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Audit of Comptrollership Communications Research Centre

Final Report

Audit and Evaluation Branch

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1.0 Executive Summary

Modern Comptrollership is a progressive step in the continuum of management improvement in the federal government. It is not about more control but rather about providing managers with tools and training to help prioritize, plan and meet operational goals. It goes beyond financial control and accounting; it involves all departmental employees and will necessitate some fundamental changes in the corporate culture of the public service. Modern Comptrollership is a key element in the implementation of *Results for Canadians*, a government-wide initiative designed to modernize the government's management framework.

The implementation of Modern Comptrollership involves a shift in emphasis from controls and compliance to results and values. Modern Comptrollership is built on four main principles: integrated performance measurement, mature risk management, rigorous stewardship and shared ethics and values. The principles are in turn built upon a strong foundation consisting of: strategic leadership, motivated people and clear accountability. These elements collectively form the basis of the Government's thrust to introduce modern management concepts to managers within the Public Service.

The audit was carried out while the Department was actively engaged in implementing Modern Comptrollership and updating its management practices. While the Modern Comptrollership initiative itself may be fairly new, many of its elements, such as the performance measurement and the need to establish effective operational controls, have been a long-standing requirement. It is against this backdrop that the audit was undertaken. As such, the audit expected to find an organization in which some of the elements of Modern Comptrollership (MC) would have already been entrenched within CRC. For other elements where we expected the pace of implementation would have been somewhat slower, mirroring that set out in the Department's action plan, the audit served to provide a snapshot of how well CRC was positioned to implement those MC elements.

The audit found several of the elements of modern management to be in place at the CRC. The organization has benefited from strong leadership, staff were found to be motivated and work is carried out in an atmosphere which supports core values and ethical behaviour. However, opportunities exist to strengthen certain Modern Comptrollership elements in order to effectively demonstrate sound management of public resources and value for money.

In particular, the audit noted that CRC has not yet implemented a performance measurement framework through which organizational performance is measured against goals and objectives. Further, CRC is not making use of existing departmental financial reporting tools and has instead relied upon internally developed "black book" systems and spreadsheet programs, which increases costs as well as the risk of making incorrect decisions.

CRC has not yet established formal processes and practices to manage risk and has not developed its own corporate risk profile. Managers have not yet received training in risk

management concepts, techniques and controls and risk management practices have not been formally integrated into CRC's organizational policies, plans and practices. Whereas risks are informally assessed at a project level, there was no evidence of formal risk management practices being carried out at an operational or strategic level. At the time of audit, departmental efforts in the area of Risk Management were still being addressed.

For the most part, CRC has implemented adequate operational controls to support rigorous stewardship and mitigate risk. However, opportunities exist to strengthen controls over some areas, notably human resource planning and salaries, and over the use of acquisition cards. In the management of salaries, inefficiencies were noted in the use of "black book" systems and spreadsheet programs and the input of leave records.

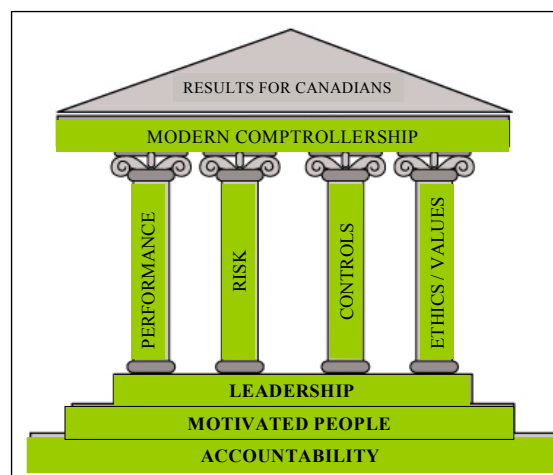
For the most part, CRC has effective accountability elements in place. Program-related roles and responsibilities are clearly understood, and are supported by operational plans; however, as noted, its effectiveness may be hampered by the absence of a formal performance management framework. Performance evaluations for 2002-03 had not been completed at the time of audit. CRC external reporting meets departmental, Parliamentary and central agency reporting requirements. For corporate functions however, roles, responsibilities and authorities are not as well understood and need to be clarified.

2.0 Background

The environment in which the federal government operates is rapidly changing. The effects of limited resources, downsizing and delayering are placing greater demands on government services to Canadians; the need for an effective comptrollership may be greater than ever. Ultimately, the key to achieving effective management in an organization is a supportive climate or culture change that is reinforced by appropriate rewards, recognition and sanctions. This includes strong, sustained leadership, shared values, and a shared commitment and purpose.

Modern Comptrollership is a progressive step in the continuum of management improvement in the federal government. Modern Comptrollership is not about more control but rather about providing managers with tools and training to help prioritize, plan and meet operational goals. It goes beyond financial control and accounting; it involves all departmental employees and will necessitate some fundamental changes in the corporate culture of the public service. Modern Comptrollership is a key element in the implementation of *Results for Canadians*, a government-wide initiative designed to modernize the government's management framework.

Modern Comptrollership is built on four main principles: Integrated Performance Measurement, Mature Risk Management, Rigorous Stewardship (Controls) and Shared Ethics and Values. The principles are in turn built upon a strong foundation of strategic leadership, motivated people and clear accountability. These seven elements form the basis of the Government's thrust to introduce modern management concepts to managers within the Public Service.



Organizat

ions within the federal government are responsible for ensuring that their programs and activities are well managed, and that suitable management practices and controls are in place and working. To this end, they must actively monitor management practices and controls within the department, and take early and effective remedial action in areas where significant deficiencies are encountered or improvements are needed.

Industry Canada is actively engaged in Modern Comptrollership and has set out an action plan to respond to current and anticipated business environments and to update the management practices of the public service. In implementing Modern Comptrollership, the Department is focussing its efforts on the following four priority areas: Values and Ethics; Risk Management; Performance Measurement and Capacity of the Functional Specialist and Role of the Senior Financial Officer (SFO), with the objective of providing managers with integrated financial and non-financial performance information, a sound approach to risk management, appropriate control systems and a shared set of values and ethics.

Communications Research Centre

The Communications Research Centre Canada (CRC) is the research and development arm of Industry Canada and is one of the country's leading laboratories for research and development (R&D) in advanced telecommunications. Its mission is focussed on excellence; independent advice for shaping public policy; partnership approaches to closing innovation gaps in the telecommunications sector; building technical intelligence; and supporting small and medium-sized high-technology enterprises. CRC is an integral component in the implementation of Canada's Innovation Strategy.

CRC receives funding (\$74.1M) from a number of government and non-government sources. In 2001-2002, Industry Canada provided 46% of CRC's funding. Other government funding was provided by the Canadian Space Agency and the Department of National Defence to carry out R&D, and to cover costs related to their residence on the Shirleys Bay campus. Revenue from the private sector is generated through the licensing of intellectual property and contracted R&D.

3.0 Objectives, Scope and Approach

The objective of the audit was to assess the extent to which the principles of Modern Comptrollership (MC) were in evidence and being applied at the Communications Research Centre (CRC). The audit expected to find an organization in which some MC principles, such as Performance Measurement, Rigorous Stewardship and Clear Accountability, would have been fully entrenched within CRC. In other areas, such as Risk Management, it was recognized that the pace of implementation would generally mirror that as set out in the Department's MC action plan.

