Treasury Board of Canada Secretariat
Secrétariat du Conseil du Trésor du Canada

Better government: with partners, for Canadians

Report on the State of Comptrollership in the Government of Canada

March 2012

Canada

Report on the State of Comptrollership in the Government of Canada

ISBN BT66-15/2012E-PDF

This document is available on the Treasury Board of Canada Secretariat
website at http://www.tbs-sct.gc.ca

This document is available in alternative formats upon request.

Table of Contents

Part I: Report on the State of Comptrollership in the Government of Canada

Message From the Comptroller General of Canada

I am pleased to present this *Report on the State of Comptrollership in the Government of Canada*.

My first report (March 2011) provided a comprehensive look at the health of financial management, internal audit, and the management of assets and acquired services in the federal government. This second report provides an update of the performance of government comptrollership functions and highlights progress made in advancing the priorities and challenges identified in last year's report. This report also focuses on three key aspects of comptrollership in Canada:

- Sustaining the chief financial officer suite: The case for a community-based approach to chief financial officer talent management and succession planning;
- Oversight in the Government of Canada: An overview of assurance providers;
- Life-cycle management of real property assets and public-private partnerships.

It is my hope that this report will help further inform and advance discussions on comptrollership issues.

James A. Ralston
Comptroller General of Canada

Overview of the State of Comptrollership in the Government of Canada

Introduction

The Office of the Comptroller General's (OCG's) first *Report on the State of Comptrollership in the Government of Canada*[i] (March 2011) provided a detailed overview of the health of the comptrollership function across the Government of Canada. It highlighted developments over the previous five years in the comptrollership community and identified priorities in the following areas: financial management, internal audit, investment planning and project management, procurement, materiel management, and real property.

A variety of evidence sources were used to produce the performance data in the OCG's 2011 report. The primary source was the Management Accountability Framework (MAF), which identified management strengths and weaknesses government-wide. In addition to the MAF, the OCG relied on information and findings from other sources such as reports by the Office of the Auditor General of Canada and other external assurance providers, Departmental Audit Committees and the Standing Committee on Public Accounts. Reference was also made to departmental audits and evaluations, and to departments' annual Reports on Plans and Priorities, and Departmental Performance Reports.

This year's report provides an update on the performance of comptrollership functions by presenting the latest round of MAF results. Overall, performance continues to show signs of improvement, and, in many instances, indicates that comptrollership functions are at a high level of maturity.

What Is the Management Accountability Framework (MAF)?

MAF is a key performance management tool that the federal government uses to:

- Support the management accountability of deputy heads; and
- Improve management practices across departments and agencies.

How Does MAF Work?

- Each organization is assessed against criteria or lines of evidence outlined in Areas of Management (AoMs).
- The maturity of practice and capacity for each AoM and line of evidence are assessed using the following scale:
  - "Strong": Sustained performance for the AoM that exceeds expectations of the Treasury Board of Canada Secretariat and suggests continued strong performance;
  - "Acceptable": Meets the Secretariat's expectations;
  - "Opportunity for improvement": Evidence of attention to deficiencies and progress; and
  - "Attention required": Inadequate attention to deficiencies.
- All major federal departments and a third of small agencies are assessed annually (approximately 50 organizations each year). Smaller organizations are assessed on a three-year cycle using a more targeted approach.

Internal Audit (Area of Management 5)

The annual MAF assessment to measure the effectiveness of the federal internal audit function enables improved performance and strengthened management practices. MAF Round VIII represented the fifth assessment since the 2006 *Policy on Internal Audit*[ii] came into effect. The criteria for assessing the effectiveness of the internal audit function remained rooted in the policy and focused primarily on the performance and sustainability of the function. These two perspectives enabled an assessment of the internal audit function's governance structure, professional practices, capacity to sustain performance, and value-added contribution to strengthening departmental risk, control and governance processes. Forty large departments and agencies (LDAs) and four small departments and agencies (SDAs) were assessed against three lines of evidence:

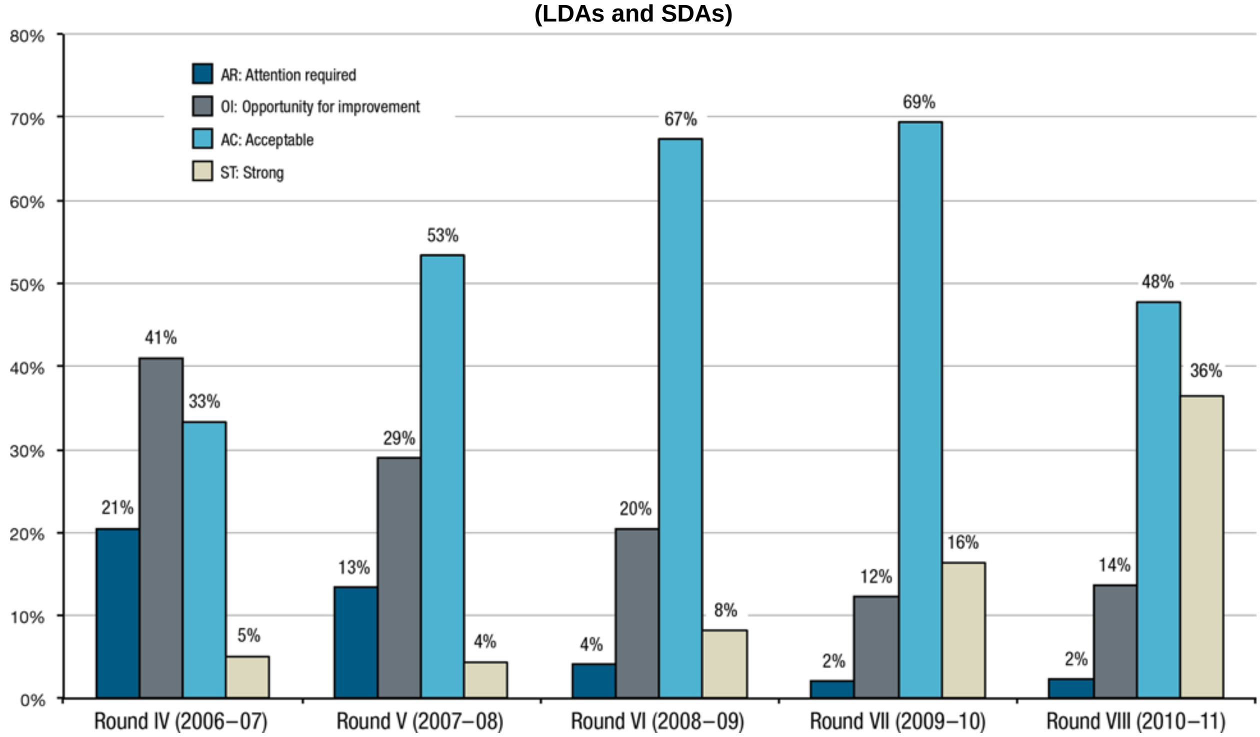
- An internal audit governance structure is fully developed and has sufficient capacity to sustain performance;
- Internal audit work is performed in accordance with the *Policy on Internal Audit* and associated directives; and
- Internal audit is contributing to improvements in risk, control, governance and organizational performance.

Internal audit continues to perform well. As shown in Figure 1, 84 per cent of departments achieved a "strong" or "acceptable" rating in MAF Round VIII. The distribution of ratings is as follows:

- "Strong": 36 per cent
- "Acceptable": 48 per cent
- "Opportunity for improvement": 14 per cent; and
- "Attention required": 2 per cent.

