



1998-715

Final Report

**Management Control Framework (MCF)
Regional Accountabilities/Responsibilities**

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1998-715 MCF Regional Accountabilities/Responsibilities
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Table of Contents

| | |
|---|----|
| Executive Summary | 1 |
| 1 Introduction | 5 |
| 1.1 Authority for the Project | 5 |
| 1.2 Objectives | 5 |
| 1.3 Scope | 5 |
| 1.4 Background | 5 |
| 2 Issues Examined | 6 |
| 2.1 Issue #1- Management Control of Operations | 6 |
| 2.2 Issue #2- Management of Medium to High Risk Files, Issues and Projects | 6 |
| 2.3 Issue #3- Management Control of the Environment | 6 |
| 3 Findings, Conclusions and Recommendations | 7 |
| 3.1 Management Control of Operations | 7 |
| 3.1.1 Planning, Execution, and Evaluation | 7 |
| 3.1.2 Operational Support Business Line | 9 |
| 3.1.3 Interface with CAC and Translation Bureau | 10 |
| 3.2 Management of Medium to High Risk Issues, Files, and Projects | 10 |
| 3.3 Management of the PWGSC Environment | 11 |

Executive Summary

Authority for the Project

This project is included in the 1998/99 Audit and Review Branch Plan that was approved by the Audit and Review Committee at their February 3, 1998 meeting.

Objectives

To assess the adequacy of the Management Control Framework (MCF) for the regions to carry out the PWGSC Mandate, Programs, to achieve the Business Line objectives; to support their key roles, responsibilities, and accountabilities; and to ensure compliance with legislation and policies and the achievement of results.

Scope

The management control elements of Planning, Execution, and Evaluation were reviewed as well as the key external and internal environmental factors that influence these control elements. The Review was conducted in the Atlantic and Ontario regions, and interviews were held with key Headquarters senior managers. Business Lines reviewed were: Real Property Services, Supply Operations Services, Receiver General, and Public Service Compensation (Superannuation). The Operational Support Business Line focus was on key indicators for technology management, finance, and human resource services provided as departmental infrastructure. The RDGs' interface with Translation Bureau and Consulting and Audit Canada (CAC) was also reviewed.

Background

The Federal Government's significant changes have posed challenges at every level of PWGSC. Regional challenges include: providing efficient and integrated services; partnering with the private and government sectors; implementing an IM/IT infrastructure with common Year 2000 compliant systems and electronic tools; and building a flexible and highly motivated work force.

Key Findings and Recommendations

In both the Ontario and Atlantic regions, dedicated, experienced employees are working to address integrated client service objectives. They are coping with the impacts of Program Review that are articulated as new roles, responsibilities, and accountabilities. While systems,

**1998-715 MCF Regional Accountabilities/Responsibilities
Final Report**

procedures, and training are continuing to evolve, significant workload pressures are being experienced in the form of client and corporate demands.

Control of Operations - Planning, Execution and Evaluation

While planning controls at the regional level are adequate for all business lines, execution and evaluation controls need improvement. Points of significance are:

All Business Lines

- Regular formal assessments of RDG and regional management service delivery performance are not being undertaken. The PWGSC Governance Framework provides a framework for dealing with the many issues in "serving the government, supporting the Minister, and meeting the needs of clients". It also indicates that individual RDG-ADM/DG Management Accords will govern the roles and responsibilities of the RDGs with respect to the delivery of RPS, GOS and SOS programs.
- Although a Management Accord was developed by the ADM, RPS with each RDG for the delivery of RPS services, regional performance results identified in these Accords have not been formally assessed.
- The RDGs have advised they have accords in place with their respective Regional Directors. For the GOS and SOS business lines, Management Accords between each ADM and the RDGs are not in place.

It is recommended that:

The RDGs, in collaboration with the ADM, RPS, ensure that Executive Group Performance Agreements for RDGs clearly define key regional business line service delivery objectives and performance results consistent with PRAS requirements for each major business line.

Note: This recommendation was not approved. The Audit and Review Committee decided that the Department will continue to consider the need for the development of RDG specific business line objectives as the organization evolves its performance agreements.