The scope of the audit included both the corporate functions and the core business functions of the CRC:

- ▶ corporate functions included: Operations; Information Networks & Systems; Marketing; Finance; and Human Resources;
- ▶ core functions included: Satellite Communications and Radio Propagation; Broadcast Technology; Terrestrial Wireless Systems; and Broadband Network Technologies.

Approach and Methodology

The audit was conducted in two phases.

Phase 1- Preliminary Survey

The preliminary survey phase provided the auditors the opportunity to gain an understanding of CRC's management structure and operations. The survey involved interviews with management and staff in the corporate functions area, a review of relevant documentation, analysis of internal reports and a review of departmental financial statements. The information collected was assessed against the key elements and eleven sub-elements of Modern Comptrollership. Information and relevant documentation obtained was reviewed and analyzed, providing a basis for our preliminary observations and suggestions regarding lines of enquiry to be pursued as part of a detailed audit. Data collection for the preliminary survey took place during the Fall of 2002. A summary of the Preliminary Survey can be found in Appendix A attached.

As outlined in the Preliminary Survey, the verification phase of the audit focussed on those MC elements identified as either high or medium audit risk. For areas identified as low audit risk, although no additional audit work was carried out during the verification phase, any significant issues have been included in this report.

Phase 2 - Verification Phase

The verification phase consisted of the following steps:

1. Planning - for each of the elements to be covered in the verification phase, lines of enquiry and associated criteria were established. (See Appendix B).
2. Interviews were conducted with managers and key staff within CRC and Industry Canada (IC):
 - ▶ President, CRC, Vice Presidents and key managers in each of the four branches in the Core Group;
 - ▶ Key staff in IC Corporate Services (HQ) involved in CRC activities; and
 - ▶ CRC Corporate and Operational staff involved in human resource management, contracting for goods and services, planning, budgeting and reporting.
3. Documentation Review - Relevant documents obtained during the interview process: planning documents; contracts to determine compliance with government contract regulations; acquisition card transactions; samples of salary expenditures, leave records and departmental pay records; royalties/reward files.
4. Testing and Analysis - analysis of information obtained from all sources and preparation of audit working papers and Finding Summary Worksheets. The audit team also validated the information with responsible managers.

4.0 Detailed Findings

4.1 Performance Information

Integrated Performance Information combines the most critical financial and non-financial data and appropriate advice in support of decision making, results management and reporting. The key processes and activities that could be developed to ensure performance information is timely, useful, accurate and integrated include:

- ▶ Integrated departmental performance reporting: Key measures exist to monitor overall organization-wide performance and best-value results
- ▶ Operating information: Measures and systems to monitor service quality and efficiency of program delivery
- ▶ Measuring client satisfaction: Utilization of client survey information on satisfaction levels, and importance of services
- ▶ Service standards: Monitoring against client service standards and maintaining and updating standards
- ▶ Evaluative information: Utilization of non-financial information related to program effectiveness and outcomes
- ▶ Financial information: Reliable financial information is available in a timely and useful fashion
- ▶ Cost management information: Mechanisms for using activity/product/results-based costs

By strengthening and supporting these areas, departments and agencies will have better tools and information for decision making. Managers will be able to more effectively manage for results. Information will be available, up-to-date and reliable in order to make credible decisions on programs, policies and initiatives.

4.1.1 Performance Measurement

A Performance Measurement Framework is key to all organizations in order to measure achievements against goals and objectives. Its primary purpose is to provide senior managers with results-based performance information for strategic-level decision making and forms the basis for reporting CRC results to the Department and to Canadians.

Performance indicators are the key elements at data collection points and should be linked to CRC and IC strategic plans. Measuring performance at the lowest efficient and effective level allows managers to ascertain the extent to which they have achieved objectives. In so doing they provide the basic financial and non-financial information that can be aggregated and presented to senior management to be used as the basis for strategic decision making.

To meet good management principle standards, we expected to find at an integrated performance

measurement system in place at CRC.

4.1.1.1 The Communications Research Centre does not have an established Performance Measurement Framework in place.

Operational plans are prepared by each of CRC's branches and divisions, at the beginning of each fiscal year, based on annual budget allocations issued by the President, CRC. Although these plans could form the basis for performance measurement at the branch, division, research program and project level, we did not find the existence of a formal performance measurement framework, policy or system in place within CRC which would promote results-based management and reporting. Further, we noted the following:

- ▶ the financial system is not being used to its full potential to capture financial information (internal orders) in a manner that would be useful to senior management;
- ▶ there are various formats used for Operational Plans and reporting against these plans;
- ▶ a general absence of performance indicators, particularly in the Corporate group coupled with the lack of costing information has made it difficult to measure, capture, and roll-up results.

Annual budgets are included in each operational plan but it does not include historical financial or human resource information and consequently, does not show the linkages between program performance results and actual costs. This information is essential to assess efficiency and whether the integrity of a particular program can or should be maintained based on limited resources. Corporate managers interviewed were generally not familiar with the requirements or benefits of applying performance measurement principles of Modern Comptrollership.

We noted that Audit and Evaluation Branch (Program Evaluation) has carried out reviews of three of CRC branches between 1999 and 2000. These include: Broadcast Technologies (1999); Radio Science (2000); and Terrestrial Wireless Systems (2002). For each review, a key area of coverage was program relevance and quality. For example, the review of Broadcast Technologies found that while formal performance reporting is being carried out within the branch, there was little or no feedback from senior management on the information and reports produced. The report recommended that CRC develop a high-level performance approach and link it to their operational and strategic planning processes. At the time of audit, there had been no response to the findings and recommendations contained in the reviews and there was no evidence of the establishment of a CRC-wide approach to performance reporting.

Client surveys conducted in the reviews indicated that there was a high degree of client satisfaction with the quality of research and technical services provided; however, some clients felt that the loss of some expertise to the private sector has had a detrimental impact on the overall quality of services at CRC.

Without a performance measurement framework, which establishes roles and responsibilities, key performance indicators, data collection, and financial and non-financial reporting processes, decision making is hampered, justification for financial support is weakened and the reporting of results is limited.

Recommendations

1. CRC should establish a Performance Measurement Framework for the Centre. The Framework should include the requirement for key performance indicators in Operational Plans.
2. CRC management should ensure that reports against plans include costs to the lowest practical level and feedback from managers.

Management Response

CRC has worked with various tools to monitor and to evaluate the performance of its programs. CRC has always put great emphasis on the identification of results, the re-evaluation of initiatives and projects and findings new directions. Data on the resources and budgets are available for creating reports. In line with IC's direction on Modern Comptrollership, CRC will now aggregate these processes into one formal document.

CRC will respect the deadlines established in the IC MC Action Plan approved in April 2003. We will begin with CRC's Strategic Plan, and incorporate in an explicit fashion, statements relating to the performance framework and other MC priorities. IC has chosen to develop frameworks for two of the five departmental strategic objectives and the two objectives selected are not directly linked to CRC activities. CRC is also proceeding in this initiative through participation in the S&T Performance Measurement Network (for Science Based Departments & Agencies - SBDAs). The S&T PM Network will be developing a generic performance measurement framework in the fall of 2003. CRC will use the experience gained in developing the generic framework to establish a framework for CRC.

