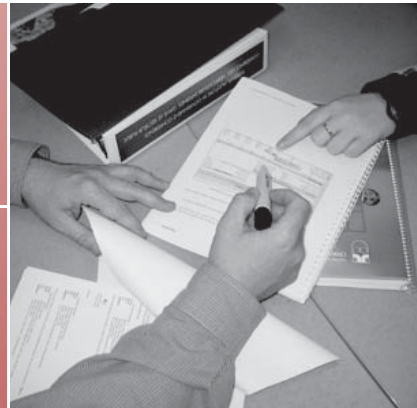


Internal Audit of the Implementation of Modern Management at HRDC



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Project No: 6672/03

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EXECUTIVE SUMMARY

The objective of this audit was to provide assurance to senior management at HRDC that the foundations for the implementation of Modern Management are in place, and that the department is on its way towards successfully realizing its long-term outcomes. The internal audit was conducted from July 2003 to October 2003 on HRDC's implementation Modern Management Initiative. The audit covered the Modern Management Initiative as a whole, as well as the four pillars of Values and Ethics, Integrated Risk Management, Integrated Performance Information and Rigorous Stewardship.

The methodology is adapted from the maturation model of the Treasury Board Secretariat's Modern Comptrollership Directorate which distinguishes three progressive phases of implementation: setting the organizational foundations, proceeding through a more extensive transition, and achieving the desired outcomes in the sustaining phase. The audit criteria were established in consultation with the Treasury Board Secretariat, other federal organizations, and with guidance from an external advisory committee. The criteria identified the key elements in the foundation phase which deal with corporate level and department wide initiatives.

It is the opinion of IARMS that the foundations for the implementation of the improvements to the overall Modern Management Initiative at HRDC are substantially in place. The foundation phase will be complete and capable of sustaining the further transition to desired outcomes, once the department has: an overall framework to integrate the numerous human resource initiatives; updated the strategy for implementing integrated risk management; and reviewed its needs for all internal audit services – assurance, consulting (including risk management), and forensic investigation – and assigned resources accordingly.

This internal audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing. The sections on integrated risk management and internal audit are self-assessments, as internal audit shares or has responsibility for their implementation.

Management Response: *As noted within the report, Senior Management of HRDC already has recognized the areas needing strengthening, continues to be committed to their resolution, and is demonstrably committed to the further work needed to achieve desired outcomes.*

1. INTRODUCTION

Modern Comptrollership (referred to as Modern Management at HRDC) is a long-term management reform which continues to be a priority of the government. Departmental initiatives to implement Modern Comptrollership are being integrated into the new TBS Management Accountability Framework. The progressive implementation of Modern Comptrollership is identified as a priority in the department's Corporate Business Plan 2003-2004.

HRDC was one of the original six pilot departments leading implementation in 1998. As of 2001, all federal departments and agencies are expected to integrate Modern Comptrollership into their management improvement agenda, with flexibility on the timing and approach.

HRDC obtained funding from the TBS Comptrollership Modernization Directorate to develop and pilot a methodology for providing audit assurance on implementation of the Modern Comptrollership Initiative. The department's contribution included conducting this initial pilot audit so that the methodology will be ready for others to use.

1.1 Audit Objective

The objective of this audit is to provide assurance to senior management at HRDC that the foundations are in place for the implementation of improvements to Reinforced Values & Ethics, Integrated Risk Management, Integrated Performance Information, and Rigorous Stewardship, and that the department is on its way towards realizing the long-term successful outcomes of its Modern Management Initiative.

1.2 Audit Scope

The audit was planned and conducted to include, at the level of organizational foundations, the implementation of the Modern Management Initiative as a whole and each of the four pillars – Reinforced Values & Ethics, Integrated Risk Management, Integrated Performance Information and Rigorous Stewardship. The internal audit of HRDC's implementation of Modern Management was conducted from July 21, 2003 to October 31, 2003.

1.3 Audit Methodology

The assurance audit methodology adapted the maturation model of the Treasury Board Secretariat's Modern Comptrollership Directorate. The model distinguishes three phases of progressive implementation: setting the organizational foundation; proceeding through a transition phase towards achieving and sustaining the desired outcomes. Audit criteria and sub-criteria for the foundation stage were identified during extensive consultations with TBS and other federal organizations. When the foundation stage had been achieved, the audit examined measures taken to ensure sustained implementation. The focus of the report is corporate and department-wide.

The innovative approach was developed after extensive consultations within the federal government and under the guidance of an external advisory committee. Within HRDC, the audit was undertaken in consultation with the Corporate Affairs and Planning Branch (CAPB), Financial and Administrative Services Branch, the Human Resource Branch, and HRDC's Modern Management Office. The Director General, Corporate Planning & Accountability, chaired a meeting of an internal advisory committee represented by departmental branches to provide guidance before the terms of reference were submitted to the Audit & Evaluation Committee for approval. Audit assessments are based on analyses of an extensive number of corporate documents, e.g., corporate meeting records, risk profiles and performance reports.

Internal Audit and Risk Management Services share or has significant responsibility for the implementation of integrated risk management and internal audit services both of which are considered essential to the successful implementation of modern comptrollership. Accordingly, the internal audit opinion does not extend to integrated risk management or to internal audit, both of which should be considered as self-assessments based on an equivalent level of audit rigour. Audit assessments benefited from audit reports of the OAG (the implementation of modern comptrollership and of integrated risk management), as well as comments and assessments from TBS. In addition, the Chair of the Independent Blue-Ribbon Panel on Modern Comptrollership and long-time President of the Canadian Comprehensive Auditing Foundation, Mr. Jean-Pierre Boisclair, chaired the external advisory committee and also provided detailed review challenges to drafts of the audit assessments as well as the consolidated report.