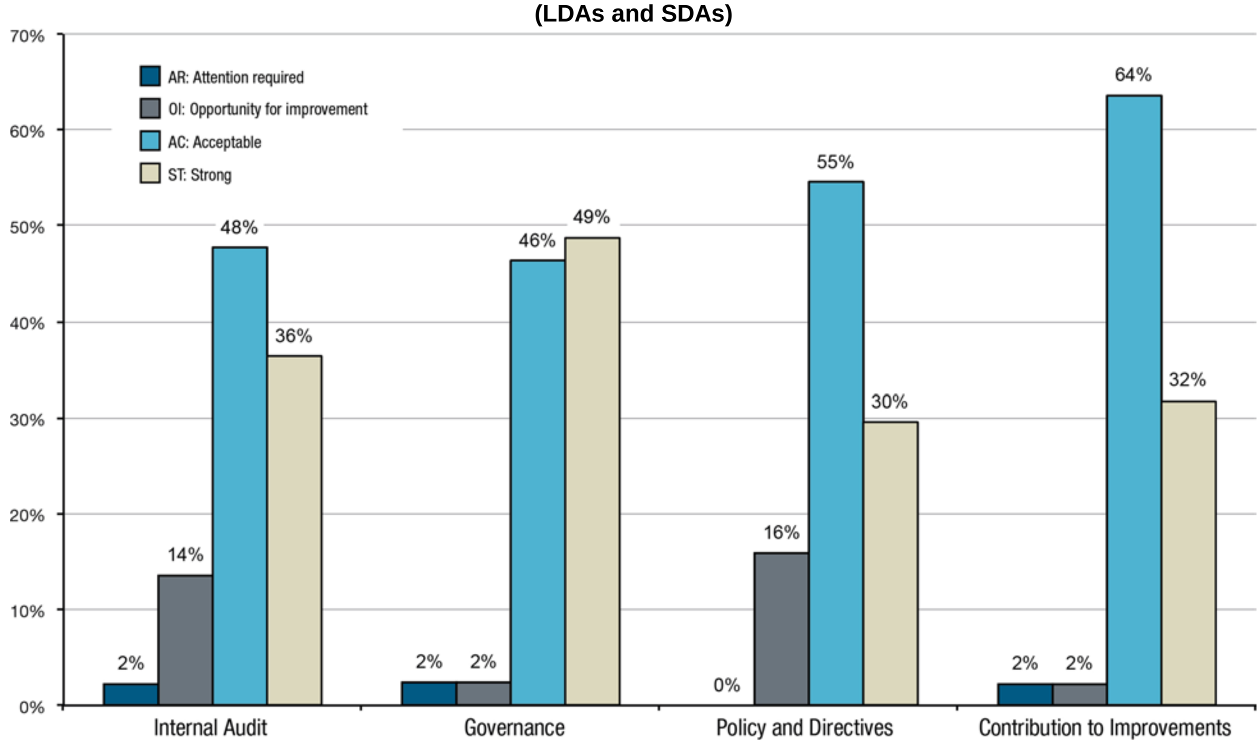
From MAF Round V to MAF Round VIII, the LDAs and SDAs that achieved a "strong" rating increased as follows: 4 per cent, 8 per cent, 16 per cent and 36 per cent. This increase was largely because of the implementation of the phased-in approach of the 2006 *Policy on Internal Audit* and the progressive maturation of internal audit regimes government-wide.

Figure 1. Internal Audit Ratings From MAF Round IV (2006–07) to MAF Round VIII (2010–11) (LDAs and SDAs)



As noted previously, a breakdown of these overall results by individual lines of evidence suggests that organizations are performing at a high level in all the evaluated areas, especially with regard to governance and internal audit's contribution to improvements in their host organization.

Figure 2. MAF Round VIII (2010–11) Internal Audit and Its Lines of Evidence Ratings (LDAs and SDAs)



Governance

As Figure 2 shows, the majority of departments have fully developed governance structures in place, as illustrated by the 95 per cent "strong" and "acceptable" rating. The independence of chief audit executives is maintained, and Departmental Audit Committees are composed of a majority of external members and provide deputy heads with advice aligned with their areas of mandated responsibility.

Value-Added Contribution

Internal audit regimes are adding value by providing assurance and advice on identified risk, control and governance issues, and on performance. This progressive value-added contribution is evident through annual reporting on the results of the regime's work as articulated in performance reports such as the annual reports of the chief audit executive and the Departmental Audit Committee and in committee records of decision. These performance reports are shifting their focus from activities to results, as indicated by the upward trend in contribution to improvements from a "strong" rating of 18 per cent in MAF Round VII to 32 per cent in MAF Round VIII.

Capacity

Internal audit capacity remains a challenge across all departments. Most human resources plans incorporate recruitment and retention strategies to mitigate this challenge. The primary mitigation strategy employed is the use of external consulting services to contribute to achieving internal audit priorities. However, this is also presenting some challenges because the smaller LDAs cannot compete with the larger departments in securing external resources given that their projects often have a smaller financial value.

In addition, learning plans aligned with risk-based audit plans and other internal audit priorities are implemented and monitored to support improved capacity (and capability). Most departments that achieved an overall rating of "strong" and, to a lesser degree, "acceptable," illustrated that human (and financial) resources were effectively deployed to achieve priorities and sustain performance over time.

Professional Practices

Risk-based audit plans: Departments provided risk-based audit plans as part of rigorous risk assessment exercises that prioritized audit selection based on highest risk and significance. The majority of planned work was assurance-based. Also, areas of highest risk and significance were covered during the planning period in 80 per cent of the plans. Of note, 63 per cent of risk-based plans were assessed as "strong" in MAF Round VIII, compared with 22 per cent in MAF Round VII; this improvement in the quality of plans is attributable to the comprehensive risk-based methodologies applied. Moreover, 83 per cent of departments had high completion rates (completed projects versus planned projects from 2009–10 plans). This is considered to be an indicator of the value-added contribution of the internal audit function in that areas of high risk and significance in departments were being addressed as a result of the planned projects.

Internal audit reporting: During the MAF assessment period, 245 internal audit reports were submitted to the OCG. Of these, 158 reports were assessed for quality against the reporting criteria outlined in the *Internal Auditing Standards for the Government of Canada*.[iii] Eighty-five per cent of internal audit reports were aligned with the criteria. The assessment concluded that the quality of audit reports could be improved by including an explicit statement of assurance and by adding more clarity with respect to conclusions, opinions and the significance of findings. The OCG continues to liaise with the internal audit community in support of continuously improving the quality of internal audit reporting.

Although the MAF process in 2010–11 did not formally consider the cycle time and practices for posting audit reports to departmental Internet sites, a review of a sample of departmental websites revealed some inconsistent posting practices. Inconsistencies included internal audit reports being posted without a management action plan in response to the recommendations indicated in an applicable report, and executive summaries being posted rather than complete internal audit reports. Further, some final internal audit reports were not yet posted within one year following submission to the OCG. In early 2011, the OCG provided the audit community with additional guidance regarding expectations for internal audit report posting practices.

Quality assurance improvement program: Although most departments have a quality assurance improvement program in place, the MAF assessment concluded that the application of the key elements of the program could be strengthened. Most departments were rated as "strong" or "acceptable" for their quality assurance improvement programs, but 32 per cent received ratings of "opportunity for improvement" or "attention required." This result is significant because the improvement program is considered an early indicator of the internal audit activity's conformity to the mandatory requirements of the *Policy on Internal Audit*.

Support to the Internal Audit Community

Departmental internal auditors are sharing their best practices via a professional practices forum established by the Office of the Comptroller General (OCG). Departments are encouraged to share tools, techniques, approaches, audit plans, etc. with the internal audit community. The OCG also uses this forum to obtain feedback on guidance documents, self-assessment tools, etc.

The *Policy on Internal Audit* requires a department to undergo a practice inspection at least every five years. During 2010–11, nine departments had a quality assurance review or practice inspection conducted, with eight achieving a rating of "generally conforms" (the highest achievable rating) and one receiving a rating of "partially conforms."