Information sessions on performance measurement will be provided to CRC managers by IC Planning & Performance Directorate. The 2004-05 Operational Plans will contain performance indicators and a CRC Performance Measurement Framework (PMF) will be developed in collaboration with IC's continuing work on PMFs for the remaining departmental strategic objectives.

4.1.2 Internal Reporting

Management information and reporting should provide managers with information they need to manage day to day operations, support decision making and demonstrate accountability. Internal reports need to be accessible and should contain:

- ▶ integrated information in support of decision making and results-based management;
- ▶ resources linked to results, including linkages to accountability for results;
- ▶ meaningful, reliable & timely information; and
- ▶ information in which stakeholders have confidence.

4.1.2.1 CRC has not benefited from Financial Reporting tools developed by the Department, rendering financial reporting less efficient and effective.

The Department Management Reporting System (MRS) is designed to give managers a simple user interface to produce financial reports and/or graphics. The MRS is composed of predefined reports that will extract and display financial information from various corporate systems to provide managers on-line reports to manage their day-to-day activities.

The audit noted that many managers were not aware of the existence of this tool. Further, others who were aware of its existence felt that they had not been provided with the necessary training to take full advantage of its capabilities. Some members of CRC's financial staff have obtained access codes to MRS, however, they have not seen the benefits of using the reporting tool and consequently have not made use of the tool. This has resulted in the creation of ad hoc reports (black books) using spreadsheet programs to generate reports they can use to manage their resources. This practice requires double entry of information and makes reconciliation time consuming and reduces the effectiveness in managing their programs and activities.

In interviews, Corporate Systems Division in HQ felt that the MRS is presently working well and should be in use across the Department but that they do not have the resources to market the products available. The confusion with some staff regarding the accessibility and functionality of the system may be based on the fact that upgrades are made on a regular basis. We were informed that management plans to arrange for access to MRS for all managers in April 2003.

Managers also felt that the financial information available from CRC systems is neither timely nor complete and does not provide a means to cost services provided to clients. Time reporting systems are not used and as such, managers are unable to identify total financial costs by project. As a result, for salaries paid for by clients under contract, contract estimates are considered as actual costs and used for invoicing purposes. For projects they should be charging 2.4 times the actual salary cost. This practice does not provide for exact costing of services which could only be determined by tracking time and actual costs. The one exception noted related to a CIDA project, for which tracking of time was a CIDA requirement. The existence of project management systems would assist managers to better control their research activities.

For salary management, managers are supposed to use the Salary Management System (SMS); however, they presently do not have access to this system for inputs. Access will be available in April 2003.

Recommendation

3. The Comptroller, CRC should:

- ▶ assess the capabilities and potential uses of MRS and SMS across CRC;
- ▶ solicit a representation of users to define needs that could be covered using MRS, create MRS reports and share these with the organizations;
- ▶ through IFMS, assess the possibility of using internal order numbers for project identification and assess the need for a project management software for research projects; and
- ▶ with assistance from IC Corporate Systems division, provide the necessary training for using the systems to all managers.

Management Response

During February 2003, DFTT offered an information session on the Departmental Management Reporting System (MRS) for all CRC managers and administrative staff. The session provided attendees with an overview of the system and stressed the benefit to managers of providing a simple interface to the Department's corporate systems. Interested individuals were then provided with more detailed information when they applied for their MRS accounts. Further information sessions will be held in the fall 2003 targeting responsibility centre managers.

CRC is using internal order for project identification and for tracking project costs. CRC DFTT's staff has consulted regularly with IFMS on use of internal numbers and project management software. Internal orders have been used for project identification in the case of capital projects for a few years. Last year, with the launch of a new program at CRC for Remote and Rural Broadband Access, a system of internal orders was set-up specifically to enable tracking of financial data relating to the approved projects. The internal orders will continue to be used for both capital and RRBA projects.

CRC DFTT's staff have consulted IFMS on plans for the implementation of project management software and also participate on IFMS working groups. Implementation of project management software for all CRC research projects will be explored in the future and must take into account the cost benefit as well as the needs of CRC managers and clients. Emphasis for 2003-04 and 2004-05 is being placed on the sector's responsibilities in relation to the IC MC Action Plan.

As discussed above, training of CRC administrative staff and identified managers has been completed. An on-going process is in place to phase in training of all relevant managers.

4.1.3 External Reporting

External reporting is required to satisfy legislative requirements, Treasury Board requirements, support decision making and communicate organizational performance to external audiences.

Reports may include the organization's financial statements or Public Accounts documents; reports on plans and priorities; annual reports; business plans; reporting and accountability structures; main estimates and annual reference level updates. External reports should be easily understood and meaningful to users. Strong linkages should exist between information reported externally and strategic and business plans and senior management should play an active role in preparing and communicating external reports.

4.1.3.1 External reports directed at CRC stakeholders may contain misleading financial information.

The CRC's external reporting required to satisfy legislative requirements includes: Financial Statements, Report on Plans and Priorities (RPP), Annual Reference Level Update (ARLU), and the Departmental Performance Report (DPR). These documents are monitored, prepared, and reviewed by the Finance Directorate and approved by the President's Office. Input is provided as required to the departmental Comptroller's Branch.

The CRC presents a very professional image through its web site, brochures and annual reports. The CRC also prepares an Annual Report through which organizational information is provided to stakeholders. The Communication Group oversees and coordinates the preparation and the content of the Annual Reports. Financial input is provided to the Communication group by the Finance Directorate. The preparation of the Annual Report is at the discretion of CRC. A report was prepared for 2000-2001; however, for 2001-2002, CRC published only a highlights report of its activities for transparency. CRC also participates in the production of publications with the Council of Science and Technology Advisors.

We noted that publications and brochures directed to external stakeholders do not always report on the achievements of set goals, objectives and priorities, as they are not designed for such purpose. Furthermore, the information provided in the 2001-02 Annual Report included Other Government Department (OGD) amounts with the Department's actual budgetary and expenditure figures reported for Public Accounts purposes, a difference of approximately \$17 Million. Such reporting could be misleading and impact on the credibility of the organization towards its clients and other government organizations (OGD).

Recommendation

4. CRC should ensure that publications directed to external stakeholders report OGD expenditure and revenue amounts separately from departmental budgetary and expenditure figures.

Management Response

CRC understands that the current inclusion of OGD accounts in total Revenues and Expenses could be confusing for some readers. In order to help the clarity of the information, CRC will

ensure that publications directed to external stakeholders report OGD expenditure and revenue amounts separately from departmental budgetary and expenditure figures

4.2 Risk Management

Risk management is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues. It involves integrating a comprehensive risk framework into planning, decision making and monitoring. Risk Management is one of the four key elements of Modern Comptrollership and aims to facilitate the achievement of organizational objectives.

At the time of audit, departmental efforts in the area of Risk Management were still being addressed. Efforts were ongoing in the establishment of a corporate risk profile and managers had not yet been provided with the tools and means necessary to incorporate risk management principles and practices into their day to day activities.