RPS and SOS

- Despite several years of effort to achieve contract harmonization for Real Property Contracting, national processes have not been implemented whereby roles, responsibilities, and accountabilities are clearly defined and understood. In the absence of a ratified process for real property contracting, these regions have developed interim processes in order to provide services. Potential risks relate to the inconsistent interpretation and application of contracting rules and regulations in the regions. The national role of HQ SOS Real Property

**1998-715 MCF Regional Accountabilities/Responsibilities
Final Report**

Contracting Directorate, providing functional guidance and advice on real property contracting matters to the regions, needs to be clarified and actively pursued, perhaps through formally, scheduled regular meetings to discuss regional specific issues.

It is recommended that:

The ADM, SOS, in collaboration with the RDGs, clearly communicate the role of HQ SOS Real Property Contracting Directorate in providing functional guidance and advice on real property contracting matters to the regions.

Public Service Compensation

- Pension Reform is expected to have a significant impact on the operation of the Superannuation Directorate. Efforts to position the Directorate to successfully address these challenges may be hampered by the risks inherent in the substantial workload backlog in excess of 17,000 files in Shediac, that has persisted for the past three years. The file backlog does not include regular monthly payments. At the time of the Audit, complete information related to the quantity of files, complexity, and effort required to resolve the backlog was reportedly not known. Subsequent to the audit, the RDG Atlantic advised "there is a backlog, there is a risk, but the risk is known and there is a plan to deal with it, therefore it shouldn't affect Pension Reform." Since the situation is being addressed, there is no recommendation.

Operational Support Business Line

GTIS

Both regions were very satisfied with services provided by GTIS including the Year 2000 (Y2K) and Office Infrastructure Renewal (OIR) projects.

Human Resources

The ADM, Human Resources Branch (HRB) strategy in the Business Partnering Model (BPM) is to evolve HRB to a strategic from a task organization to better serve their clients. RDGs were given the option as to whether they implemented the model. The Atlantic Region continues to operate using the traditional HRB model. Regional Managers in the Atlantic reported that HR Services in the Atlantic Region are experiencing problems. In November, 1998, a review of the HR function in the Atlantic Region was conducted by CAC which recommended the BPM. At the June 15th, 1999 meeting of RAC, the RDG Atlantic requested additional resources be added to the base to support the HR function in the Atlantic Region. The RAC decision is that a review of Corporate Costs will be conducted by January, 2000.

It is recommended that:

**1998-715 MCF Regional Accountabilities/Responsibilities
Final Report**

The RDG Atlantic, in collaboration with the ADM, RPS, and ADM, HR, ensure that measures are taken to address the HR Services problems in the Atlantic Region.

Interface with CAC and Translation Bureau

Consulting and Audit Canada and the Translation Bureau interface and relationships with the regions are good.

Management of Medium to High Risk Files, Issues, and Projects

Due to the many changes since Program Review in key roles, responsibilities, and accountabilities throughout PWGSC in the regions, an increased awareness and a common approach is needed to identify, manage, report and mitigate unacceptable levels of risk. Most challenging are those situations where, only after procedures have been followed and we have "done the thing right", it becomes apparent that local, regional and/or national sensitivities have not been appropriately addressed.

In both regions, for several business lines, attention is being paid to many aspects of risk management. Each RDG is operationalizing processes that reflect the particular characteristics of the business environments and the capabilities of their people. Awareness programs have been established that include meetings with managers and staff; stakeholder management is being done; and Monday morning scrums are held to identify and examine the status of issues. Business line specific mechanisms are being modified to provide an integrated view of risk in the region. Risk management is evolving and continues to be a work in progress.

Management of the PWGSC Environment

Regions are actively pursuing an appropriate organization to achieve an integrated approach to the delivery of PWGSC Business Line Services. In many areas, reliable measures are ensuring employee compliance with rules and regulations and enabling managers to assess morale and cultural change.

Improvements are needed to effectively implement the PWGSC Learning Strategy (July 31, 1995) in the regions to achieve a continuous learning environment and organization. Although some success has been made in introducing general and business specific competency profiles in RPS in the regions, for some business lines, these learning identification and assessment tools have not been developed. For RPS, these tools have not been consistently applied in the regions.

The RDG Atlantic advised that competency profiles developed and implemented in SOS Branch Headquarters are being modified and implemented in the Atlantic Region.