2. CONCLUSION

It is the opinion of IARMS that the foundations for the implementation of the improvements to the overall Modern Management Initiative at HRDC are substantially in place. The foundation phase will be completed once the department has: developed an overall framework to integrate the numerous human resource initiatives; updated the strategy for implementing integrated risk management; and reviewed its needs for all internal audit services – assurance, consulting (including risk management), and forensic investigation – and assigned resources accordingly. This will provide a sustainable base for the further work needed during the next transition phase to achieve the desired outcomes.

This internal audit was conducted in accordance with the Treasury Board Policy on Internal Audit and the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing. The section on integrated risk management and internal audit are self-assessments, as internal audit shares or has responsibility for their implementation.

The conclusions were based on a comparison of the situations as they existed at the time against the audit criteria and are applicable for Human Resources Development Canada (HRDC).

Management Response: As noted within the report, Senior Management of HRDC already has recognized the areas needing strengthening, continues to be committed to their resolution, and is demonstrably committed to the further work needed to achieve desired outcomes.

3. AUDIT FINDINGS

An assessment and findings are presented in relation to each of the audit criterion in the five sections of the report. The Context provided in each section below is taken from the TBS Report, “Modern Comptrollership Initiative: A Progress Report on Government-wide Implementation”.

3.1 Modern Management Initiative

3.1.1 Audit Assessment

The foundations for the implementation of improvements to the overall Modern Management Initiative (MMI) at HRDC were completed in October 2003 when the new Management Accountability Committee (MAC) assumed responsibility for integrating the modern comptrollership initiative into the new Management Accountability Framework. Senior corporate committees had been governing progress for the foundations for each of the four pillars of values and ethics, risk management, performance information and rigorous stewardship.

3.1.2 Context

The multi-year Modern Comptrollership Initiative aims to strengthen the foundations of modern management and create a culture of stewardship and results in the Public Service of Canada. Given the 7 to 10 year implementation period for the initiative, assuring sustained commitment will remain a key challenge. Modern Comptrollership has reinforced the importance of systematic and sustained attention to management at the senior executive level.

3.1.3 Audit Criteria and Findings

Leadership is provided by a Senior Corporate Committee

Since the Modern Management Initiative was approved by the National Management Board in 1998, the Assistant Deputy Minister, Finance & Administration Services (FAS), has been assigned responsibility to lead the Modern Management Initiative. In October 2003, leadership passed to the Assistant Deputy Minister, Corporate Affairs & Planning Branch under the purview of the new Management Accountability Committee. The Modern Management Office (MMO) within FAS was the project office administering the promotion, implementation and management of Modern Management within HRDC. Each of the four Modern Management pillars were governed by senior executive committees.

Capacity Assessment is undertaken

HRDC assessed its capacity through the Comptrollership Capacity Check undertaken in May 1999 and identified the gaps in relation to desired outcomes. The assessment addressed and identified the state of values and ethics, risk management, integrated performance information and rigorous stewardship. The Comptrollership Capacity Check provided the basis for the action plan. In addition, the department conducted baseline studies of current operations in preparation for an extensive business transformation called Modernizing Service for Canadians in 2001-2002.

Modern Management Action Plan is Implemented

In May 2000, to implement Modern Management, HRDC developed a departmental action plan entitled, “Management in HRDC - Moving Forward in the 21st Century”. The capacity of the department was developed through its national learning strategy which developed and provided tools, training and technical support for the implementation of Modern Management.

“Management in HRDC- Moving Forward in the 21st Century” contains measures to close the gaps identified in the 1999 “Comptrollership Capacity Check”. It was updated in 2002 and 2003. It addressed key initiatives and enablers addressing expectations for management improvement, as identified in the capacity assessment. There was no documentation showing that the actions identified in the action plan were integrated into the department’s current or previous corporate or business plans. There was no means to track corporate progress on the implementation of the Modern Management Initiative.

The OAG’s April 2002 Report made positive comments to HRDC on the progress to date with regards to initiatives undertaken to date to support Modern Comptrollership. The report recognized that although HRDC’s action plan addresses all of the capabilities that need to be strengthened, it does not specify performance indicators and expected outcomes by which HRDC can measure its progress, nor does it estimate the full costs of its MC initiatives. HRDC has not taken steps to incorporate the OAG’s recommendations into its Action Plan.

3.2 Reinforced Values and Ethics

3.2.1 *Audit Assessment*

The foundations for the implementation of reinforced values and ethics at HRDC were put in place between 1997 and 2000. Corporate leadership is now re-engaging to advance the implementation of values and ethics to a further level. Key elements that will need to be included in this further engagement are: effective measures to ensure that employees are aware of the TB and HRDC Policies on Internal Disclosure of Information Concerning Wrongdoing in the Workplace and the processes for reporting on wrongdoing.

3.2.2 Context

It is a basic tenet of modern comptrollership that management decisions must be grounded in public service values. With the growing requirement for flexibility and creativity comes the necessity to reaffirm the unchanging principles that must guide decisions. In response to the Tait report, many departments opened a renewed dialogue with staff on values and ethics.

3.2.3 Audit Criteria and Findings

Formal Statement is issued on Values and Ethics

HRDC has a formal statement of Values and Ethics that is communicated primarily through the Handbook on Values and Ethics. The statement has been accessible to all HRDC employees since 1998 and fully reflects the Government of Canada's initiatives to promote reinforced values and ethics under the Modern Management Initiative.

Unequivocal Steps are used to Reinforce Values and Ethics

HRDC has taken clear, unequivocal steps in five areas to reinforce the importance of public service values and ethics in the delivery of results to Canadians. These five areas are: Leadership; Promotional Tools; Learning and Training; Increased Efforts to Foster a Respectful Workplace; and Implementation of the TB Code of Values and Ethics. Corporate leadership is now re-engaging this area in order to deepen the implementation of reinforced values and ethics. The transition phase will be advanced once effective measures are taken on the sixth step of ensuring employees are aware of the policy and process for internal disclosure of wrongdoing.