4.2.1 Formal processes and practices have not been established within CRC to manage risk.

The audit assessed the extent to which the concept of risk was known and understood at CRC, and whether CRC was undertaking formal risk management practices at either a strategic, operational or project level. The audit found that risk management concepts were generally not well understood and found little evidence of any formal risk management practices in place at CRC. That is not to say that risks are not being managed. Rather, it was felt that the process of managing risks was more intuitive in nature, particularly at a project level, with an implicit consideration being given to “what could go wrong”. Research managers interviewed noted that informal risk assessments of projects are conducted, but are not formally documented and communicated. New initiatives for CRC are reviewed by the Board of Directors which also involve an informal assessment of risk. However, without a more formalized process of risk identification and assessment, mitigating measures, knowledge of residual risks and a general sense of the level of risk tolerance, the organization may itself be at risk of not achieving its objectives in an optimal manner. This is particularly true when considering risks from an operational and strategic perspective.

Through interviews, CRC managers were asked to identify areas of risk for the organization. These areas have not been formally assessed in terms of the likelihood and consequence. The following risk areas were identified:

- ▶ Risk of loss of knowledge through the inability to retain staff. This may jeopardize projects, could result in wasted research work and also not meeting client obligations.
- ▶ Risks associated with the protection of Intellectual Property. It is noted that CRC has developed a CRC Publication Approval and Record Form the scientists must complete

for all publications and presentations originating at or sponsored by CRC.

- ▶ The level of reliance on external funding for more than half of CRC's activities, which results in uncertainties in managing employee resource base.
- ▶ Loss of information due to a lack of adequate control over electronic data files, records management and unauthorized access from the outside.
- ▶ Risks associated with the handling of dangerous substances in labs and working with outdated equipment.

At the time of audit, managers had not yet received training in the application of risk management concepts, techniques and controls, and risk management practices had not been integrated into CRC's organizational policies, plans and practices. As noted, at the time of the audit, departmental efforts in the area of Risk Management were still being addressed.

Recommendation

5. The CRC should, through implementation of the MC Action Plan, seek to integrate risk management as an integral component of its ongoing management practices. In so doing, CRC should consider the following:
 - ▶ developing a framework to help managers identify and assess risks at a project, operational and strategic level;
 - ▶ providing managers with training and education in risk management concepts, techniques and tools;
 - ▶ developing a risk management profile for CRC; and
 - ▶ establishing a basis for reporting of how risks are being managed to higher levels of authority.

Management Response

CRC has always applied the principles and fundamentals of risk management. Risk management is conducted on an on-going basis on projects and corrective actions are taken when necessary.

CRC is following the Modern Comptrollership Action Plan: a Risk Management profile and Integrated Risk Management Framework is currently being developed for CRC. The first draft is under review and the next version is expected by the end of December for review by CRC Senior Management planned for January 2004. CRC is committed to the implementation as per Industry Canada's action plan for end of this fiscal year.

4.3 Controls

Adequate operational controls are necessary to support rigorous stewardship. They should be applied in areas where it is necessary to mitigate risk; however, the amount of control applied should be proportional to the amount of risk associated with a process and/or procedure. We would expect to find controls in place which reduce risk to an acceptable level but not to the extent that they inhibit management initiative or create unnecessary administrative burdens.

4.3.1 Human Resources

Management of human resources has been delegated to CRC, providing a greater level of autonomy in this area. The Human Resource Division provides human resource advice and services to CRC management. The Director is a member of the CRC Management Committee. Human resource control systems are developed to support manager's delegated authorities and foster innovation while maintaining accountability.

Operational controls should be in place to enable the Centre to track progress toward achieving desired results against resources and ensure that an appropriate number of qualified staff are available to achieve those results. Strategic, operational and work plans should be in place that outline steps to be taken to meet professional and non-professional staff requirements in numbers and capabilities, funding and infrastructures over the short and long term.

4.3.1.1 CRC does not have a comprehensive Human Resource Plan in place to guide its human resource planning efforts.

Over the past few years the Centre has experienced challenges competing with the private sector for qualified experienced staff in the research and engineering fields. Many of its professional staff left the Centre to take up positions in the private sector. To counteract the exodus and recruitment difficulties, salaries were increased, temporary bonuses introduced and an aggressive campaign was launched for research scientists and engineers using CRC's web site as the primary tool to attract research talent. Over the past year these measures, coupled with a downturn in the IT sector, have enabled the Centre to increase its strength in the engineering and scientific area to approximately 180 as of December 2002 from a low of approximately 130 in 2001. To assist the Centre and to streamline recruitment, the Public Service Commission delegated staffing authority to CRC for RES and ENG positions under a pilot project which expires in 2003.

This increase in the professional staff and the increase to salaries has put a strain on CRC's budget with the result that only professional positions that have become vacant are being filled. A Business Case has been presented to senior management at IC for an increase in salary funds to enable an increase to 250 scientific and engineering positions from the present level by the year 2006.

Despite these factors, we noted that there is no official Human Resource Management Plan in place at the Centre. In 1996, a Human Resource Management Accountability Framework was prepared by the Human Resource Division for CRC managers but there is no evidence to indicate that it was implemented or that it forms the basis for current human resource management practices. Similarly, we noted that a Human Resource Management Strategy was prepared in 1994-95 which identified HR challenges and recommendations to address them, but we found no link between the recommendations in the Strategy and CRC operational plans.

Most of the staff interviewed were uncertain as to the official target numbers for the research community at CRC. We were informed, and supported by documentation, that it ranged from between double the present population over the next ten years to a modest increase over the next 2-3 years. The most recent document, the Business Case referred to earlier, requests an increase in salaries to support 250 professional staff by 2006. This amounts to an increase of almost 40 per cent.

According to Operational Plans, human resource planning appears to be managed at each VP, DG or Director level and is generally directed toward filling vacancies. Staffing is limited by salary budgets at the VP, DG and Director level. The individually planned actions are not compiled into a CRC human resource plan.

We also noted that scientists are encouraged to seek funding from clients which may be used to staff positions for collaborative projects. Staff hired under these arrangements become CRC employees but salaries are paid for by the clients.

Recommendations

6. The CRC should prepare a Human Resource Plan to guide its human resource planning efforts and communicate this plan to all CRC staff. The Plan should consider the following elements:
 - ▶ Demographic data (global, by Branch, Section and by occupational group) and analysis of trends and impacts on the organization;
 - ▶ Identification of staff shortages and anticipated vacancies by branch, occupational category, and level, based on historical turnover rate, current and planned operational responsibilities, and validation of upcoming retirements;
 - ▶ Development of a recruitment strategy to respond to issues raised;
 - ▶ Other areas that require departmental or service-wide action; and
 - ▶ Discussion of staff retention and the extent of departures and their reasons.

Management Response

We had developed a comprehensive HR plan in 1994. Since then we have developed components for HR issues, and have used existing vehicles such as HR-MC and the Board of

Directors to provide opportunities for detailed discussion by Senior Management. Our plan in 2004-05 is to integrate these various components, through appropriate linkages, with the Strategic Plan and the individual Branch Operational Plans. This will result in a comprehensive document.

4.3.1.2 CRC employee performance is not being evaluated in a timely manner.

Employee performance appraisals provide for a systematic, periodic review and analysis of employees' performance with the objective of improving performance so that employees can realize their full potential. In addition, it provides an opportunity to mutually determine (between employee and manager) how best the employees' aspirations and the goals of the organization can be reached. Information derived from these appraisals can be used to develop training plans and identify potential candidates for management positions.

