more emphasis could be placed on technical and experience requirements by increasing the weighting for them or refining the evaluation criteria for them.

**Corporate guidelines for bid evaluation exist.** A policy requires that the method of evaluating bids be defined, and a checklist for bid evaluation is available to project managers. We found that good ad hoc practices were used in certain projects, such as a simulation of the likely bid process. The bid evaluation guidelines and examples of good management practices should be incorporated into the NCC's project management system to provide further support to project managers.

#### **4.2 Contracting out of land and building maintenance and management services**

**Few contractors are bidding on land and building maintenance and management contracts.** Since 1996, land and building maintenance and management contracts have expired and have been re-tendered. The costs of certain services, such as the maintenance of the Gatineau Park and the management of properties, have increased substantially. The savings are therefore not as much as they used to be for these two services. However, the analyses carried out by the NCC show that the outsourcing alternative is still more economical than if the services were done in-house.

Fewer contractors have responded to the NCC's current requests for proposals. This could be due to the large size of the contracts. The lack of competition for these maintenance contracts could force the NCC to rely on a small number of contractors and make it more difficult to obtain economical maintenance services in the future.

The NCC is conscious of the situation, has commissioned a study to identify measures that could increase the number of bids in the future for land maintenance, and has started to implement the measures recommended by the consultant. The NCC should assess whether some of the recommendations made for land maintenance contracts would be applicable to the property management contract.

**4.3 Assessing market values of properties**

**Adequate assessments of property values.** As part of its process to identify assets essential to achieving its mandate, the NCC has identified surplus assets and begun to dispose of them. While pursuing its objective of rationalization, the NCC is endeavouring to optimize the financial value of its assets. We assessed the practices for determining the sale or rental values of properties and compared the values allotted to some transactions with market rates.

Our examination included the testing of the following transactions:

***Nine properties examined in greater detail with the assistance of a certified appraiser***

Eight properties exchanged in the Hull sector
The lease of the Daly site

As a general rule, our examination revealed that the sale or rental price the NCC agreed to corresponded with the property’s market value. We also noted that these values were based on market analyses and studies on the property’s condition.

**4.4 Revenue generation initiatives**

**New opportunities for revenue generation initiatives are being addressed.** The NCC has a sponsorship program that is supported by a policy defining its objectives and priorities. It also has a merchandising function that is well established. The NCC is addressing the potential for generating voluntary donations and intends to further explore other means for increasing its sponsorship and merchandising revenues.

EXAMINATION CRITERIA AND SUBCRITERIA

APPENDIX A

CRITERIA	SUBCRITERIA
<b>1. GOVERNANCE</b>	
1.1 The roles and responsibilities of the Board and management should be clearly defined and appropriately attributed.	<p><b>Board:</b></p> <ul style="list-style-type: none"> <li>• Roles and responsibilities are clearly defined and a Board profile has been communicated to the Minister and the Privy Council Office.</li> <li>• The NCC’s operations should enable the Board to be independent from management.</li> <li>• The Board should possess the abilities and have access to resources that enable them to question major files.</li> </ul> <p><b>Management:</b></p> <ul style="list-style-type: none"> <li>• The skills and qualifications that the CEO should possess are defined.</li> <li>• Succession plans for senior executive positions are prepared.</li> <li>• The President’s position has been approved.</li> </ul>
1.2 The Board should receive complete, timely, accurate, and reliable information to enable it to perform its oversight and approval functions effectively and hold management accountable for results.	<ul style="list-style-type: none"> <li>• Major transactions are submitted to the Board for approval.</li> </ul>
1.3 The Board should review, on a periodic basis, its own and management’s performance in meeting corporate objectives.	<ul style="list-style-type: none"> <li>• The performance and operational methods of the Board are reviewed periodically.</li> <li>• The performance of the President is assessed annually.</li> </ul>
1.4 The Board should assess, on a periodic basis, the mandate of the NCC.	<ul style="list-style-type: none"> <li>• A process for assessing the mandate of the NCC is in place.</li> </ul>
<b>2. COMMUNICATIONS, MARKETING AND RELATIONS WITH STAKEHOLDERS</b>	
2.1 The NCC should establish plans and maintain proper practices to keep the public well informed about its plans and projects.	<ul style="list-style-type: none"> <li>• Strategic and operational communications plans support the NCC’s corporate plan and objectives.</li> <li>• Multiple channels for communicating its activities in a timely manner are employed.</li> </ul>
2.2 Public consultation mechanisms should be established to obtain stakeholders’ views and to take them into account in its planning activities.	<ul style="list-style-type: none"> <li>• Stakeholders are informed about opportunities to participate in public consultation and citizen engagement activities.</li> <li>• Mechanisms to learn about public needs, concerns, and opinions are maintained; and concerns are addressed where appropriate.</li> </ul>