(1) Leadership

The department launched an initiative in the winter of 1996 on reinforcing Values and Ethics. In 1998, the Values and Ethics initiative was championed by Assistant Deputy Ministers for Human Resources and for the Income Security Program. The Deputy Minister appointed the Assistant Deputy Minister for Human Resources to resume the role of departmental champion of Values and Ethics on September 4, 2003. The Human Resources Planning Committee (HRPC) was HRDC's advisory board for Values and Ethics between 1998 and 2000. HRPC resumed this corporate leadership role for Values and Ethics in September 2003. HRDC's Values and Ethics are included in executive performance agreements for 2003/04.

(2) Promotional Tools

A Handbook and Website are the major promotional tools used to help all departmental employees to become knowledgeable about the topic of Values and Ethics.

(3) Learning and Training

HRDC teaches best practices relating to HRDC Values and Ethics at its Modern Management two-day course, which has been attended by 2,300 managers and employees across HRDC. In response to the 2000 Report of the Office of the Auditor General of Canada and HRDC's 1999 Internal Audit Report on the administration of Grants & Contributions, the Employment Programs Learning and Development Directorate within the Employment Programs Branch designed and implemented in 2000-2001 a learning package entitled, "Striking a Balance: Program Integrity, Values and Accountability". The package provides opportunities for managers and employees to focus on the fundamental values that guide public service employees in acting in the public interest within the delivery of Grants & Contribution programs.

(4) Increased Efforts to Foster a Respectful Workplace through the Prevention and Resolution of Harassment

All HRDC delegated managers were informed of the TB Policy and Guide on the Prevention and Resolution of Harassment in the Workplace. All HRDC employees were informed of the new Policy from the Assistant Deputy Minister, Human Resources Branch. Procedures are in place to assure resolution of harassment complaints. Senior Executives responsible for branches and regions are accountable for providing resolution of harassment.

(5) Method for Employees to Report on Wrongdoing

HRDC has adopted the TBS policy on Internal Disclosure of Information Concerning Wrongdoing in the Workplace. In December 2001, a "Senior Officer" reporting to the Deputy Minister was assigned the responsibility for implementing the policy on the Internal Disclosure of Information Concerning Wrongdoing in the Workplace initiative in HRDC. On March 31, 2003 the second Senior Officer of Internal Disclosure made recommendations to the Human Resources Policy Committee to improve the internal policy and employee awareness of the process surrounding Internal Disclosure.

(6) Implementation of the TB Code of Values and Ethics

The Treasury Board's Values and Ethics Code for the *Public Service* was released on June 19, 2003 and became effective as a condition of employment for all public servants on September 1, 2003. In October 2003, the Assistant Deputy Minister, Human Resources Branch, sent a message to all employees linking Treasury Board Secretariat's and HRDC's web sites on Values and Ethics.

3.3 Integrated Risk Management

3.3.1 Audit Self-Assessment

The foundations for the implementation of Integrated Risk Management (IRM) as a pillar of the Modern Management Initiative were put in place between 1998 and 2002.

The implementation strategy approved in December 2001 is no longer valid. The transition to desired outcomes will be sustainable only when the department has updated the strategy for implementing integrated risk management.

3.3.2 Context

Risk management has evolved beyond the traditional domain of public health, safety, and security. From an art of applying intuition and experience, risk management is becoming a more systematic, knowledge-driven process. Modern Comptrollership must ensure that a mature risk management environment is created and sustained.

3.3.3 Audit Criteria and Findings

Leadership Is Provided by a Senior Corporate Committee

HRDC's Management Accountability Committee (MAC) and previously the Audit and Evaluation Committee, is the senior departmental committee which provides leadership and active support on the implementation of Integrated Risk Management (IRM). The MAC is composed of ADM level personnel who have corporate level authority. The audit and evaluation committee met at least quarterly and the new MAC is scheduled to meet more frequently.

The Associate Deputy Minister supplemented audit and evaluation committee discussions of risk management with special meetings of individual branch executives, as well as bi-laterally, to deepen the understanding and action to mitigate key corporate and branch risks.

An Integrated Risk Management Framework is Implemented

HRDC's Framework for IRM provides corporate direction for the implementation of integrated risk management. IRM is identified in the new Management Accountability Framework adopted by the department. HRDC's Framework provides the following direction:

- objectives for IRM;
- an approach to implementation;
- a sequential process for risk management which encourages managers to adapt the Treasury Board's nine-step process;
- a framework for prioritizing corporate initiatives;
- ten elements to be considered when developing risk mitigation strategies for reporting key strategies; and
- 17 standards for implementing integrated risk management in business units.

The implementation target of December 2002 was not met and neither a revised target nor implementation plan has yet been prepared. The implementation guide, Frameworks for Engagement between Branches and IARMS, have not been completed for some Branches and not updated by other Branches. The Framework for Engagement (FE) guides the implementation of integrated risk management across the department. Each FE details the responsibilities of both IARMS and the various branches, including a commitment on what each will deliver.

A Corporate Risk Profile is Prepared

HRDC has completed a second Corporate Risk Profile which is integrated into the Corporate Business Plan 2003-2004. Both risk profiles identify key risks that could impede the department's ability to reach its strategic objectives as well as the main mitigation strategies.

HRDC's Corporate Risk Profile 2003-2004 identifies three corporate risks focusing on business transformation:

- **Business Continuity and Service Reliability:** Service disruptions while pursuing business transformation;
- **Building Public and Stakeholder Trust and Confidence:** Erosion of public trust during transformation;
- **Mobilizing Employees to be Change Advocates and Reinvesting for the Future:** Failure to sufficiently engage employees in business transformation to motivate and support in executing and adapting to change.

The department's Corporate Risk Profile is published in its strategic and annual plans for the benefit of the department and its stakeholders.