A May 2001 CRC "Performance Management Policy" (staff appraisal system) outlines the Annual Performance Management Process. Performance appraisals were required for all staff with the exception of SE-RES and were to be completed by June 2002. Results to November 2002 show only 70 of 407 (17%) appraisals had been completed.

Recommendation

7. The "Performance Management Policy" should be applied in the manner intended. Training and development data should be incorporated into the CRC human resource plan.

Management Response

CRC is taking steps to ensure that Managers complete employee appraisals within the time limit established.

4.3.2 Contracting and Procurement

The objective of government procurement contracting is to acquire goods and services and to carry out construction in a manner that enhances access, competition and fairness and results in best value or, if appropriate, the optimal balance of overall benefits to the Crown and the Canadian public. Adequate controls should be in place to ensure that this objective is met.

4.3.2.1 CRC contracts have been established in accordance with Government Contract Regulations.

During the last two fiscal years, CRC initiated 635 contracts for an approximate total value of \$9.7 M. The audit examined transactions totalling \$3,008,992, which represents approximately 31% of the estimated total contract expenditure for the period covered. Tests were conducted to validate the control framework in place for contract management and determine compliance to the Government Contract Regulations (GCR). Tests also included a variety of transaction types; noncompetitive (sole source), Advance Contract Award Notification (ACAN), traditional competitive (invited bidders) and open bidding (processed through the government electronic bidding system) contracts.

From the sample of contracts reviewed, CRC contracts were generally found to be in compliance with Government Contract Regulations, with no significant issues noted.

Recommendation

None

4.3.2.2 The large number of Acquisition Cards in circulation and their high limits increases the risk of their inappropriate use.

The use of acquisition cards by the professional staff is seen as an efficient means of purchasing goods and services of low dollar value within the scientific community. The audit noted that CRC has issued 200 acquisition cards of which 178 are presently active. This translates into one acquisition card for every third employee, which represents an unusually high ratio of acquisition cards in circulation. We noted that some of the acquisition cards have limits that greatly exceeded the \$10,000 monthly limit as required by the CRC policy. Of the 178 acquisition cards presently active, 66 are more than \$10,000 but less than \$25,000; 8 are more than \$25,000 but less than \$50,000; and one is at \$500,000, although the card has been inactive for in excess of 180 days.

Although we found no evidence of individual purchases exceeding the \$5,000 limit, nor any evidence of contract splitting, a review of the monthly statement showed total expenditures exceeded the \$10,000 limit stated in the CRC Policy on Acquisition Cards. The large number of acquisition cards in circulation with high limits' increases the risk that unauthorized purchases will be made. We also noted that there is no monitoring undertaken to ensure that all single purchases greater than \$2,500 are supported by two quotes as per CRC's policy and procedures. The MasterCard statements are monitored by Procurement and Contracting on a monthly basis. If any irregularities or questions arise an email is sent to the cardholder for clarification. Procurement keeps a file that explains all the actions and reasons.

Acquisition cards and procurement services including contracting, which used to be under the responsibility of the Comptroller's Office, have recently been transferred to the DG Operations.

The Acquisition Card co-ordinator has remained the same throughout these changes.

Recommendations

8. The DG Operations should review the acquisition cards in circulation and cancel any cards which have not been used for an extended period of time. The card with the \$500,000 monthly limit should be cancelled, with other methods of emergency procurement used if required.
9. The monitoring of acquisition card usage should ensure that purchases greater than \$2,500 are supported by quotes in accordance with CRC policy.

Management Response

Acquisition cards and procurement services including contracting, was under the responsibility of DFTT at the time the study was completed. Procurement and contracting and acquisition cards were transferred to DG Operations Branch (DGO)

The card that had a limit of \$500,000 has been destroyed. Currently, there are 86 cards in use at CRC. DND activity accounts for 19 cards and 67 cards have been issued for CRC activity.

Delegated levels and numbers of cardholders are:

\$5k or less - 4 cardholders

\$20k or less - 26 cardholders

\$25k or less - 50 cardholders (19 for DND)

Above \$25K - 6 cardholders

Management is reviewing the delegated levels of all cardholders in excess of \$25K with the intent to reduce the delegated level to a more appropriate level based on historical use.

A review of cards in circulation that are inactive will continue to be monitored on a regular basis.

4.3.3 Salaries

The salary budget accounts for more than 55% of CRC's total budget. Because of the direct correlation between staffing actions, layoffs, retirements, overtime, collective agreements etc. adequate controls need to be in place to ensure that salary demands do not exceed budgeted amounts. Salary management and reporting systems are important tools for planning and monitoring purposes.

4.3.3.1 The management of salary expenditures could be more efficient.

The CRC salary budget is managed by the Comptroller's Office and has resulted in the Branches maintaining individual black book systems to obtain salary information. These systems, called "DG loonies" (i.e., locally prepared spreadsheets that are not electronically linked to CRC or departmental systems), are maintained by Branch administrative officers and were created because managers did not have confidence that the Salary Management System (SMS) provided adequate, accurate and timely information required for decision making. The use of black book systems may result in managers receiving conflicting and sometimes incorrect salary information, and may affect their ability to make decisions with regard to human resource planning.

In 1999, CRC purchased the Influatec SMS system. This system is not integrated with the Financial Management System (IFMS). Salary forecasting is done at the branch level and expenditures are monitored on-line. However, the financial system does not have edits at the branch level, only at the corporate level. In our opinion, the salary forecasting exercise could be more disciplined.

The current salary planning exercise allows for overspending of salary dollars and as a result the salary budget is often in a deficit situation. Reconciliation of all three systems - DG Loonies, SMS and IFMS - are creating inefficiencies and frustration with salary management and threatens the integrity of departmental management systems.

Recommendations

10. CRC managers and division administrators should obtain proper training on the use of the Salary Management System in order to ensure a more disciplined approach to salary management, forecasting and expenditures.
11. The use of black book systems (DG Loonies) should be discouraged.

Management Response

In January 2003 the salary management system (SMS) was decentralized to the branches for their direct input into it. Finance also provided training and access to branch administrative coordinators. CRC now has a uniform salary forecasting tool (SMS) used by all branches. These tools are helping managers and staff enhances their analytical and decision-making skills.

During the winter 2003, DFTT rolled out branch access to the Salary Management System (SMS). Branch administrative staff have been provided with hands-on training and detailed reference manuals before receiving increased SMS system access. Branches are now responsible for inputting new employee records, updating records as required, and forecasting proposed staffing actions. This enables them to both record current and projected expenditures. DFTT staff remains responsible for the maintenance of the system, and provides help desk

support to the administrative staff. This provides managers with a tool for more timely and complete reporting. As well, the administrative staff have a useful tool to reconcile between IFMS and SMS.

4.3.3.2 The recording of employee leave is not efficient.

When PeopleSoft was first rolled-out at CRC, it was incompatible with the CRC e-mail system as CRC does not use Microsoft Outlook. This resulted in problems with the entering of leave so leave requests were forwarded to HR to be entered in the system. Although the system problems have been corrected, it has resulted in mistrust of the on-line system. As such, most staff are still completing hard copies of leave forms and forwarding them to HR for input into the on-line leave system. It is estimated that 75-90% of CRC staff are completing manual forms. The process of entering leave forms into PeopleSoft is labour intensive and time consuming for the Compensation and Benefits Specialists. This takes away time that could be devoted to other important functions.