CRITERIA	SUBCRITERIA
<b>3. ENVIRONMENTAL MANAGEMENT</b>	
3.1 Environmental risks arising from activities undertaken on NCC's lands should be identified and the related impacts evaluated.	<ul style="list-style-type: none"> <li>• Procedures are in place for monitoring activities undertaken on the NCC's properties and for evaluating the impacts of the environmental risks arising from these activities.</li> <li>• A complete and up-to-date inventory of all environmental risks arising on the NCC's properties is maintained.</li> <li>• Environmental assessments are carried out.</li> </ul> <p><b>Contaminated sites:</b></p> <ul style="list-style-type: none"> <li>• Contaminated sites are classified against proper standards and assessed in a timely manner.</li> <li>• The costs of remediation and time frames for remediation measures are identified.</li> <li>• Clean up of sites is done per standards.</li> </ul> <p><b>Land maintenance and building management contracts:</b></p> <ul style="list-style-type: none"> <li>• Standards related to the protection of the environment are included in land maintenance and building management contracts.</li> </ul>
3.2 Environmental management practices should be in place to manage those risks and mitigation measures should be implemented, where appropriate, and followed up.	<ul style="list-style-type: none"> <li>• The NCC's environmental framework addressed sustainable development principles, ISO 14004 standards or the highest environmental standards, impacts on human health, and emerging environmental issues.</li> <li>• Procedures are in place to mitigate environmental risks and to follow up on their implementation.</li> </ul>
<b>4. CAPITAL PLANNING FRAMEWORK</b>	
4.1 A process for identifying the assets of national significance should exist so as to preserve the Capital's heritage (natural resources, infrastructure, lands, and buildings and monuments).	<ul style="list-style-type: none"> <li>• Heritage assets are identified and the Federal Heritage Office is consulted when changes are planned to these assets.</li> <li>• The significance of federal lands that the NCC will need in the future to carry out its long-term plans is assessed and the National Interest Land Mass is updated accordingly.</li> <li>• The assessment is based on criteria that reflect the NCC's mandate (accessibility, unity, national significance, and safeguarding of heritage and natural resources).</li> <li>• Specific plans to acquire properties the NCC will need to carry out its long-term plan are prepared.</li> </ul>
4.2 Comprehensive harmonized plans should be developed and updated on a periodic basis.	<ul style="list-style-type: none"> <li>• Plans for developing all assets kept in the National Interest Land Mass are prepared.</li> <li>• Municipalities and key partners are consulted to identify their needs.</li> <li>• Plans reflect regional needs, the plans and priorities of municipalities, and environmental and heritage concerns.</li> <li>• Plans reflect the vision and objectives of the Plan for Canada's Capital.</li> <li>• Plans are updated periodically.</li> </ul>

CRITERIA	SUBCRITERIA
<b>5. ASSESSING MARKET VALUES OF PROPERTIES</b>	
5.1 Acquisitions, leases, sales, transfers, and exchanges of real property should be backed by appropriate assessments of the value of the assets and the financial implications, and carried out in a manner to ensure that the NCC obtains the best possible conditions, given the circumstances.	<p>Before purchasing, disposing of, or leasing properties, the NCC should have</p> <ul style="list-style-type: none"> <li>• asked the Federal Heritage Office to assess its 40 years old buildings and taken their advice into consideration,</li> <li>• assessed the value of the property based on sound financial analysis,</li> <li>• received fair consideration in exchange for the property, and</li> <li>• assessed the environmental conditions affecting the property.</li> </ul>
<b>6. MANAGEMENT OF CONSTRUCTION AND REHABILITATION PROJECTS:</b>	
6.1 State of the art techniques should be used for managing projects so deadlines and budgets are met, user requirements satisfied, and project objectives achieved.	<ul style="list-style-type: none"> <li>• Practices are in place to help deliver high-quality projects in an efficient and economical way and include, among other things, the following: <ul style="list-style-type: none"> <li>- An organizational structure for managing project exists.</li> <li>- Projects are defined and managed as approved.</li> <li>- Change orders are monitored.</li> <li>- Risk management and project monitoring are performed.</li> <li>- Time and cost control procedures exist.</li> </ul> </li> <li>• Projects are submitted to advisory committees for expert advice.</li> <li>• Contracting of projects is fair and transparent.</li> </ul>
6.2 The NCC should develop multi-year plans (capital, maintenance and construction) that take into account financial, human, and material needs over the short/medium/long term.	<ul style="list-style-type: none"> <li>• The capital construction and rehabilitation program prioritizes and schedules capital projects. Material needs are evaluated.</li> <li>• Cost estimates are developed and related funding secured.</li> </ul>
6.3 Projects are managed in a way that the heritage and the assets of national significance identified in the planning are safeguarded.	<ul style="list-style-type: none"> <li>• Project managers take adequate measures to protect these assets.</li> </ul>
<b>7. LAND AND BUILDING MAINTENANCE AND MANAGEMENT</b>	
7.1 Land maintenance and building management contracts should be managed and monitored in a way that operating costs are kept at a low level while maintaining service quality.	<ul style="list-style-type: none"> <li>• Contracts include clauses on the minimum criteria (e.g., safeguarding of the environment) that the contractor should meet.</li> <li>• Inspections on the condition of the properties are done and problems are followed up.</li> <li>• The contractor's performance is assessed periodically.</li> <li>• Maintenance and management services contracted out are profitable.</li> <li>• The bidding process allows multiple firms to bid.</li> </ul>
7.2 Events allowed on NCC lands should concur with its mandate and values.	<ul style="list-style-type: none"> <li>• Criteria for authorizing events on NCC lands exist and concur with its mandate.</li> <li>• Events staged on NCC lands are followed up.</li> </ul>
<b>8. REVENUE GENERATION INITIATIVES</b>	
8.1 The NCC should develop profitable revenue generation initiatives to meet its financial objectives while ensuring that these initiatives support its mandate.	<ul style="list-style-type: none"> <li>• Corporate policies define initiatives that support its mandate.</li> <li>• Financial objectives and potential initiatives are identified.</li> <li>• Profitability of revenue generation initiatives is measured.</li> </ul>