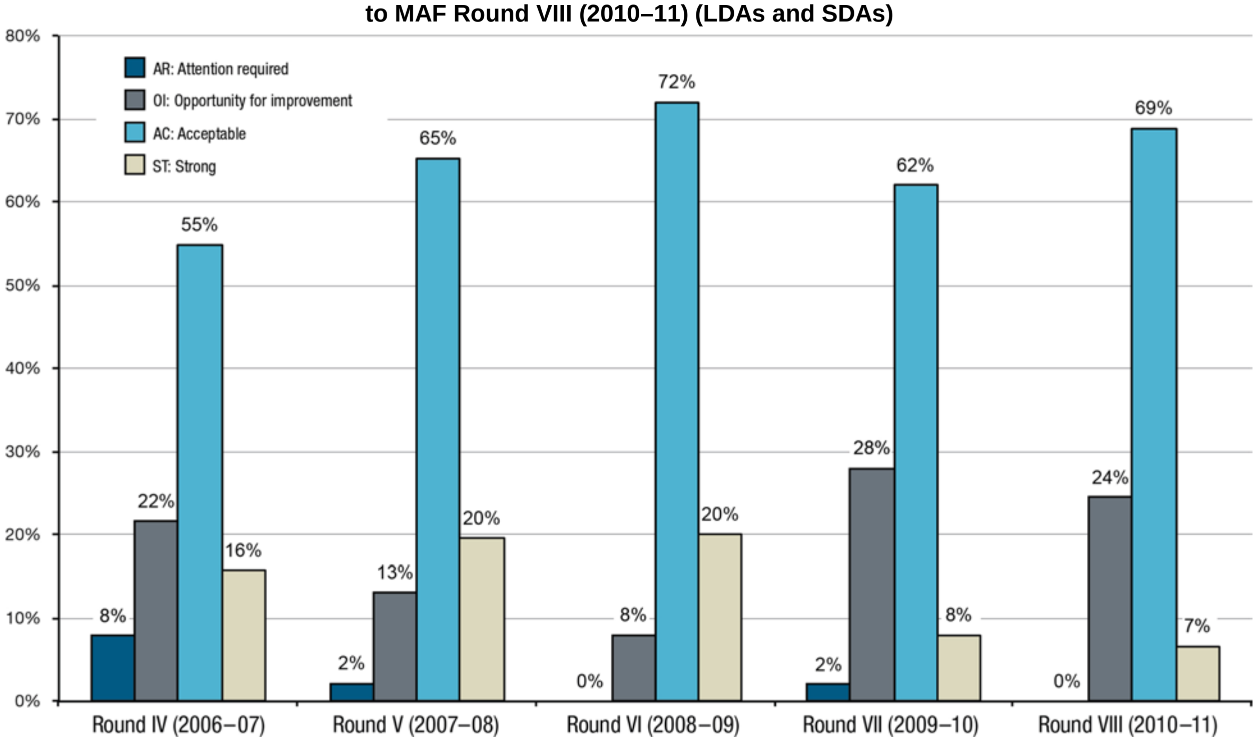
Looking Forward

The combined 84 per cent rating of "strong" and "acceptable" in MAF Round VIII demonstrates that the federal internal audit function is meeting the expectations of the *Policy on Internal Audit*. In light of the increased maturity of the internal audit function, a rebalancing of the number of compliance- and outcome-based measures will be instituted in the MAF Round IX 2011–12 methodology. As viewed through a performance and sustainability lens, the proposed methodology will be streamlined from three lines of evidence to two, which will encompass a balance of compliance- and outcome-based measures. The first line of evidence will focus on the compliance element of the methodology, in particular, professional practices and capacity. The second line of evidence will focus on the value-added contribution of the internal audit regime to the organization. In addition, the more process-specific compliance measures will be removed.

Financial Management (Area of Management 7)

The annual MAF assessment in the area of financial management aims to improve oversight and management practices in departments. More specifically, it measures departments' financial management performance over the year and their capacity to sustain that performance in the long run. In doing so, it covers the whole financial management cycle, from planning to operations and reporting. These assessments yield valuable management information for departments in areas such as governance, internal controls, financial management capacity and stability, and operations relating to the Treasury Board's policy instruments, financial reporting, and financial systems.

Figure 3. Financial Management Ratings From MAF Round IV (2006–07) to MAF Round VIII (2010–11) (LDAs and SDAs)



Overall Financial Management Performance Is Improving

As shown in Figure 3, financial management performance in MAF Round VIII (2010–11) has improved from MAF Round VII (2009–10). This year, 76 per cent of departments achieved an "acceptable" or "strong" rating as compared with 70 per cent the year before. This improvement mainly results from departments reaping the benefits of the successful implementation of a renewed Treasury Board financial management policy framework, which was introduced in 2008–09 to strengthen financial management requirements and capacities in all departments—a government commitment outlined in the *Federal Accountability Action Plan*.[iv]

> Approximately 90 per cent of all departments assessed had effective financial management governance and accountability mechanisms in support of the oversight roles of the deputy head, the chief financial officer (CFO) and senior managers, including consideration of CFO qualifications.
>
> In addition, 80 per cent of departments had well-informed decision-making practices, clear accountability mechanisms for public resources, and timely information available to support policy and program delivery.

In particular, this renewed financial management framework has introduced new requirements for departments, including the following:

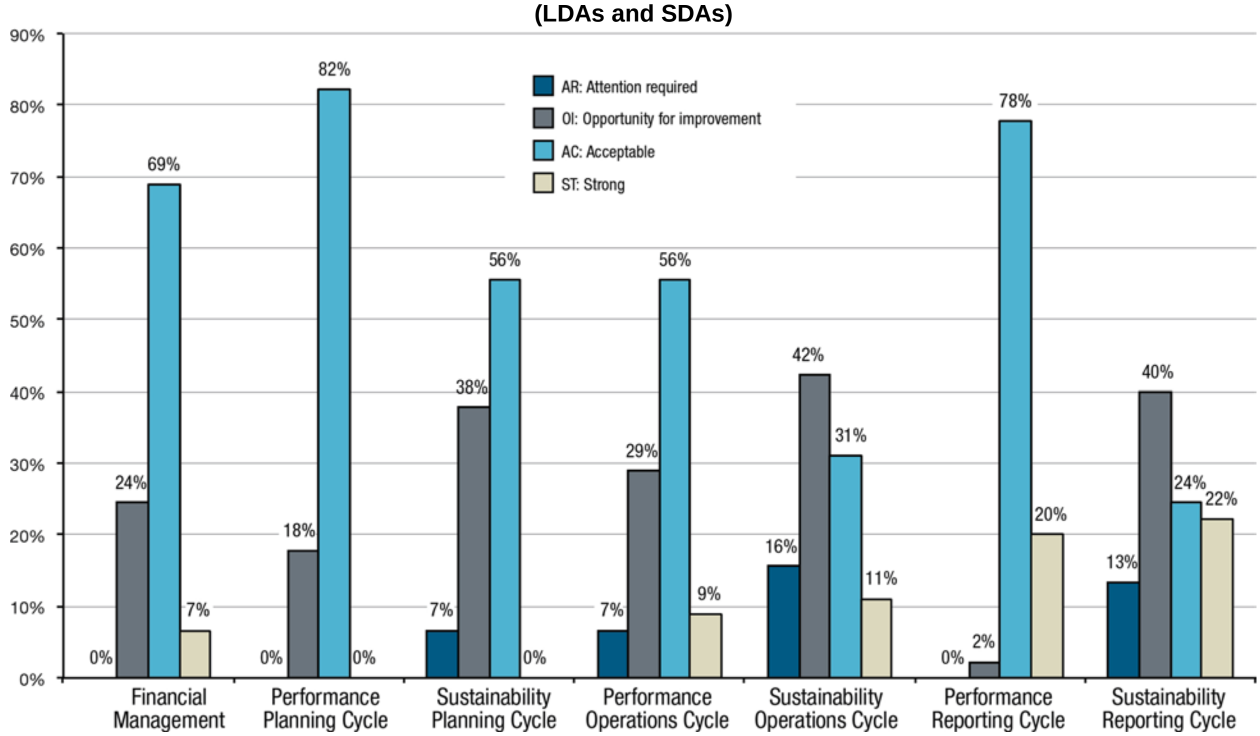
- The establishment of stronger financial management governance at all levels, clarifying responsibilities of deputy heads in their roles as accounting officers as well as the responsibilities of chief financial officers;
- The conduct of annual departmental risk-based assessments of the effectiveness of departments' systems of internal controls;
- The publication by departments, annexed to their annual financial statements, of summaries of results and action plans from their assessments of the effectiveness of their systems of internal controls over financial reporting;
- The disclosure by departments of in-year spending and variance information on a quarterly basis to better equip parliamentarians to oversee public spending; and
- The phased-in integration of financial information and financial systems across government in support of improved oversight and decision making.

After two years of implementation, the positive effects of the new requirements are becoming more evident across departments, as demonstrated by the performance scores reflected in MAF Round VIII. The decrease in the overall scores between Rounds VI and VII was mainly attributable to the efforts that were originally required by departments to adopt the new *Policy Framework for Financial Management*.[v]

Finally, overall improvements noted in Round VIII have also been noted in the June 2011 *Status Report of the Auditor General to the House of Commons*, Chapter 1, "*Financial Management and Control and Risk Management*."[vi] Although there is more work to be done, the Auditor General's report underlines the satisfactory progress made by the OCG and by departments covered by the audit to improve the policy environment across government and to strengthen financial controls and reporting.