Recommendation

12. The Human Resource Division should discontinue the practice of entering leave forms in PeopleSoft and ensure that leave requests are processed according to the on-line procedures (monitoring).

Management Response

CRC is now fully automated using the PeopleSoft Leave System. Participation is mandatory since May 1, 2003.

4.4 Accountability

Clear accountability requires clarity of roles and responsibilities and organization, performance agreements and evaluation, incentives for good management practices, and external reporting which meets departmental, Parliamentary and central agency reporting requirements.

4.4.1 Opportunities exist to enhance aspects of CRC's accountability mechanisms.

The audit assessed the clarity of senior management responsibilities and organization, the quality of performance agreements and evaluations, incentives for good modern management and meeting external reporting requirements.

For the most part, CRC has effective accountability elements in place. Program related roles and responsibilities are clearly understood, and are supported by operational plans; however, as noted, its effectiveness may be hampered by the absence of a formal performance management framework. CRC has a clearly established process for evaluation and agreements for projects related to Spectrum Management Program of IC; however, it would benefit from showing better relationship of other projects within IC's goals and objectives. This would improve the overall accountability of the organization. CRC external reporting meets departmental, Parliamentary and central agency reporting requirements.

For corporate functions however, roles, responsibilities and authorities are not as well understood and need to be clarified. As part of the accountability regime, Corporate Services is responsible for providing managers with adequate reporting and managing tools. We noted that while CRC's overall research role is clear, there is some confusion as to the roles and responsibilities for CRC's functional activities. These corporate activities are divided between the Comptrollers' Office, Marketing and Communications, Human Resources, Operations, and the President's Office. For example, one area of confusion related to the responsibility for coordination of CRC reports and Modern Comptrollership activities.

It was noted that, while the President's Office plays a major role in coordinating research and corporate functions, this office may not have the staff necessary to perform such tasks. It is our understanding that the President has recently staffed a position to coordinate the management of activities and that the functions of the Marketing Division will be redistributed between this new position and the Comptroller's Office. We see this as a good step towards establishing clearer accountabilities and better coordination of Core and Corporate functions.

Performance agreements and evaluations are an important part of the accountability framework. While Vice Presidents had signed management accords for 2001-02, at the time of the audit, similar agreements were not available for 2002-03. The agreements identify ongoing commitments, performance measures and results achieved and state that they are used to assess performance and ensure linkages to Industry Canada's strategic plans. However, the agreements do not include financial management performance information or program costing information nor do they contain clear and measurable key performance indicators for the operations of CRC and for program delivery. We also noted the financial management performance was not included in the accords.

An effective accountability mechanism is also one in which managers are held accountable for improving their management practices. At CRC, incentives and awards are based on the volume of revenue generated through contracting-in or royalties. Performance pay is based on achievements of management accords, but these are not always prepared and are not measurable. Good management practices are not identified as measurable indicators in the accords.

Without clear accountabilities it is difficult for managers to understand what they are

accountable for and it creates confusion between the role of the comptroller and other senior managers in the organization.

Recommendation

13. CRC accountability mechanisms should be clearly understood and should address both operational responsibilities as well as corporate services. Consideration should be given to the development of a results-based accountability framework as a means to documenting existing accountability relationships and ensure that proper reporting mechanisms are in place.

Management Response:

CRC has developed its strategic plan for the period 2004-2007. In this Plan clear linkages have been made with IC's objectives and performance measures are identified for specific projects/programs.

Appendix A**PRELIMINARY SURVEY RESULTS**

The preliminary survey phase provided the auditors the opportunity to gain an understanding of CRC's management structure and operations. With this information an assessment was made of management practices against the seven key elements and eleven sub-elements of Modern Comptrollership. The survey involved interviews with management and staff in the Corporate Functions area, a review of relevant documentation, analysis of internal reports, and a review of departmental financial statements.

Based on the findings, a risk assessment was made of the elements, and sub-elements identified as ``Risk Areas``. For each area, we analysed the applicable risk factors, as well as the risk implications on the whole organization. We also noted the mitigating controls in place and conducted a preliminary brief assessment of the effect of the conditions prevailing as well as its residual impact on the Centre. Based on the information derived from the risk assessment, ten areas were identified as potentially high or medium risk that needed further assessment in the verification phase:

Key Elements	Sub-Elements	Potential Risk
Performance Information	Performance Measurement Internal Reporting External Reporting	High Medium Medium
Risk Management		High
Controls	Human Resources Finance Salaries Contracts Royalties / Revenues IM/IT Marketing Operations/Organization	High Medium Medium Medium Medium Low Low
Ethics & Values		Low
Leadership		Low
Accountability		High
Motivated People		Low

Appendix B

Audit Objectives and Criteria

Based on the information derived from the Preliminary Survey, areas considered high and medium risk that required further assessment in the verification phase were identified. Audit objectives and criteria developed for each of the risk areas were as follows.

High Risk Areas	Audit Objectives	Criteria
<p>Performance Measurement</p>	<p>To determine the extent to which key result areas and related performance indicators are used to measure results against objectives that are linked to CRC and I.C. strategic plans.</p>	<p>Strategic performance measures are in place and linked to the strategic vision and priorities of the Department.</p> <p>Key measures, financial and non-financial provide the historical and future oriented view of the organization.</p> <p>Operating performance measures and targets exist for all organizational units.</p> <p>Service delivery teams are using operating information on an ongoing basis to initiate process improvements.</p> <p>Client satisfaction information is collected.</p> <p>Satisfaction is considered in performance evaluation and initiatives.</p> <p>Service standards are established, are specific, measurable, achievable and realistic and are periodically reviewed and improved to reflect changing priorities.</p>

High Risk Areas	Audit Objectives	Criteria
Risk Management	To assess the degree to which formal risk assessments are used in program planning, decision making and monitoring.	<p>Managers are trained in and apply risk management concepts, techniques and controls.</p> <p>Results of risk management are integrated into organizational policies, plans and practices.</p> <p>The control framework over assets, liabilities, revenues, expenditures, contracts, MOU's, contribution agreement is fully integrated.</p> <p>Managers conduct self-assessments of controls required.</p> <p>A comprehensive risk management framework is used</p> <p>Risk assessment is inherent to decision making process and to implementing change</p> <p>Managers demonstrate confidence by taking and managing the risks.</p>
Human Resources	To determine if strategic, operational and work plans are in place that outline steps to be taken to meet the goals of increased scientific staff over the next ten years.	<p>Plans are in place to ensure that future initiatives are met.</p> <p>Succession planning is conducted</p> <p>Training plans are based on CRC requirements.</p> <p>HR Management capabilities meet CRC requirements.</p>
Accountability	To assess how the priorities and objectives of CRC and I.C. are met and reported on.	<p>Roles and responsibilities are clear and there are no overlaps in responsibility resulting in unclear accountability.</p> <p>Relevant information is made available to the public.</p> <p>There is clear internal accountability with performance agreements linked to strategic plans.</p>