It is recommended that:

**1998-715 MCF Regional Accountabilities/Responsibilities
Final Report**

The RDG Ontario, in collaboration with the ADM, SOS, and the RDG Atlantic, roll out the competency profiles developed and implemented in SOS Branch Headquarters to the Regions, where applicable; and

The RDGs, in collaboration with the ADM, RPS, ensure the consistent application of general and business-specific competency profiles for RPS in the regions.

1 Introduction

1.1 Authority for the Project

This project is included in the 1998/99 Audit and Review Branch Plan that was approved by the Audit and Review Committee at their February 3, 1998 meeting.

1.2 Objectives

To assess the adequacy of the Management Control Framework (MCF) for the regions to carry out the PWGSC Mandate, Programs, Business Line objectives; support the key roles, responsibilities, and accountabilities; ensure compliance with legislation and policies; and achievement of results.

1.3 Scope

The review examined key roles, accountabilities, and responsibilities, including the RDG's role to act as PWGSC's representative within the region.

The management control activities of Planning, Execution, and Evaluation were reviewed. We also considered how managing the key environmental factors (both external and internal) influence the Planning, Execution, and Evaluation control processes.

The audit was conducted in the Atlantic and Ontario regions and included interviews with key HQ managers. The scope focused on delivery of key regional business line services: Real Property Services, Supply Operations Services, Receiver General, and Public Service Compensation. The Operational Support Business Line focus was on key service indicators for technology management, finance, and human resource services provided as departmental infrastructure. The RDG's interface and relations with the Special Operating Agencies (SOAs) of the Translation Bureau and Consulting and Audit Canada (CAC) was also reviewed.

1.4 Background

The Federal Government has undertaken significant change in terms of providing good government, a healthy economy, and helping build a stronger Canada. This has presented several challenges throughout PWGSC.

At the regional level, the challenges include: providing efficient and integrated service delivery; partnering with the private sector, other government departments, and other government levels; implementing an IM/IT infrastructure with common Year 2000 compliant systems and electronic tools; and building a flexible, responsive, and highly motivated work force.

2 Issues Examined

The MCF in place to carry out PWGSC's Mandate and Programs within the regions was the major focus of this review. The MCF included those controls for the RDG to make informed decisions with respect to the delivery of Business Line products and services to PWGSC clients. The issues examined were Management Control of Operations; Medium to High Risk Files, Issues and Projects; and the Environment.

2.1 Issue #1- Management Control of Operations

This consisted of reviewing the MCF elements of planning, execution, and evaluation within the four key business lines identified in Section 1.3 of this Report. Indicators of services provided in support of the Operational Support Business Line Objective were reviewed, as well as regional interface and relationships of the RDG with CAC and the Translation Bureau

2.2 Issue #2- Management of Medium to High Risk Files, Issues and Projects

The review consisted of examining corporate and regional controls for identifying, managing, reporting, and mitigating potential medium to high risks associated with major files, issues, and projects.

2.3 Issue #3- Management Control of the Environment

In delivering the various business line services, the regions need to understand, control and/or influence the following key environment elements: external factors, organization structure, rules, and culture. These elements were reviewed in the Ontario and the Atlantic regions as well as the related headquarters responsibilities.

3 Findings, Conclusions and Recommendations

In both the Ontario and Atlantic Regions, dedicated, experienced employees are working to address integrated client service objectives. They are coping with the impacts of Program Review that are articulated as new roles, responsibilities, and accountabilities. While systems, procedures, and training are continuing to evolve, significant workload pressures are being experienced in the form of client and corporate demands.

3.1 Management Control of Operations

3.1.1 Planning, Execution, and Evaluation

Overall, planning controls at the regional level are adequate for the Real Property Services, Supply Operations Services, and Receiver General Business Lines. Business planning processes adequately consider strategies to achieve the broader federal government objectives.

Weaknesses in execution and evaluation controls are allowing risks that need to be mitigated. For example:

For the GOS and SOS business lines Management Accords have not been developed by the accountable ADMs, as required by the PWGSC Governance Framework. These business line ADMs have not defined their regional service delivery expectations using this vehicle. Regular, formal assessments are not being undertaken by the accountable HQ business lines of RDG and regional management service delivery performance.