Areas for Additional Focus

Figure 4. MAF Round VIII (2010–11) Financial Management and Its Lines of Evidence Ratings (LDAs and SDAs)



Although departments and agencies have improved their overall performance, a more detailed analysis of results for Round VIII indicates that these improvements need to be maintained to sustain performance in the long run. As illustrated in Figure 4, results show that about 53 per cent of departments were rated as less than acceptable in their capacity to sustain performance in their planning, operations and reporting cycles. Financial organizations in departments particularly need stabilization through reduced vacancies and reduced use of interim staffing, increasing the base of experience in the departmental financial management team, and lengthening the time in positions.

Within the performance of the operations cycle, over 80 per cent of departments have made good to strong progress in implementing financial management audit recommendations.

Almost 70 per cent of departments subject to the *Policy on Transfer Payments*[vii] were rated as “acceptable” or “strong.”

Over 75 per cent of departments had fully complied with the *Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements*.[viii]

Taking into account the fiscal restraint agenda and its impact on departments, we will continue to oversee the financial management performance of departments and their capacity to sustain it in all areas.

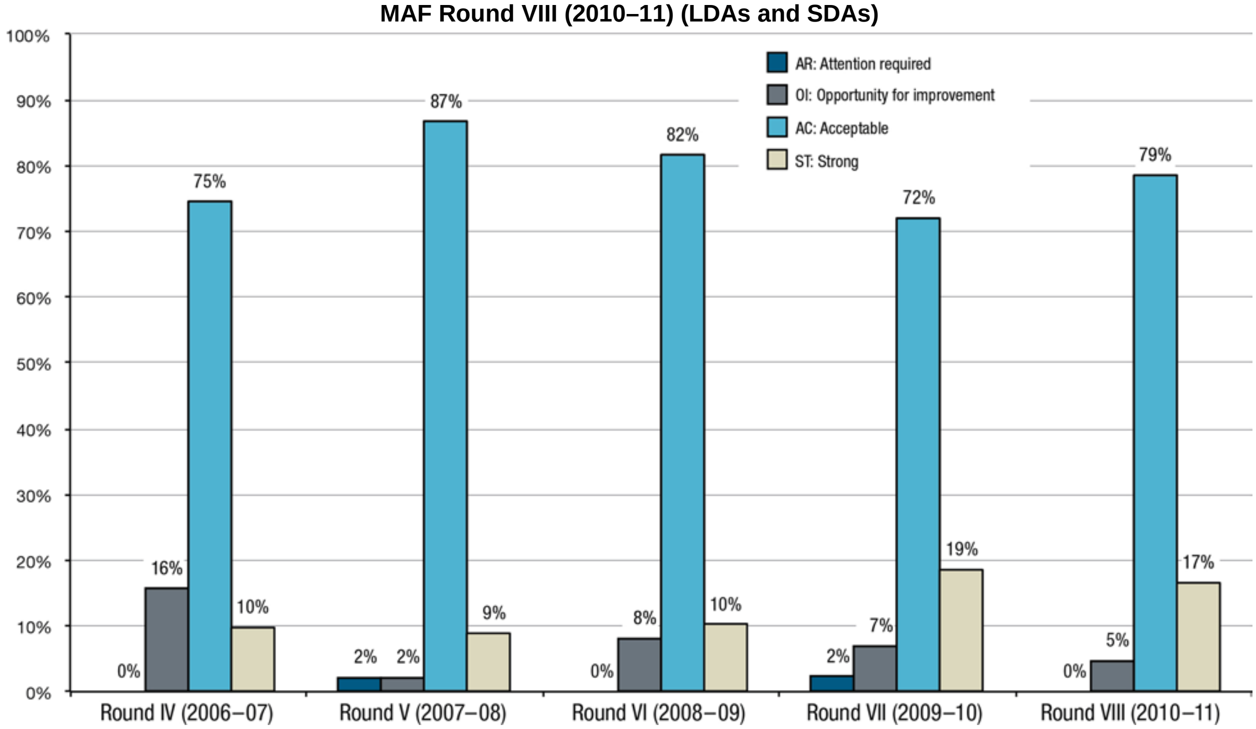
Assets and Acquired Services

Assets and acquired services comprise three distinct functional areas: procurement management, asset management, and investment and project management planning. Each area is presented separately in the following, but, overall, all continue to perform well and have been relatively stable in the last few years.

Procurement (Area of Management 11)

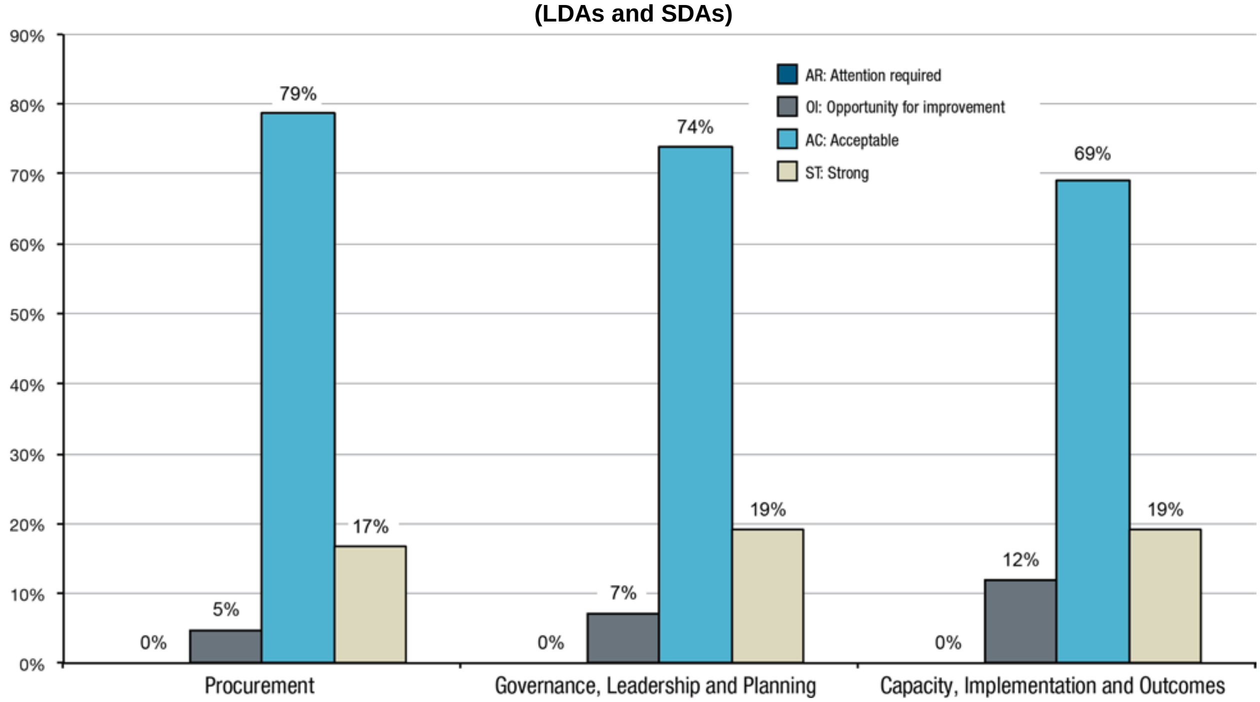
The procurement function’s MAF performance continues to be strong and is virtually unchanged from previous Rounds.

Figure 5. Procurement Management Ratings From MAF Round IV (2006–07) to MAF Round VIII (2010–11) (LDAs and SDAs)



Breaking down these overall results by individual line of evidence reveals no systemic weakness across the federal government. Ninety-five per cent of assessed organizations have a “strong” or “acceptable” rating, partly because of the maturity of the *Contracting Policy* (see Figures 5 and 6).[ix]

Figure 6. MAF Round VIII (2010–11) Procurement Management and Its Lines of Evidence Ratings (LDAs and SDAs)



Some departments are implementing human resources best practices in the procurement field. This is particularly important in order to reinforce innovative initiatives related to capacity in managing procurement activities. The following are specific examples taken from the Management Accountability Framework exercise:

1) Creation of departmental Purchasing and Supply (PG) mentor positions: Newcomers to the organization are paired with more experienced employees (mentors) in order to obtain information, lessons learned and advice as they advance in the organization. The benefits are positive for the organization, encouraging retention, improving productivity, elevating knowledge transfer, and retaining the practical experience and wisdom of experienced employees.