Corporate Planning is Linked to Integrated Risk Management

Departmental planning addresses key departmental risks. HRDC's Corporate Plan 2002-2003, HRDC's Corporate Business Plan 2003-2004 and HRDC's Strategic Plan 2003-2008 address key corporate risks. HRDC's Branch Risk Profiles consolidate significant risks being managed by HRDC. Two of HRDC's regional offices have conducted structured risk analyses as part of their strategic planning process for 2003-2004. Integrated risk management is integral to HRDC's business plan for the multi-year transformation, Modernizing Service for Canadians.

3.4 Integrated Performance Information

3.4.1 *Audit Assessment*

The foundations for the implementation of improvements to Integrated Performance Information (IPI) have been completed in relation to the Modern Management Initiative

between 1997 and 2003. Significant efforts are planned to sustain the transition at both the strategic and operational levels to achieve the desired outcomes.

3.4.2 Context

Integrating financial and non-financial performance information is a challenge facing all administrations, both in the public and the private sectors. Since the mid-1990s, departments have been required to focus the plans and reports they provide to Parliament on results. TBS Comptrollership Modernization Directorate has reported a need for departments to clarify their strategic outcomes and related measures as well as track results at both corporate and program levels.

3.4.3 Audit Criteria and Findings

Leadership Provided by a Senior Corporate Committee

HRDC uses four departmental committees to provide support and leadership on Performance Information. Their sphere of responsibility range from an operational level to a strategic level. These committees together address various issues pertaining to performance. Overall, they look at performance as a main subject matter and study issues that arise pertaining to performance such as its integration of information, future indicators, modifications, targets and others.

As of May 2002, many of the committees were being re-structured. The drafted mandates for most of these committees were issued October 16th, 2003. They are scheduled to be reviewed at the NMB meeting in early November 2003. Many of these new committees together will address integrated performance information.

In November 2002, the Audit and Evaluation Committee directed internal audit to lead a comprehensive diagnostic on the current state of performance information. The report of May 2003 found that the most current key performance indicators were established: primary users identified, measures defined, targets and measures assessed periodically and improved upon. The Diagnostic also revealed the need to develop a more comprehensive set of measures to better focus on key results. Branch and regional managers agreed that performance measurement needs to be more strategic and comprehensive. The operational needs are being met, but opportunities for improvements are to develop a more comprehensive set of measures and to have a coherent approach to performance measurement.

Framework for Performance Measures is Implemented

HRDC has a framework for performance measurement. The 2001-2002 Planning, Reporting and Accountability Structure (PRAS) is used by HRDC to lay out its strategic outcomes and framework for reporting on program performance. HRDC is working to build on both operational and program impact information to better focus on key results

and link with strategic objectives. The key performance indicators have been improved upon since 1998.

HRDC had a process for proposing, reviewing and approving Key Performance Indicators. Key Performance Indicator results were reviewed quarterly by the Service Delivery Committee and were distributed to the National Management Board. The Corporate Management System (CMS) is the departmental data capture system for the key performance indicators. The organization had both internal and external service standards. External service standard results were reported in the quarterly Performance Measurement Report and in the Departmental Performance Report. A diagnostic was performed by IARMS to identify key horizontal issues and to compare the 2002-2003 Key Performance Indicators to the Departmental Standards for Performance Measurement and Information that managers are held accountable to.

The diagnostic revealed the need to develop a more comprehensive, meaningful set of measures to better focus on key results and link with strategic objectives. Branch and regional managers agreed that performance measurement needs to be more strategic and comprehensive. Planned improvements are needed to continue to improve the usefulness of operational performance measures.

Program Evaluation is Being Strengthened

The department is strengthening Program Evaluation to enhance program performance management of departmental programs. An interim evaluation sponsored by TBS of the evaluation policy conducted in 2002 indicated that HRDC was the only department that currently supported an evaluation function capable of meeting policy requirements.

Program Evaluation products are integral to the program performance management of the Program Branches. The department uses evaluation information on program relevance/rationale, design and delivery, and program impacts to improve decision-making. The long-term evaluation plan submitted to the audit and evaluation committee in July 2003 proposes increased coverage such that efforts will be made to evaluate all programs over a seven-year cycle. Evaluation plans were reviewed on an annual basis through the audit and evaluation committee and will be reviewed by the MAC. Risk is an important consideration of the current development of the Evaluation Plan.

Performance Information is used in Strategic and Annual Business Planning

The Branches use performance information in their operational business and strategic planning, however performance information is not used in strategic and business planning at the department level. A Planner's Network was formed in 2001 to help planners make connections between regional and corporate planning and to work toward identifying ways to improve business planning. In 2002, HRDC developed its Strategic Planning Framework, which would among other things identify a common infrastructure to align departmental planning activities. In March 2003, during a presentation made at the Planner's Network Workshop, there was recognition for a standardized business plan template that would align corporate initiatives to strategic objectives and identify outcomes and supporting performance indicators.

Performance Information is included when reporting externally and internally

The Department uses performance indicators to report internally and externally on its performance through a variety of reports and management instruments. The 2002-2003 Estimates Report on Plans and Priorities and the Draft 2002-2003 Departmental Performance Report both include a summary of performance indicators and use the same indicators within their reports. The 2003-2004 Report on Plans and Priorities includes performance indicators.

3.5 Rigorous Stewardship

3.5.1 *Audit Assessment*

HRDC has implemented foundations for rigorous stewardship by means of strategic frameworks for the integrated management of resource inputs (finance, employees, assets, and records), client services and business transformation at the departmental level. These foundations will be complete once there is an overall framework to integrate the numerous human resource initiatives. In addition, based on this self-assessment for internal audit, the transition to desired outcomes will be sustainable when the resource allocation is based on a reconsideration of departmental needs for the full range of internal audit services – assurance, consulting (including risk management), and forensic investigation.