Medium Risk Areas	Audit Objectives	Criteria
Salaries	To assess the adequacy of controls over salary expenditures including leave and the granting and reporting of awards.	<p>Controls are in place to ensure that the salary budget is not exceeded.</p> <p>Salaries are only paid to individuals who are engaged in planned, approved activities.</p> <p>Leave is authorized according to entitlements and records are kept and monitored.</p> <p>Sufficient funds are available to meet salary commitments.</p> <p>Adequate controls are in place for the granting and reporting of awards.</p>
Internal Reporting	To determine the impact of the lack of: costing information, integrated financial and non-financial information. In addition assess if managers' reporting adequately reflects accountability and performance vs objectives	<p>Financial information is available to managers from a fully integrated on-line, real time system with flexible reporting.</p> <p>Reporting systems are linked to allow drill-down to the appropriate level of detail.</p> <p>Costing systems are in place to trace costs from activities to results.</p> <p>Cost information is readily accessible to all managers in a format that can be customized for process improvement, outsourcing decisions, cost recovery, business planning and performance measurement.</p>

Medium Risk Areas	Audit Objectives	Criteria
External Reporting	To assess the linkages between CRC objectives and I.C. strategic plans and objectives.	<p>Adequate reporting, i.e. transparency, availability of financial and non-financial information is available from a fully integrated on-line, real time system(s) with flexible reporting.</p> <p>Reporting systems are linked, to allow drill-down to the appropriate level of detail.</p> <p>External reporting is up-to-date and accurate and meets reporting deadlines and Government requirements on information to the public and transparency.</p> <p>Process and roles & responsibilities for the provision and processing of information are documented and are clear and if reports are approved at the appropriate level before delivery.</p>

Medium Risk Areas	Audit Objectives	Criteria
Finance	To assess the financial control at the RC level in relation to managers' control over their operations and to exercise adequate stewardship.	<p>Appropriate supporting infrastructure and tools are in place that ensures proper management of funds for the organization.</p> <p>Appropriate control systems are in place for safeguarding and stewardship of assets.</p> <p>There are linkages between financial information and results and performance</p> <p>Rigorous analysis of options is practised by managers</p> <p>Public resources and assets are safeguarded</p> <p>Public confidence in public stewardship is indicated</p> <p>The integrity of the departmental financial system is protected.</p> <p>Accounting is done in accordance with GAAP/FIS.</p> <p>Within the limits of CRC budget, maximum use of electronic applications and interfaces is made.</p> <p>There is adequate funding to meet strategic plans and priorities</p>
Contracting	To review a sample of contracts(all contracts over \$50,000) and assess the use of acquisition cards, to determine if the requirements of Government Contract Regulations and CRC policies and procedures are met.	<p>Delegated contracting authorities are in place and adhere to government contracting regulations.</p> <p>Policies and procedures are current, clear, accessible and are being followed.</p> <p>Appropriate control systems, supporting infrastructure and tools are in place for contracting.</p> <p>Rigorous analysis of options is conducted to ensure value for money.</p> <p>Appropriate controls are in place to safeguard public resources and assets.</p>

Medium Risk Areas	Audit Objectives	Criteria
Royalties/Revenues (3e)	To assess if adequate transparency is in place.	Goals, strategies, policies and procedures are established for managing revenues resulting in incentives to collect funds. Roles and responsibilities for revenue management are clear resulting in a clear accountability for revenue management. Royalties are managed according to CIPO regulations and CRC procedures.

ACTION PLAN AUDIT OF COMPTROLLERSHIP COMMUNICATIONS RESEARCH CENTRE

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p>4.1.1.1 The Communications Research Centre does not have an established Performance Measurement Framework in place.</p> <p>1. CRC should establish a Performance Measurement Framework for the Centre. The Framework should include the requirement for key performance indicators in Operational Plans.</p> <p>2. CRC management should ensure that reports against plans include costs to the lowest practical level and feedback from managers.</p>	<p>CRC has worked with various tools to monitor and to evaluate the performance of its programs. CRC has always put great emphasis on the identification of results, the re-evaluation of initiatives and projects and findings new directions. Data on the resources and budgets are available for creating reports. In line with IC's direction on Modern Comptrollership, CRC will now aggregate these processes into one formal document.</p> <p>CRC will respect the deadlines established in the IC MC Action Plan that was approved in April, 2003. We will begin with CRC's Strategic Plan, and incorporate in an explicit fashion, statements relating to the performance framework and other MC priorities. IC has chosen to develop frameworks for two of the five departmental strategic objectives and the two objectives selected are not directly linked to CRC activities. CRC will proceed by participating in the S&T Performance Measurement Network (for Science Based Departments & Agencies - SBDAs). The S&T PM Network will be developing a generic performance measurement framework in the fall of 2003. CRC will use the experience gained in developing the generic framework to establish a framework for CRC.</p> <p>Information sessions on performance measurement will be provided to CRC managers by IC Planning & Performance Directorate. The 2004-05 Operational Plans will contain performance indicators and a CRC Performance Measurement Framework (PMF) will be developed in collaboration with IC's continuing work on PMFs for the remaining departmental strategic objectives.</p>	<p>V. Rawat (VPMBD)</p>	<p>Complete</p>

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p><i>4.1.2.1 CRC has not benefited from Financial Reporting tools developed by the Department, rendering financial reporting less efficient and effective.</i></p> <p>3. The Comptroller, CRC should:</p> <ul style="list-style-type: none"> - assess the capabilities and potential uses of MRS and SMS across CRC; - solicit a representation of users to define needs that could be covered using MRS, create MRS reports and share these with the organizations; - through IFMS, assess the possibility of using internal order numbers for project identification and assess the need for a project management software for research projects; and - with assistance from IC Corporate Systems division, provide the necessary training for using the systems to all managers. 	<p>During February 2003, DFTT offered an information session on the Departmental Management Reporting System (MRS) for all CRC managers and administrative staff. The session provided attendees with an overview of the system and stressed the benefit to managers of providing a simple interface to the Department's corporate systems. Interested individuals were then provided with more detailed information when they applied for their MRS accounts. Further information sessions will be held in the fall 2003 targeting responsibility centre managers.</p> <p>CRC is using internal order for project identification and for tracking project costs. CRC DFTT's staff has consulted regularly with IFMS on use of internal numbers and project management software. Internal orders have been used for project identification in the case of capital projects for a few years. Last year, with the launch of a new program at CRC for Remote and Rural Broadband Access, a system of internal orders was set-up specifically to enable tracking of financial data relating to the approved projects. The internal orders will continue to be used for both capital and RRBA projects.</p> <p>CRC DFTT's staff have consulted IFMS on plans for the implementation of project management software and also participate on IFMS working groups.</p> <p>Implementation of project management software for all CRC research projects will be explored in the future and must take into account the cost benefit as well as the needs of CRC managers and clients. Emphasis for 2003-04 and 2004-05 is being placed on the sector's responsibilities in relation to the IC MC Action Plan.</p> <p>As discussed above, training of CRC administrative staff and identified managers has been completed. An on-going process is in place to phase in training of all relevant managers.</p>	<p>C. Chartier (DFTT)</p>	<p>Completed</p> <p>Ongoing</p> <p>Completed</p>