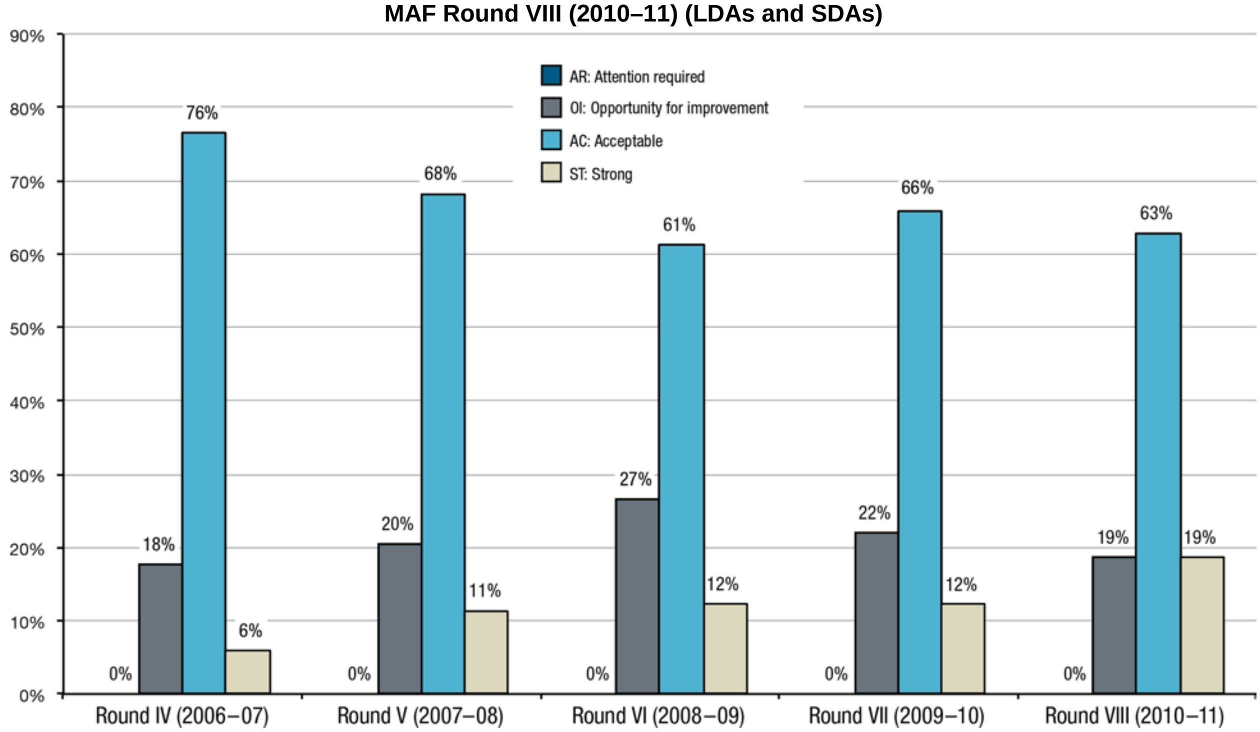
2) Creation of PG cross-training opportunities: Cross-training involves teaching an employee who was hired to perform one job function the skills required to perform other job functions. Cross-trained employees become skilled at tasks outside the usual parameters of their responsibility. When teams are effectively cross-trained, the organization is more flexible. Cross-training is a good way to break down the “silo” mentality and encourage cooperation among divisions. It also raises awareness of the responsibilities of other groups within the organizations and increases capacity to cope with unexpected absences.

3) Creation of a PG contract-monitoring and reporting-specialist position: This specialist reviews client procurement requirements and makes recommendations before submission to the contracting process. This position also consolidates and improves procurement reporting to meet trade and socio-economic obligations.

Asset Management (Area of Management 14)

Overall, the asset management function continues to perform well, with 19 per cent of departments and agencies now scoring a "strong" rating in Area of Management (AoM) 14 (see Figure 7). The improved asset management ratings in Round VII and VIII may be partially because of the transfer of the investment planning line of evidence from this AoM to the Project Management and Investment Planning AoM in 2009–10. A number of departments had low ratings in the investment planning line of evidence in Rounds IV, V and VI.

Figure 7. Asset Management Ratings From MAF Round IV (2006–07) to MAF Round VIII (2010–11) (LDAs and SDAs)

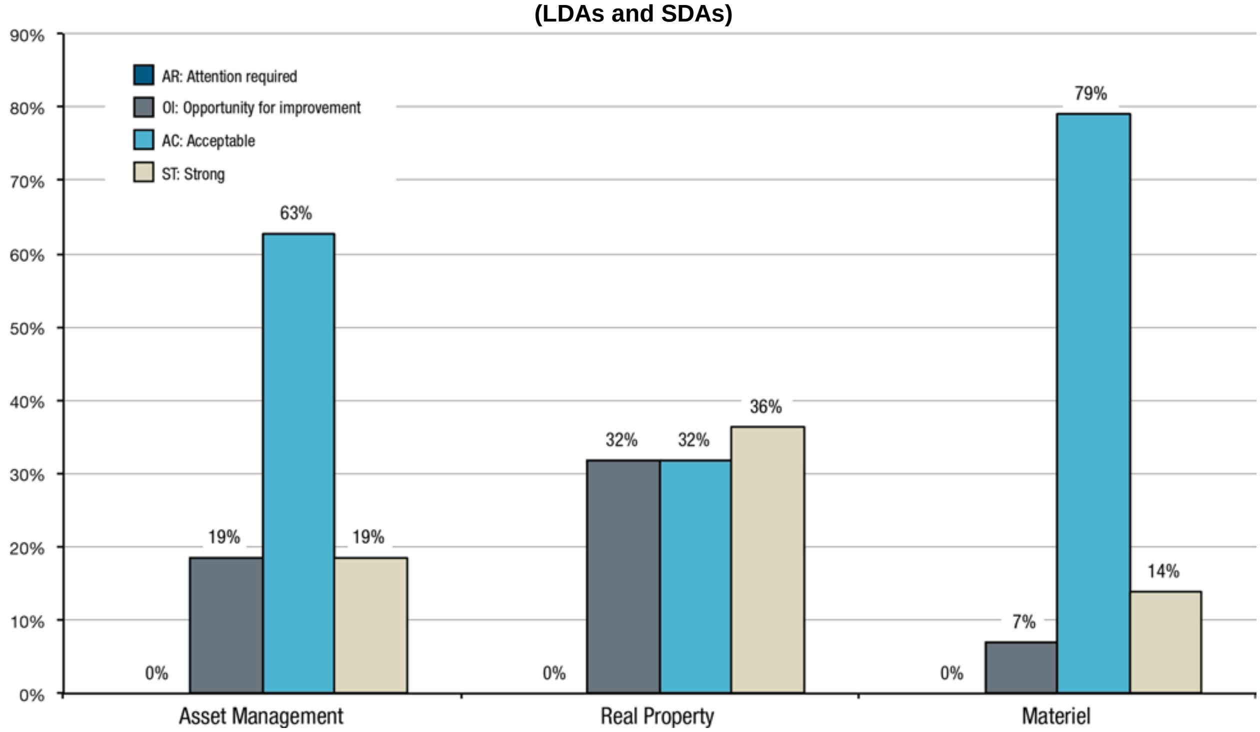


An analysis of the overall scores reveals that departments and agencies continue to do better in materiel management than in real property management (see Figure 8). One reason is that the complexity, value and size of many departmental real property holdings presents a higher risk than materiel holdings, and management expectations are therefore higher. Further, many of the departments assessed have no real property holdings and have only a limited materiel asset base, and so the level of evidence required for these organizations to achieve an "acceptable" rating or higher is less onerous.

Departments are engaging in numerous green initiatives in managing their materiel. Several environmentally friendly best practices and initiatives have been identified in the Management Accountability Framework process. These initiatives range from environmentally friendly disposal of e-waste to the operation of light-duty vehicles for departmental and executive use, with an aim of reducing greenhouse gas emissions.