3.5.2 *Context*

The Modern Comptrollership pillar of rigorous stewardship covers a wide range of internal management initiatives. Authoritative, department-wide frameworks are needed to assure the coherence and integration of these improvement initiatives to achieve the desired outcomes over the long-term.

3.5.3 *Audit Criteria and Findings*

The Management of Resource Inputs (Finance, People, Assets, and Records), Client Services and Business Transformation are guided by Management Frameworks at the Departmental Level.

Financial Management Framework

HRDC updated its Financial Management Framework (FMF) in March 2000, and again in December 2002. The FMF addresses the Modern Comptrollership Initiative and FIS. This framework sets out the major elements of financial management for all of HRDC. The FMF covers:

- The acquisition of resources, which covers Expenditure Management System (EMS) and Sources of Funds;

- HRDC resource allocation process, which covers HRDC's Planning and Budgeting, Application of Funds, Resource Allocation Models and Salary Costing;
- Resource Management, which covers basic structures and tools, Accounting Approaches, Management of Principles and other Financial Management Topics.

Two sections of the FMF were updated in the December 2002 version. They are: allotment control under Management of Principles and discount factors under Other Financial Management topics in Chapter III Resource Management.

The FMF is a foundation document which is used as a reference document for financial officers and is used to train program managers on financial management at HRDC. The FMF is available on the intranet and is used as a reference document to guide the regions and branches. Each of the components in the FMF is subject to ongoing reviews and improvements.

Framework for Human Resources

In the past few years HRDC has been dedicated to the planning of major transformations within the Department. At the same time, HR has been concentrating on establishing complementary components to support leaders in their management of human resources. While there is no formal human resources framework in place, the nine principles of human resources management were developed, approved and disseminated to guide managers in this period of transition.

The nine principles of HR management work in tandem with the department's approach to Values and Ethics and change leadership, its Employment Equity Plan, Performance Management for Results, the Framework for Workplace Well-Being and its Joint Union-Management Consultative Framework. A revitalized approach to reflect the future environment includes a learning policy, a proposed employability approach and an e-learning strategy.

A policy suite facilitating resourcing at HRDC includes a Vacancy Management Approach, Acting Policy, Term Management and Temporary Resourcing guidelines. Underpinning both resourcing and learning at HRDC is the Competency-Based Management Framework (CBM).

As a further critical component, HRDC is developing a comprehensive approach to facilitate organization design and classification. The department will be well positioned for future delivery of government services and possess the organizational flexibility that may be demanded.

A forward-looking approach to succession management with the aim of ensuring continuing leadership has been taken. The leadership competency profile has been renewed and a framework for leadership development, which reflects this, awaits final approval.

With HRDC's five-year Strategic Plan and as the organization moves on the newly developed Management Accountability Framework from the Treasury Board Secretariat (TBS), these key elements of the Department's management of human resources will be

integrated into an overall Strategic Human Resources Management Framework, reflective of the work currently in progress at the TBS.

Material Management and Contracting Framework

In June 2001, a Material and Contracting Management Policy Framework was issued. It was designed to address requirements from TBS by which the materiel function would meet organizational needs, clearly define roles, responsibilities and management practices. The framework covers the life cycle: namely, assessment and planning of material requirements; acquisition; operation, use and maintenance; and disposal for goods and services obtained for contracting and procurement, and for assets management.

A Material Management Policy and a Contracting & Procurement Policy are scheduled to be released from these processes in December 2003. HRDC Materiel Policy will cover the four basic commodities: Goods, Services, Construction and Accommodation Leases. The Contracting, Procurement and Printing guidelines of HRDC Assets Management Policy of 2002 have been revised “to strengthen the function and maximize the value-added.”

Information Technology Asset Renewal (ITAR) is a life cycle based management approach to the ongoing renewal of HRDC's Information Technology (IT) asset base, including all hardware and associated software needed to effectively deliver the department's Services to Canadians. It considers the existing inventory base, current demands for service delivery, pace of technological change, IT management tools, and the life expectancy of existing and new assets. ITAR is an accepted business best practice that HRDC has adopted to manage and control the rise in the total cost of ownership associated with IT infrastructure.

TBS has assessed that HRDC is embracing a risk-based approach to management and control that reflects Modern Comptrollership.

Framework for Records Management

HRDC has developed a comprehensive approach to records management which was recently posted on its intranet site. HRDC's Records Management Policy prepared in March 2001 is linked to Modern Comptrollership. HRDC reviewed its guidelines for records management, as an important part of corporate assets under the Modern Comptrollership Initiative. The objective of HRDC's Records Management Policy is to ensure appropriate, effective, consistent management of HRDC's records throughout the information lifecycle that begins with the creation of the record and continues through to proper disposal or archival preservation. The policy applies to all records under the control of HRDC and all employees must adhere to this policy.

The HRDC Records Classification System (RCS) is centrally managed and designed to reflect the programs and functions of the department and to serve as the basis for identifying and organizing the department's records, regardless of physical medium or location.

The Automated Information Holdings Management System (AIHMS) provides automated records management support for records in all media, including the capability for filing and retrieving electronic records. Formal corporate retention and disposition requirements are applied to all these records.

Frameworks for Client Services

Strategic frameworks are used to guide and integrate diverse client services, client service improvement, and the development of new strategies for client service. These include:

a) Client Services

HRDC's National Management Board adopted a modified version of the National Quality Institute's (NQI) framework as a conceptual framework/common language in January 2001. The NQI Framework comprises seven Canadian Quality Criteria for the Public Sector (leadership, planning, citizen/client focus, people focus, process management, supplier/partner focus, and organizational performance). The HRDC version has an eighth element - Information and Analysis. The framework for client services assists management to assess organizational strengths and opportunities for quality service improvement, set directions, monitor progress and map a plan for continuous improvement in providing the highest quality services. Most branches and regions are adapting the NQI Framework to their specific needs.