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p>4.1.3.1 External reports directed at CRC stakeholders may contain misleading financial information.</p> <p>4. CRC should ensure that publications directed to external stakeholders report OGD expenditure and revenue amounts separately from departmental budgetary and expenditure figures.</p>	<p>CRC understands that the current inclusion of OGD accounts in total Revenues and Expenses could be confusing for some readers. In order to help the clarity of the information, CRC will ensure that publications directed to external stakeholders report OGD expenditure and revenue amounts separately from departmental budgetary and expenditure figures.</p>	<p>C. Chartier (DFTT)</p>	<p>Ongoing</p>
<p>4.2.1 Formal processes and practices have not been established within CRC to manage risk.</p> <p>5. The CRC should, through implementation of the MC Action Plan, seek to integrate risk management as an integral component of its ongoing management practices. In so doing, CRC should consider the following:</p> <ul style="list-style-type: none"> - developing a framework to help managers identify and assess risks at a project, operational and strategic level; - providing managers with training and education in risk management concepts, techniques and tools; - developing a risk management profile for CRC; and - establishing a basis for reporting of how risks are being managed to higher levels of authority. 	<p>CRC has always applied the principles and fundamentals of risk management. Risk management is conducted on an on-going basis on projects and corrective actions are taken when necessary.</p> <p>CRC is following the Modern Comptrollership Action Plan: a Risk Management profile and Integrated Risk Management Framework is currently being developed for CRC. The first draft is under review and the next version is expected by the end of December for review by CRC Senior Management planned for January 2004. CRC is committed to the implementation as per Industry Canada's action plan for end of this fiscal year.</p>	<p>V. Rawat (VPMBD)</p>	<p>August 2003</p> <p>January 2004</p> <p>March 2004</p>

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p>4.3.1.1 CRC does not have a comprehensive Human Resource Plan in place to guide its human resource planning efforts.</p> <p>6. The CRC should prepare a Human Resource Plan to guide its human resource planning efforts and communicate this plan to all CRC staff. The Plan should consider the following elements:</p> <ul style="list-style-type: none"> - Demographic data (global, by Branch, Section and by occupational group) and analysis of trends and impacts on the organization; - Identification of staff shortages and anticipated vacancies by branch, occupational category, and level, based on historical turnover rate, current and planned operational responsibilities, and validation of upcoming retirements; - Development of a recruitment strategy to respond to issues raised; - Other areas that require departmental or service-wide action; and - Discussion of staff retention and the extent of departures and their reasons. 	<p>We had developed a comprehensive HR plan in 1994. Since then we have developed components for HR issues, and have used existing vehicles such as HR-MC and the Board of Directors to provide opportunities for detailed discussion by Senior Management. Our plan in 2004-05 is to integrate these various components, through appropriate linkages, with the Strategic Plan and the individual Branch Operational Plans. This will result in a comprehensive document.</p>	<p>CRC HR-MC</p>	<p>Will be undertaken as part of the Strategic Plan process (Sep/Oct. 2004)</p>
<p>4.3.1.2 CRC employee performance is not being evaluated in a timely manner.</p> <p>7. The “Performance Management Policy” should be applied in the manner intended. Training and development data should be incorporated into the CRC human resource plan.</p>	<p>CRC is taking steps to ensure that Managers complete employee appraisals within the time limit established.</p>	<p>CRC HR-MC</p>	<p>June 2004</p>

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p><i>4.3.2.2 The large number of Acquisition Cards in circulation and their high limits increases the risk of their inappropriate use.</i></p> <p>8. The DG Operations should review the acquisition cards in circulation and cancel any cards which have not been used for an extended period of time. The card with the \$500,000 monthly limit should be cancelled, with other methods of emergency procurement used if required.</p> <p>9. The monitoring of acquisition card usage should ensure that purchases greater than \$2,500 are supported by quotes in accordance with CRC policy.</p>	<p>Acquisition cards and procurement services including contracting, was under the responsibility of DFTT at the time the study was completed. Procurement and contracting and acquisition cards were transferred to DG Operations Branch (DGO)</p> <p>The card that had a limit of \$500,000 has been destroyed. Currently, there are 86 cards in use at CRC. DND activity accounts for 19 cards and 67 cards have been issued for CRC activity. Delegated levels and numbers of cardholders are: \$5k or less - 4 cardholders \$20k or less - 26 cardholders \$25k or less - 50 cardholders (19 for DND) Above \$25K - 6 cardholders</p> <p>Management is reviewing the delegated levels of all cardholders in excess of \$25K with the intent to reduce the delegated level to a more appropriate level based on historical use.</p> <p>A review of cards in circulation that are inactive will continue to be monitored on a regular basis.</p>	<p>J. Rigley (DGO)</p>	<p>Completed.</p> <p>March 2004</p> <p>Ongoing. Reviews are conducted on a monthly basis.</p>

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p>4.3.3.1 The management of salary expenditures could be more efficient.</p> <p>10. CRC managers and division administrators should obtain proper training on the use of the Salary Management System in order to ensure a more disciplined approach to salary management, forecasting and expenditures.</p> <p>11. The use of black book systems (DG Loonies) should be discouraged.</p>	<p>In January 2003 the salary management system (SMS) was decentralized to the branches for their direct input into it. Finance also provided training and access to branch administrative coordinators. CRC now has a uniform salary forecasting tool (SMS) used by all branches. These tools are helping managers and staff enhance their analytical and decision-making skills.</p> <p>During the winter 2003, DFTT rolled out branch access to the Salary Management System (SMS). Branch administrative staff have been provided with hands-on training and detailed reference manuals before receiving increased SMS system access. Branches are now responsible for inputting new employee records, updating records as required, and forecasting proposed staffing actions. This enables them to both record current and projected expenditures. DFTT staff remains responsible for the maintenance of the system, and provides help desk support to the administrative staff. This provides managers with a tool for more timely and complete reporting. As well, the administrative staff have a useful tool to reconcile between IFMS and SMS.</p>	C. Chartier (DFTT)	Completed. Reinforcement of the benefits of these tools will be done on an ongoing basis.
<p>4.3.3.2 The recording of employee leave is not efficient.</p> <p>12. The Human Resource Division should discontinue the practice of entering leave forms in PeopleSoft and ensure that leave requests are processed according to the on-line procedures (monitoring).</p>	CRC is now fully automated using the PeopleSoft Leave System. Participation is mandatory since May 1, 2003.	C. Brooks (DHR)	Completed

RECOMMENDATION	MANAGEMENT RESPONSE AND PROPOSED ACTION	RESPONSIBLE OFFICIAL	ACTION COMPLETION DATE
<p><i>4.4.1 Opportunities exist to enhance aspects of CRC's accountability mechanisms.</i></p> <p>13. CRC accountability mechanisms should be clearly understood and should address both operational responsibilities as well as corporate services. Consideration should be given to the development of a results-based accountability framework as a means to documenting existing accountability relationships and ensure that proper reporting mechanisms are in place.</p>	<p>CRC has developed its strategic plan for the period 2004-2007. In this Plan clear linkages have been made with IC's objectives and performance measures are identified for specific projects/programs.</p>	<p>V. Rawat (VPMBD)</p>	<p>Completed</p>