A department that recently had a "strong" rating in the real property line of evidence developed a due diligence checklist that could be used as a best practice by other federal custodians. The checklist records the necessary steps for the acquisition and disposition of federal real property. Employees, both experienced and new, can use the checklist to verify that all Treasury Board real property policy requirements have been met before they finalize transactions.

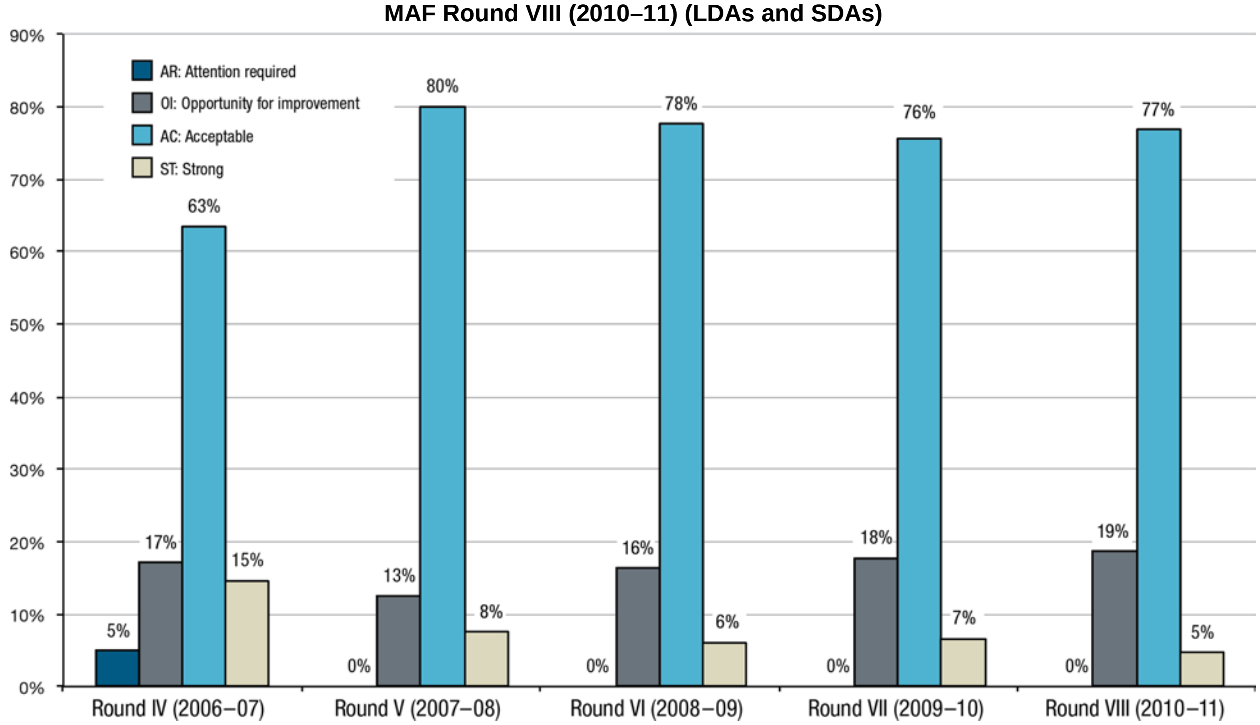
Figure 8. MAF Round VIII (2010–11) Asset Management and Its Lines of Evidence Ratings (LDAs and SDAs)



Investment Planning and Management of Projects (Area of Management 15)

Overall, the performance of activities related to the investment planning and management of projects has remained relatively stable since departments were last assessed (see Figure 9). As expected, departments that have completed the transition to the new *Policy on Investment Planning—Assets and Acquired Services*[x] and the new *Policy on the Management of Projects*[xi] fared better than those that have not yet completed the transition.

Figure 9. Project Management Ratings From MAF Round IV (2006–07) to MAF Round VIII (2010–11) (LDAs and SDAs)



Breaking down these overall results by individual line of evidence suggests that most departments and agencies are performing well in managing their portfolio of projects, project resources and project results, with the latter significantly improving over last year.

Investment planning continues to be a challenge for many departments, and scores in this area have declined since Round VII. Investment planning was rated as “strong” for departments that have produced a long-term integrated investment plan. This reflects the management performance needed to produce an effective plan at the enterprise level.

The expectation is that departments will continue to identify opportunities to improve and better integrate their resource allocation and decision-making practices as they align with the requirements of the *Policy on Investment Planning—Assets and Acquired Services*.

Conclusion

Overall, the MAF results are favourable and continue to improve, but challenges remain. Specifically, there are ongoing concerns regarding capacity and sustainability; this issue is particularly relevant given the current economic context and the need for departments and agencies to realize significant savings.

The OCG is committed to continuing to improve lines of evidence to assess the performance of comptrollership functions and streamline the reporting burden on departments.

We will continue to update our assessment of the health of the internal audit, financial management and assets, and acquired services functions going forward.

Office of Comptroller General of Canada: Highlights of Accomplishments in 2011–12 and Priorities for 2012–15

Highlights in 2011–12

The Office of the Comptroller General's (OCG's) March 2011 *Report on the State of Comptrollership in the Government of Canada* summarized key priorities in the areas of internal audit, financial management, and assets and acquired services. It provided a three-year plan (2011–12 to 2013–14) of the policy, operations and community initiatives that the OCG was undertaking. The following tables highlight key activities accomplished to March 31, 2012.

Financial Management

Area	Financial Management	Update
Policy	Support the chief financial officer's (CFO's) sign-off/attestation role.	The OCG is in the process of drafting a guideline to provide a common approach and framework for CFOs for signing off on Memoranda to Cabinet and Treasury Board submissions that will support informed decision making. Following consultations, the document will be ready for approval in 2012–13.
	Provide guidance on user fee management.	Three sub-activities were completed to develop guidance on user fee management: analysis of options and drafting of potential requirements, alignment of future guidance with the *User Fees Act* and other relevant policies, and recommendation of draft policy instruments. The OCG will commence consultations with appropriate stakeholders in 2012–13 with a view to finalizing the policy instruments.
	Improve efficiencies in the financial legislative framework.	The OCG led the development of legislative changes that culminated in the coming into force of a new section of the *Financial Administration Act*. Section 29.2 authorizes departments (within prescribed limitations) to provide internal support services to, and receive internal support services from, other departments. The OCG has put in place a new directive to support the orderly implementation of the new legislative provisions.
	Implement the *Directive on the Management of Expenditures on Travel, Hospitality and Conferences*.	The directive came into force in January 2011. Departments published their first annual reports on their total expenditures related to travel, hospitality and conferences in fall 2011.

Area	Financial Management	Update
	Standardize financial business processes and common financial information.	The OCG is delivering on its commitment to complete the *Guideline on Common Financial Management Business Process 3.1—Manage Procure to Pay* and the *Guideline on Common Financial Management Business Process for Pay Administration*. As well, additional guideline documents are in development. The Common Enterprise Data Initiative continues to refine the data standardization strategy, which is designed to help the flow and quality of key data by establishing standards. This initiative is on track to produce project guidelines by the end of the fiscal year.
	Update and rationalize requirements under the *Policy on Transfer Payments*.[1]	The *Policy on Transfer Payments* and *Directive on Transfer Payments* were updated to provide ministers and deputy heads with increased authorities to amend program terms and conditions. In addition, the previous plan to submit a three-year plan for transfer payment programs to the Treasury Board of Canada Secretariat by April 1 of each year was integrated into departmental Reports on Plans and Priorities (RPPs). With the policy changes, the three-year plan has now been integrated into departmental RPPs on an ongoing basis.
Operations	Make financial information more open.	Research was conducted to identify international open data practices, the Government of Canada's financial information currently available to the public, and other financial information sources that could be open to the public. In addition, the OCG is monitoring the implementation of the Parliamentary Budget Officer's Integrated Monitoring Database and other projects related to open data initiatives.
	Reduce reporting burden by eliminating duplication in the Public Accounts of Canada.	An analysis was conducted to identify duplications in the Public Accounts of Canada. Approval for a Parliamentary engagement plan to consult on changes to the Public Accounts will be sought in 2012–13.
	Improve departmental knowledge of accounting and reporting requirements.	Support was provided to departments and agencies in implementing accounting changes, including but not limited to the transition to new standards and their implementation. This included international financial reporting standards, public sector accounting standards, Canadian accounting standards, and the implementation of quarterly financial reporting and Treasury Board Accounting Standards (TBAS 1.2). Compliance monitoring was conducted through the Management Accountability Framework (MAF), and feedback was provided to departments on areas that required improvement.