HRDC's Quality Services Initiative (QSI) has been undertaken and a web site developed to communicate and share general information on quality services within HRDC. The Department's Service Delivery Committee considers issues of policy, human resources, systems, administrative policy and practice and programs that have an effect on the service delivery network, and the quality of service. These issues are examined by a working group comprised of national and regional representatives.

b) Client Service Improvement

The government recently identified HRDC as a lead department in its Service Improvement Initiative aimed at increasing citizens' satisfaction with government services in all departments. As part of the Service Improvement Initiative, HRDC conducted client satisfaction surveys between 2001 and 2003 using the Common Measurement Tool to establish a baseline satisfaction rating and to gather information required to determine clients' improvement priorities. All satisfaction ratings were positive. The main areas for improvement in the recently completed clients' surveys of Labour Operations are related to timeliness in completing investigations or similar reactive activities, greater follow-up on the part of officers, and consistency of service. The survey results will be used to develop improvement plans and to monitor continuous improvement of services.

c) HRDC's New Service Strategy

HRDC will modernize how programs and services are delivered under the Modernizing Service for Canadians initiative (MSC) by focusing on what citizens need in a way that supports citizens' full participation in the workplace and community. HRDC's new

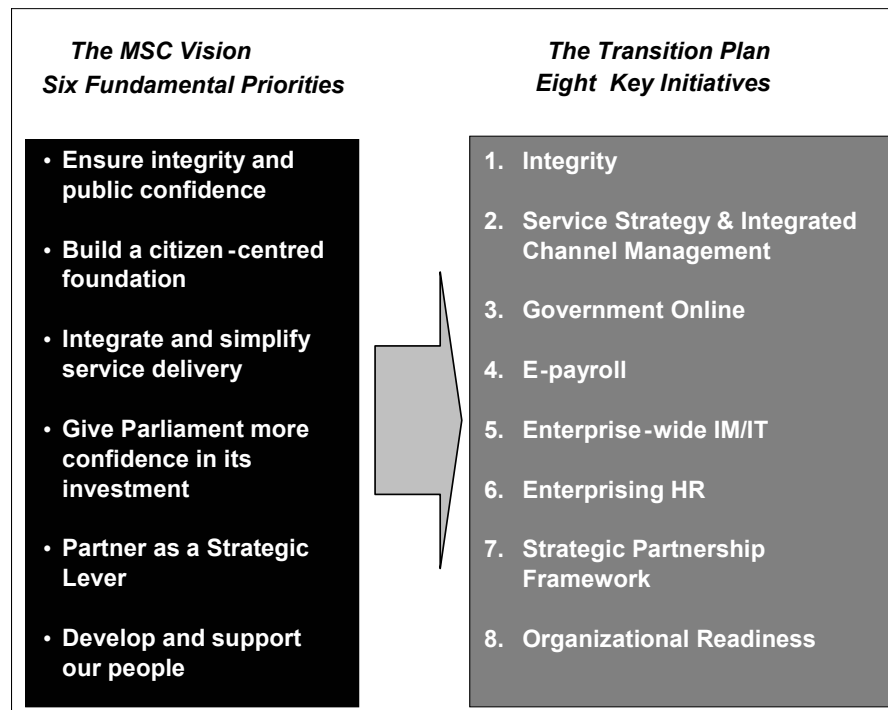
service strategy will deliver relationship-based service through a single integrated service delivery network.

Framework for Business Transformation

Human Resources Development Canada (HRDC) has embarked on a Renewal Agenda to better anticipate and respond to the changing needs and expectations of Canadians. HRDC's Renewal Agenda focuses on three fundamental areas:

1. *Creating a service culture:* HRDC will create a more client-focused, relationship-based organizational culture in which meeting citizen needs is always at the centre.
2. *Revitalizing the policy framework:* HRDC will establish a more integrated and coherent policy framework that provides a better balance between HRDC social policy and labour market policies and responsibilities.
3. *Modernizing Service for Canadians:* HRDC will modernize how programs and services are delivered under the Modernizing Service for Canadians initiative (MSC).

The renewal of HRDC builds on and is supportive of and complimentary to the realization of the Government of Canada's renewed Service Delivery Vision. HRDC has a transition strategy and plan to carefully guide how the evolution proceeds from the service delivery network of today to the end-state vision.



Internal Audit is Being Strengthened (Self-Assessment)

HRDC has had an active internal Audit and Evaluation Committee (AEC) since 1993. The AEC meets regularly and recommends audit reports for approval by the national management committee chaired by the Deputy Minister (DM). The Associate DM has been designated by the DM to chair the AEC which is comprised of senior executives with TBS and OAG representation. The ADM administratively responsible for internal audit chairs the committee when the Associate DM is not available; this replacement has admittedly become routine over the past year due to workload issues. The Committee's responsibilities include all those required by Treasury Board's Internal Audit and Evaluation Policies and by the Risk Management Framework. In November 2003 the Committee's terms of reference were expanded to include related important aspects of the Management Accountability Framework including: planning, performance measurement, and the management of sensitive cases of wrong-doing. The DM has planned to convene, at least once a year, an Audit and Evaluation planning session of the National Management Board, which he would chair, with both the Auditor General and the Secretary of the Treasury Board invited.

In 2001, HRDC approved a long-term strategy and targets for resourcing and building capacity to achieve comprehensive assurance audit coverage of all major programs over an approved and specified timeframe. After a three-year phase-in period over 2001-02 and 2003-04, there was to be comprehensive coverage of the audit universe by assurance audits over a five year period beginning in 2004-05.