Although in January 1998 the ADM, RPS established a Management Accord with each RDG setting out the expectations for the delivery of RPS business line services, the performance results in this Accord have not been formally assessed. These Accords need further revision to accurately reflect RDG performance reporting requirements, including annual reporting on the achievement of the Performance Reporting and Accountability Structure (PRAS) performance results.

The PWGSC Governance Model provides a framework for dealing with the many issues in serving the government, supporting the Minister, and meeting the needs of clients. The effective application of this model, in terms of regional service delivery of the business lines, was to be governed by the development and implementation of Management Accords between each ADM/DG, accountable for their respective business line, and each RDG.

**1998-715 MCF Regional Accountabilities/Responsibilities
Final Report**

The recently announced "pay at risk" initiative within the Executive Group Performance Agreements for senior executives could be linked to and readily supported using a disciplined approach similar to Management Accords;

- In the absence of approved national processes for Real Property Contracting (contract harmonization) whereby roles, responsibilities, and accountabilities would be clearly defined and understood, the regions continue to provide service. These regions have developed interim processes in order to provide services in the absence of a ratified process for real property contracting. Risk is present due to the possibility of inconsistent interpretation and application of real property contracting rules and regulations. HQ RPS and SOS have had ongoing national efforts for several years to address these contracting harmonization issues. There is confusion in the regions as to the national role of the HQ SOS Real Property Contracting Directorate to provide contracting direction and advice. Formal clarification of the HQ Directorate's specific regional roles and responsibilities, together with regularly scheduled meetings to discuss regional specific issues would facilitate the consistent application of contracting rules and regulations;
- The RPSB, through the strategic Business Management Model, has defined the Centre Of Expertise (COE) and Client Service Unit (CSU) concepts and has succeeded in implementing a regional template organization that reflects these concepts. In both Ontario Region and Atlantic Region, several roles, responsibilities, and accountabilities have been modified in support of implementing the template organization. A national co-ordinated approach is needed so that these changes are clearly understood and consistently applied in key service delivery processes. This would also assist in effectively operationalizing the Business Management Model. (ARB's 98-612 Review of the Effectiveness of Service Delivery Management in Real Property Services Branch makes specific recommendations regarding relevant issues);
- Pension Reform is expected to have a significant impact on the operation of the Superannuation Directorate. Efforts to position the Directorate to successfully address these challenges may be hampered by the risks inherent in the substantial workload backlog in excess of 17,000 files in Shediac, that has persisted for the past three years. The file backlog does not include regular monthly payments. At the time of the audit, complete information related to the quantity of files, complexity, and effort required to resolve the backlog was reportedly not known. Subsequent to the audit, the RDG Atlantic advised "there is a backlog, there is a risk, but the risk is known and there is a plan to deal with it, therefore it shouldn't affect Pension Reform." Since the risk is being addressed, there is no recommendation.

Conclusion

The above mentioned areas outline specific improvements and modifications needed to key execution and evaluation controls in the MCF for the regional delivery of RPS, SOS, Receiver General, and Public Service Compensation business line services.

Recommendations

1. *The RDGs, in collaboration with the ADM, RPS, ensure that Executive Group Performance Agreements for RDGs clearly define regional business line service delivery objectives and performance results consistent with PRAS requirements for each major business line.*

Note: This recommendation was not approved. The Audit and Review Committee decided that the Department will continue to consider the need for the development of RDG specific business line objectives as the organization evolves its performance agreements.

2. *The ADM, SOS, in collaboration with the RDGs, clearly communicate the role of HQ SOS Real Property Contracting Directorate in providing functional guidance and advice on real property contracting matters to the regions.*

3.1.2 Operational Support Business Line

Both regions are very satisfied with the services from GTIS which is providing good regional support in implementing the Year 2000 (Y2K) compliance and Office Infrastructure Renewal (OIR) projects. These initiatives are enabling achievement of Information Management/Information Technology and Operational Support Business Line Objectives.

There is an issue related to the human resource services provided within the Operational Support Business Line.