1. Priority added during the fiscal year.

Area	Financial Management	Update
	Complete implementation of the *Policy on Internal Control*.	Implementation was conducted in a phased approach and is currently 80 per cent complete. Phase I departments have published their second annual report on the management of internal control. Phase II departments have published their first reports, and the remaining departments are well positioned to publish their reports in 2012.
	Development of guidance and tools to support standardized and efficient practices in the delivery of grants and contributions (Gs&Cs).[2]	The OCG led interdepartmental working groups that developed a Gs&Cs risk management approach and a common business process framework for life-cycle management of Gs&Cs. An interdepartmental workshop was also held on the harmonization and standardization of transfer payment programs.
	Improve departmental efficiencies in the delivery of Gs&Cs.[3]	Through outreach to departments and by providing ongoing support to departmentally led pilot projects, the OCG addressed perceived policy and legal barriers and shared expertise on interdepartmental Gs&Cs delivery models.
Community	Support the development of future CFOs through talent and community management and by addressing competency gaps.	The CFO succession risk assessment is being conducted on an ongoing basis, as is the Financial Executive Profile, enabling identification of priority areas for accelerated learning and development and for CFO succession planning.
	Advance the community-based program on capacity within the financial management community.	The Financial Officer Recruitment and Development (FORD) Program has met 55 per cent of its annual entry-level officer placement goals. Recruitment activities have begun for the 2012–13 year. Placement for all cohort 2 individuals has been successfully secured.
	Revise and update the training course for transfer payment departmental practitioners.	The OCG updated the Canada School of Public Service course on transfer payments.

2. Priority added during the fiscal year.
3. Priority added during the fiscal year.

Internal Audit

Area	Internal Audit	Update
Policy	Revise the *Policy on Internal Audit* to respond to results of the evaluation (June 2011).	The revisions to the *Policy on Internal Audit* were approved by Treasury Board on March 29, 2012, and the revised policy came into effect on April 1, 2012.
	Develop guidance for internal auditors regarding their role in internal control over financial reporting.	Draft guidance on roles and responsibilities regarding internal control over financial reporting has been developed and was presented to the Comptroller General's Advisory Council for comments.
Operations	Undertake core control audits in small departments and agencies in the areas of human resources, financial management, contracting, travel and hospitality, and payroll.	Since April 2011, 11 core controls audits have been completed.
	Perform horizontal audits in small departments and agencies (SDAs) and large departments and agencies (LDAs) to address areas of government-wide risk, including governance (for SDAs), common services (for LDAs) and information management (for SDAs and LDAs).	Since April 2011, 6 horizontal audits in a total of 28 LDAs and 31 SDAs have been completed.
	Improve internal audit intelligence through analysis of audit-related information, and identify best practices.	Analysis of risk-based audit plans (2010–11) was completed and provided to all chief audit executives (CAEs), and an analysis of internal audit reports completed in fiscal year 2010–11 was provided to CAEs and Treasury Board policy centres.

Area	Internal Audit	Update
Community	Revise core training courses and delivery mechanisms for departmental audit committees.	The University of Ottawa has taken on responsibility for the departmental audit committee courses.
	With the Institute of Internal Auditors (IIA) and the Canada School of Public Service (CSPS), develop new learning delivery models for internal audit training.	An agreement has been reached whereby the OCG's Internal Audit Sector will be using IIA Ottawa chapter venues to offer new learning opportunities that include webinars and online training. The CSPS will continue to offer regular training.
	Support succession planning for departmental audit committees and update the terms and conditions of appointment.	Guidance on succession planning has been developed. Departmental audit committee terms and conditions are being updated to reflect revisions to the *Policy on Internal Audit*.
	Support increased professionalism in internal audit, including setting requirements for certification for CAEs.	A clear statement of CAE requirements has been provided to the internal audit community and included in the revised policy.
	With the Office of the Chief Human Resources Officer (OCHRO), research the establishment of internal auditor classification, group or stream.	The OCG is working with OCHRO to address the internal auditor classification issue.
	Support talent management for CAEs and internal auditors, including core competencies, training, and promotion and retention from entry level to the CAE level.	Core competencies and generic work descriptions have been developed and made available to the internal audit community. In addition, coaching and mentoring services have been provided to CAEs.

Assets and Acquired Services

Area	Assets and Acquired Services	Update
Policy	Amend the *Policy on Management of Real Property* to transition to capacity-based transaction approval limits.	Treasury Board approval of amendments to the *Policy on Management of Real Property* to facilitate the transition to capacity-based transaction approval limits was obtained in November 2011.
	Renew the *Policy on Decision Making in Limiting Contractor Liability in Crown Procurement Contracts*.	The renewal of the *Policy on Decision Making in Limiting Contractor Liability in Crown Procurement Contracts* has now been aligned with broader procurement policy renewal work.
	Rescind the *Procurement Review Policy*.	Approval to rescind the Treasury Board's *Contracting Policy*, the *Policy on Decision Making in Limiting Contractor Liability in Crown Procurement Contracts* and the *Procurement Review Policy*, and approval of the four new policy instruments (the *Policy on Managing Procurement*, the *Directive on Contracting Approval*, the *Directive on Crown Procurement Contracting* and the *Directive on Limiting Contractor Liability*) are awaiting Treasury Board consideration.
	Amend the *Government Contracts Regulations*.	The amendments came into force on September 22, 2011, and were officially promulgated by the *Canada Gazette* on October 12, 2011. Two separate Contract Policy Notices were prepared and issued to the stakeholder community to inform it of the changes. The OCG is preparing to launch a second round of *Government Contracts Regulations* amendments.
Operations	Implement the Federal Contaminated Sites Action Plan (Phase II).	Cabinet approved Phase II of the Federal Contaminated Sites Action Plan in June 2011, and Treasury Board approved Phase II funding for 18 departments in September 2011. Incremental new funding was indentified in Budget 2011 to facilitate implementation of Phase II.

Area	Assets and Acquired Services	Update
	Implement the *Policy on Managing Procurement* and the two related directives.	As previously indicated, the policy and directives are awaiting Treasury Board consideration.
	Implement the *Policy on Investment Planning—Assets and Acquired Services* and the *Policy on the Management of Projects*.	April 1, 2012, marked the end of the five-year transition period for the Treasury Board *Policy on Investment Planning—Assets and Acquired Services* and the *Policy on Management of Projects*. As of that date, the outgoing policies were rescinded and 99 departments are now subject to the new policies, with 2 departments having secured extensions from the Treasury Board. Of the departments now subject to the new policies, 21 have completed an Organizational Project Management Capacity Assessment (OPMCA), and their resulting OPMCA class has been approved by Treasury Board ministers in consideration of their departmental investment plans. These departments accounted for approximately 70 per cent of the Government of Canada's spending on assets and acquired services in 2010–11. The new online application Callipers was successfully launched, providing departments and the Secretariat with real-time access to the Project Complexity and Risk Assessment tool and the OPMCA tool.
Community	Enhance the Certification Program for the Federal Government Procurement and Materiel Management Community.	Subsequent to a review of material for the Certification Program for the Federal Government Procurement and Materiel Management Community, various courses and manuals have been updated and other updates are underway. A series of 15 information sessions and Candidate Achievement Record workshops were delivered in the National Capital Region and other Regions. The Personal Information Bank for the certification program is being updated to improve access to the information in order to better support enrollees in completing their certification.
	Develop Level II assessments for the Certification Program for the Federal Government Procurement and Materiel Management Community.	The Level II Case Study for Procurement and the associated scoring grid and evaluator's training guide have been finalized based on the evaluation of the results of the pilot exams.
	Conduct a mandated five-year review of the Canadian General Standards Board's (CGSB's) *Competencies of the Federal Government Procurement, Materiel Management and Real Property Community*.	A decision to no longer maintain the CGSB's *Competencies of the Federal Government Procurement, Materiel Management and Real Property Community* (CGSB-192.1-2005) was endorsed by the Procurement, Materiel Management and Real Property Communities Director General Steering Committee. In its place, competency dictionaries for each community will be posted on the Secretariat's website. Review of the competencies by interdepartmental working groups for each community is in progress, and a consultation-ready draft is slated for completion by the end of the 2012–13 fiscal year.