HRDC Assurance Audits and related products were scheduled in consideration of: the level of risk associated with programs and activities; Treasury Board policy; and available human and other resources. In order to achieve the multi-year plan, the development of professional capacity was provided for and significant investments were earmarked for professional development of internal auditors, as well as for quality assurance functions. The TBS Centre for Excellence in Internal Audit (TBS-CEIA) recognized the high quality of HRDC's audit plan for 2001-02 through an award and letter of appreciation. Several HRDC products are on the TBS web-site as example of good practice.

In 2001, HRDC approved an internal audit policy which provided for three types of audit services: assurance audit; consulting services, especially risk management; and investigation services. Two-thirds of all audit resources were then planned to be devoted to assurance audits (which are accessible by the public). The resources actually devoted to assurance audits have not met the planned levels nor have the total resources that were estimated to be required been put in place. The differences between the planned and actual deployment of audit resources to assurance audit and the overall resource level are material. In July 2003, the internal audit unit proposed to the audit committee a further transition to a different plan, approach and resource requirements for internal audit services. This proposal would better accommodate evolving governance requirements, audit resource constraints, and experience gained from the conduct of audit projects.

Through its consulting activity, internal audit is currently playing a shared managerial role in the area of integrated risk management. In April 2003, the OAG recommended that, where applicable, departments develop plans to transfer full responsibility for integrated risk management from internal audit to management. Moreover, the current arrangement at HRDC impairs internal audit from being in a position to provide objective audit assurance about this key element of management and control in the department.

Given the above, there exists a need for management to substantively re-engage, and if necessary redefine, current and future requirements for audit services (assurance, risk management, consulting, and investigation services).

Final internal audit reports include management action plans addressing the recommendations made. Progress in addressing internal audit recommendations is monitored and reported to a senior management committee, namely the Management Accountability Committee (MAC). Regarding external audit findings, only the findings and recommendations from the Office of the Auditor General of Canada are reviewed by the MAC. Findings and recommendations from the Commissioners for Official Languages and Human Rights are tracked by units within the Human Resources Branch.

HRDC makes assurance audit reports accessible to the public in both official languages.

APPENDIX A AUDIT CRITERIA AND SUB-CRITERIA

Introduction

For each of the criteria and their sub-criteria presented below, the audit assessment will be positive to the extent that the following standards are met:

1. The required action has been successfully completed; or
2. The required action is in the process of being completed and there is reason to expect a successful completion; or
3. There is an implementation plan approved by senior management; or
4. When the implementation is completed, then there is evidence of movement through the transition phase.

Each of the audit criteria and sub-criteria below were assessed in relation to the standards of whether the foundations for the modern management initiative are implemented, in the process of being implemented, or have approved plans for implementation. Where the foundation has been established, the audit will report on the sustainability of the transformation toward the desired outcomes.

Audit Criteria and Sub-Criteria

1. A senior corporate committee is governing the implementation of Modern Comptrollership.

Criterion 1.1: Leadership is provided by a Senior Corporate Committee

Sub-Criteria:

- The department has a broad strategy which integrates Modern Comptrollership into the department's management improvement agenda;
- Senior Management receives progress reports on the implementation process and adjusts their action plan accordingly;
- The performance agreements of executives at every level of management reflect individual accountabilities for implementing Modern Comptrollership practices;
- The senior level committee has a communication plan for the implementation of Modern Comptrollership including a method to relay progress.

Criterion 1.2: The department has assessed its capacity and identified the gaps in relation to desired outcomes.

Sub-Criteria:

- The capacity assessment addresses and identifies the current state of each of the following areas: values and ethics, risk management, integrated performance information and stewardship;
- The capacity assessment provides the basis for the action plan.

Criterion 1.3: The action plan contains measures to close the gaps identified in the capacity assessment and a method to develop the capacity.

Sub-Criteria:

- The action plan addresses key initiatives and enablers (Motivated People, Clear Accountability and Strategic Leadership) addressing expectations for management improvement as identified in the capacity assessment;
- The action plan is integrated into the department's corporate and business plans;
- The governance structure for implementing Modern Comptrollership is described in the action plan (or elsewhere) and includes a senior management steering role, a strategy for engaging managers and a coordination role;
- The department develops the capabilities of the department (i.e. through tools, training and technical support).

2. Reinforced Values and Ethics

Criterion 2.1: The department has a formal statement of Values and Ethics.

Sub-Criteria:

- The statement is accessible to all employees;
- The statement covers both values and ethics as reflected in the Government of Canada's initiatives.

Criterion 2.2: The department has taken unequivocal steps to reinforce the importance of public service values and ethics in the delivery of results to Canadians. These unequivocal steps comprise:

- Leadership;
- Promotional Tools;
- Learning and Training;

- Increased Efforts to Foster a Respectful Workplace Through the Prevention and Resolution of Harassment;
- Method for Employees to Report on Wrongdoing; and
- Implementation of the TB Code of Values and Ethics.

Sub-Criteria:

- The department has identified clear and comprehensive steps in the six areas;
- The department has identified the people responsible for taking the steps. For those steps to be completed, this responsibility is reflected in their performance agreements;
- The department has identified how they will take (or have already taken) the steps by identifying resources available and by providing employees with access to learning, training and development opportunities or materials.

3. Integrated Risk Management (IRM)

Criterion 3.1: A senior corporate committee provides leadership and active support on Integrated Risk Management.

Sub-Criteria:

- The committee is composed of people who have the authority and responsibility for the whole department;
- The committee meets periodically to give direction to and track progress on implementing Integrated Risk Management.

Criterion 3.2: The department has a framework for Integrated Risk Management.

Sub-Criteria:

- The framework defines a systematic process to identify, assess and mitigate risk and to identify risk tolerance;
- The framework guides implementation of integrated risk management across the department;
- The direction of Integrated Risk Management is linked to other departmental management frameworks.

Criterion 3.3: The department has a corporate risk profile.