- The ADM, Human Resources Branch (HRB) strategy in the Business Partnering Model (BPM) is to evolve HRB to a strategic from a task organization to better serve their clients. RDGs were given the option as to whether they implemented the model. The Atlantic Region continues to operate using the traditional HRB model. Regional Managers in the Atlantic reported that HR Services in the Atlantic Region are experiencing problems. In November, 1998, a review of the HR function in the Atlantic Region was conducted by CAC which recommended the BPM. At the June 15th, 1999 meeting of RAC, the RDG Atlantic requested additional resources be added to the base to support the HR function in the Atlantic Region. The RAC decision is that a review of Corporate Costs will be conducted by January, 2000..

Conclusion

Improvements are needed to ensure effective delivery and achievement of the Operational Support Business Line objective and mitigate associated risks.

Recommendation

1. *The RDG Atlantic, in collaboration with the ADM, RPS and ADM, HR, ensure that measures are taken to address the HR Services problems in the Atlantic Region.*

3.1.3 Interface with CAC and Translation Bureau

Consulting and Audit Canada and the Translation Bureau interface and relationships with the regions are good.

3.2 Management of Medium to High Risk Issues, Files, and Projects

In the past year there have been a number of national RPS Branch initiatives to improve the overall management of risk. These initiatives include an RPS "Process for Issues Management" for reporting "hot issues" of unacceptable levels of risk. This work is of value as is DMD- 015 "Communications with Members of Parliament and Senators" which addresses certain specific potential risk areas.

However, due to the many new changes since Program Review in the key roles, responsibilities, and accountabilities of "front line" and middle management personnel throughout PWGSC in the regions, increased awareness and a common approach is needed to identify, manage, report, and mitigate unacceptable levels of risk. Within this current operating environment, controls to ensure that the management of risk is at an acceptable level require further improvement so that decisions taken by employees, in medium to high risk situations, are consistently sound and replicable. Most challenging are those situations where, only after procedures have been followed and we have "done the thing right", it becomes apparent that local, regional and/or national sensitivities have not been appropriately addressed.

In both regions, for several business lines, attention is being paid to many aspects of risk management. Each RDG is operationalizing processes that reflect the particular characteristics of the business environments and the capabilities of their people. Awareness programs have been established that include meetings with managers and staff; stakeholder management is being done; and Monday morning scrums are held to identify and examine the status of issues. Business line specific mechanisms are being modified to provide an integrated view of risk in the region. Risk management is evolving and continues to be a work in progress.

3.3 Management of the PWGSC Environment

Both the Ontario Region and the Atlantic Region, under the RDG's direction, are actively pursuing an appropriate organization to achieve an integrated approach to the delivery of PWGSC Business Line Services. In many areas, reliable measures are ensuring employee compliance with rules and regulations. There are mechanisms to assess morale and cultural change, including employee surveys and manager/employee forums.

In the regions' efforts to define an appropriate service delivery approach and organization, there are some concerns from regional staff that it may become increasingly difficult to maintain an "arms length" relationship between RPS and SOS for RP contracting matters. Regional planned initiatives to eventually collocate these resources "elbow-to-elbow" within the CSUs are of particular concern. The RDGs have advised that organizational arrangements are structured to ensure that it is clearly understood that SOS procurement officers assigned to CSUs are expected to operate within the context of their own procurement authority.

Progress is being made in implementing the PWGSC Learning Strategy (July 31, 1995) in both regions. This initiative is viewed as a key element in the overall strategy to build a work force that is more flexible and responsive to the renewal needs of the Department. The key components of this strategy are general and business-specific competency profiles, which identify potential learning needs to be addressed. Although some success has been made in introducing competency profiles, these learning identification and assessment tools have not been developed and applied consistently by each Branch in the regions. The RDG Atlantic advised that competency profiles developed and implemented in SOS Branch Headquarters are being modified and implemented in the Atlantic Region. Currently, the principal focus of learning is on individual learning. The focus on group and Branch level competency learning improvements is not yet consistently occurring.

Conclusion

Improvements are needed to effectively implement the PWGSC Learning Strategy (July 31, 1995) in the regions to achieve a continuous learning environment and organization.

Recommendations

1. *The RDG Ontario, in collaboration with the ADM, SOS, and the RDG Atlantic, roll out the competency profiles developed and implemented in SOS Branch Headquarters to the Regions, where applicable; and*
2. *The RDGs, in collaboration with the ADM, RPS, ensure the consistent application of general and business-specific competency profiles for RPS in the regions.*