Sub-Criteria:

- The risk profile identifies the risk events and impacts thereof, the objectives at risk, the considerations, the key mitigating strategies, the timeframes and risk tolerances;
- The risk profile is used in business planning;
- The risk profile is included in annual planning and is communicated to the department and its stakeholders.

Criterion 3.4: Departmental planning addresses strategic risks.

Sub-Criteria:

- The corporate plan addresses all strategic risks;
- Annual corporate, branch and regional plans address key risk areas.

4. Integrated Performance Information

Criterion 4.1: A senior corporate committee provides leadership and active support on Integrated Performance Information.

Sub-Criteria:

- The committee is composed of people who have the authority and responsibility for the whole department;
- The committee meets periodically to review the status of integrated performance information and to give direction to improve it, where necessary.

Criterion 4.2: The department has a framework for performance measurement.

Sub-Criteria:

- The department has a structure to relate internal management to results achieved strategically and operationally;
- Measures are developed in accordance with a strategic plan and are based on operational needs;
- The department has established both internal and external service standards (as applicable) and employs performance measures to evaluate its success in achieving those standards;
- Performance measures are reviewed on a regular basis to ensure their adequacy.

Criterion 4.3: The department uses performance information in strategic planning and in annual business planning.

Sub-Criteria:

- Performance information is linked to high level departmental objectives and expressed through to operational processes;
- Corporate planning focuses on improving achievement of strategic outcomes.

Criterion 4.4: The department uses integrated information to report internally and externally on its performance.

Sub-Criteria:

- The Departmental Performance Report (DPR), the Departmental Report on Plans and Priorities (RPP) and any other mandated external reports include integrated performance information (i.e. link financial and non financial information);
- Reports are complete and reliable;
- External and internal reporting practices share common Performance Information.

Criterion 4.5: The department is strengthening Program Evaluation to enhance performance information.

Sub-Criteria:

- Program Evaluation contributes to improved performance information;
- The department uses evaluation information to improve decision-making;
- The department increases Program Evaluation's capacity to assist departments in developing performance measures;
- Risk-based evaluation plans are reviewed regularly.

5. Rigorous Stewardship

Criterion 5.1: The management of resource inputs (finance, people, assets, and records) client services and business transformation are guided by management frameworks integrated at the departmental level.

Sub-Criteria:

- Approved frameworks exist for the management of resource inputs (finance, people, assets and records), client services and business transformation;
- The management frameworks are used to guide the whole department.

Criterion 5.2: The department is building a sound internal audit function as an integral part of Modern Comptrollership.

Sub-Criteria:

- The department has an internal audit committee chaired by the Chief Executive Officer at a Deputy Minister or Associate Deputy Minister level;
- The internal audit function improving its audit capacity, is using a risk based process, to progressively increase the level of assurance services for the audit universe;
- The department tracks management action plans in response to internal and external audit recommendations;
- The department makes audit reports accessible to the public in both official languages on a timely basis.

**APPENDIX B
MANAGEMENT ACTION PLAN**

INTERNAL AUDIT ISSUE	CORRECTIVE MANAGEMENT ACTION PLAN	EXPECTED COMPLETED DATE	RESPONSIBILITY
Overall response	<p>Effective management is an ongoing priority of the department as demonstrated by the decision to undertake a formal audit of the implementation of modern management practices. In addition to benefiting the department, this audit also provided the opportunity to develop a useful audit guide for the broader federal audit community.</p> <p>No specific recommendations were contained in the audit report because the former HRDC already had a corporate business plan addressing the outstanding items that were identified.</p>		
Management Accountability Framework	<p>The issues identified in this audit continue to be addressed through HRSDC departmental management priorities and the implementation of the Treasury Board Secretariat's Management Accountability Framework (MAF).</p> <p>The department identified MAF priorities for 2004-2005 and discussed these priorities with the Treasury Board Secretariat. The department also reviewed the Treasury Board Secretariat's MAF assessment and provided input and comments on it. The department expects this review and consultation process with the Treasury Board Secretariat to become an ongoing annual process.</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>DM/ADMs supported by Branches</p> <p>Deputy Minister</p>

INTERNAL AUDIT ISSUE	CORRECTIVE MANAGEMENT ACTION PLAN	EXPECTED COMPLETED DATE	RESPONSIBILITY
Overall framework for human resources initiatives	<p>The MAF Priorities for 2004-2005, as reported in the department's Report on Plans and Priorities, are organizational effectiveness and strengthened management practices.</p> <p>Develop an accountability framework for human resources management, which integrates existing human resources initiatives within the department, working closely with the Public Service Human Resources Management Agency.</p>	March 2006	Human Resources Branch, SDC
An updated strategy for implementing integrated risk management	<p>Leadership for departmental integrated risk management will be transferred to Corporate Planning and Accountability to work in close concert with Office of the Auditor General liaison and corporate planning and reporting.</p> <p>The department will review and update the integrated risk management framework and the strategy for its implementation.</p> <p>Improving integrated risk management will be a component of the departmental planning cycle for 2005-2006.</p>	<p>Completed</p> <p>September 2005</p> <p>Completed</p>	DG, Corporate Planning and Accountability

INTERNAL AUDIT ISSUE	CORRECTIVE MANAGEMENT ACTION PLAN	EXPECTED COMPLETED DATE	RESPONSIBILITY
Review of internal audit services	<p>Prepare and approve a short-term transitional Resource Utilization Plan for Internal Audit Services.</p> <p>Prepare a long-term, risk-based, multi-year Strategic Audit Plan and accompanying Resource Utilization Plan for Internal Audit Services. These plans will be based on consultations with program branches to identify high risk areas and to ensure an appropriate balance between assurance audits, forensic audits and consultation services.</p> <p>Prepare and approve a plan to ensure a stable funding base and appropriate human resources levels to deliver the approved long-term Strategic Audit Plan.</p>	<p>Completed</p> <p>Completed</p> <p>December 2005</p>	DG, Internal Audit Services