Priorities for 2012–15

Area	Internal Audit	Financial Management	Assets and Acquired Services
Policy	Develop a performance management framework to support the ongoing assessment of the implementation of the *Policy on Internal Audit*. Develop guidance for the internal audit community on chief audit executive (CAE) and departmental audit committee (DAC) reports.	Initiate the next phase of reform for grants and contributions (2011–13). Develop a guideline on chief financial officer (CFO) sign-off. Advance the renewal of the *Policy on Special Revenue Spending Authorities*. Develop a directive on user fee management.	Obtain approval of the *Policy on Managing Procurement* and its three related directives and guides. Initiate changes to the *Government Contracts Regulations* (Round II). Initiate the five-year review of the *Policy on Investment Planning—Assets and Acquired Services* and the *Policy on the Management of Projects*. Initiate the five-year review of the *Policy on Management of Real Property* and the *Policy on Management of Materiel*. Review the *Common Services Policy*.
Operations	Implement the revised *Policy on Internal Audit*. Undertake core control audits in small departments and agencies (SDAs). Perform horizontal audits in SDAs and large departments and agencies (LDAs). Provide internal audit services to the Regional Development Agencies cluster and selected SDAs. Develop internal audit intelligence reports that analyze departmental risk-based audit plans and reports.	Lead the independent review of National Fighter Procurement Action Plan. Reduce reporting burden by eliminating duplication in the Public Accounts of Canada. Develop the Business Solutions Project. Advance the Common Enterprise Data Initiative. Continue to implement Common Business Practices.	Implement Phase II of the Federal Contaminated Sites Action Plan (Phase II). Develop data extracts from the Directory of Federal Real Property and the Federal Contaminated Sites Inventory for inclusion on the government's Open Data Portal. Implement capacity-based real property transaction approval limits. Implement the *Policy on Investment Planning—Assets and Acquired Services* and the *Policy on the Management of Projects*.

Area	Internal Audit	Financial Management	Assets and Acquired Services
	Develop and implement a quality assurance improvement program for horizontal and core control audits; update the practice inspection guidebook. Develop a three-year plan for Management Accountability Framework (MAF) criteria and indicators.	Complete transitional implementation of the *Policy on Internal Control* (2012–13 to 2013–14). Develop a framework to support the five-year review of policies on financial management and the *Policy on Transfer Payments*.	
Community	Process DAC appointments and renewals. Review DAC appointment process and terms and conditions. Work with the Office of the Chief Human Resources Officer to address internal audit classification issues. Develop and implement tools to support internal audit and CAE talent management.	Develop the five-year Competency-Based Financial Management Community Development Strategy 2013–18. Develop and implement a CFO and deputy CFO talent management and succession planning process. Modernize the Financial Officer Recruitment and Development / Internal Auditor Recruitment and Development (FORD/IARD) Program. Finalize amendments to the Chartered Accountant Student Training (CAST) Program guidelines. Facilitate integration of CAST cohorts 2 and 4 into the financial management community.	Create and publish competency dictionaries for the procurement, materiel management and real property communities to replace the Canadian General Standards Board's *Standard Competencies of the Federal Government Procurement, Materiel Management and Real Property Community*. Complete the 2012 Real Property Demographic Workforce Analysis and Profile. Enhance the Certification Program for the Federal Government Procurement and Materiel Management Community, and launch Level II certification.

Part II: Three Research Papers on Aspects of Comptrollership in Canada

Sustaining the Chief Financial Officer Suite: The Case for a Community-Based Approach to Chief Financial Officer Talent Management and Succession Planning

The Evolving Role of the Chief Financial Officer

Introduction of the Chief Financial Officer Model Redefined the Vision

The Government of Canada formally adopted the Chief Financial Officer (CFO) Model with the coming into force of the Treasury Board *Policy Framework for Financial Management*[xii] on June 1, 2010. The framework broadly sets out the distinct yet interrelated roles of those responsible for financial management in government:

- Deputy heads, as accounting officers, are accountable before Parliament for their management responsibilities, including financial management;
- CFOs directly support deputy heads—they are the lead departmental executives for financial management, providing key objective strategic advice on the overall stewardship of a department's financial management culture and its performance; and
- The Comptroller General of Canada provides functional direction for financial management, fosters best practices, and ensures that government financial management practices are aligned with the principles and supporting instruments of the *Policy Framework for Financial Management.*

The *Policy on Financial Management Governance*,[xiii] one of the key policy instruments underpinning the Treasury Board *Policy Framework for Financial Management*, further elaborates on these roles and responsibilities and on the nature of the support that CFOs are expected to provide to their deputy heads. The strategic advisor role identified in the framework is expanded upon to include independent and objective recommendations on all funding initiatives and resource allocations that require the deputy head's approval. The policy also identifies the CFO as, among other things:

- The key steward of relevant legislation, policy and directives;
- The senior executive responsible for developing, communicating and maintaining the departmental financial management framework; and
- The senior executive responsible for providing leadership and oversight on the proper application and monitoring of financial management across the department.

In turn, the reliance that deputy heads have on their CFOs is reinforced through a policy requirement for a direct reporting relationship between the two. In addition, the policy specifically makes deputy heads responsible for the appointment of a suitably qualified CFO. Deputy heads are to ensure that the Comptroller General, or his or her representative, is a member of any CFO selection committee. This is to reflect the fact that the Office of the Comptroller General (OCG) has functional leadership over the financial management community, including CFOs.

The introduction of the CFO Model, and the policy suite that supports it, established a new vision for financial management across government: a vision rooted in accountability. Roles and responsibilities of all players are clearly articulated, and the interrelationships between these roles are critical to the success of the model. Although individual departmental accountabilities for financial management rest with deputy heads and the CFOs who support them, the OCG has overarching responsibility for the financial management function government-wide, including the development of sustainable capacity of the community.

Comparing Private and Public Sector CFOs

In many ways, the evolution of the CFO's role in the federal government mirrors that of the CFO in the private sector. Beyond the requirement for increased accountability and transparency, however, a more fundamental shift has occurred. The private sector CFO has, for a long time, been expected to be a key business partner who provides valuable insight to support corporate decision making. Today, the federal government CFO is expected to play a comparable role, i.e., to be a key strategic advisor to the deputy head and to provide him or her with an objective, department-wide perspective on all business matters. This represents a significant change in role.

Studies on the CFO function undertaken by IBM[4, xiv] provide insight into how government CFOs around the world perceive their role, and their effectiveness in that role, compared with their private sector counterparts. Key activities were divided between those considered core finance and those considered enterprise-focused (see "Core Finance Activities" and "Enterprise-Focused Activities" below). Although government CFOs considered enterprise-focused activities important, their assessment of their own finance organizations' effectiveness in undertaking these activities was appreciably lower than was the case for private sector CFOs.

Core Finance Activities

- Strengthening compliance programs and internal controls
- Developing people in the finance organization
- Executing continuous finance process improvements
- Driving finance cost reduction

4. *The New Value Integrator: Insights From the Global Chief Financial Officer Study*, IBM Corporation, 2010.

Enterprise-Focused Activities

- Measuring and monitoring business performance
- Providing inputs into enterprise strategy
- Driving enterprise cost reduction
- Supporting, managing and mitigating enterprise risk
- Driving integration of information across the enterprise

The realities in which government and private sector CFOs function are undeniably different. Government CFOs operate within a complex legislative and policy framework and must react to rapidly shifting political priorities. That said, acknowledging the gap between government and private sector CFOs identified in the study is worthwhile; it confirms the role that effective CFOs must play in modern organizations and speaks to the need in the public sector for competency development initiatives to ensure that these expectations are met.

Significant Transformation of the Financial Management Function

The introduction of the CFO Model to the federal government was seen as a critical step to improving financial management and accountability. It also signalled a major response to the sponsorship scandal and as such is directly linked to the *Federal Accountability Act*.[xv] Accordingly, the transformation of the financial management function in recent years has been extensive.

To ensure professionalism in implementing the CFO Model, the Treasury Board of Canada Secretariat issued the *Guideline on Chief Financial Officer Qualifications*.[xvi] The guideline is based on the premise that the qualifications of CFOs are critical to the credibility, and to the perception of credibility, of the financial management functions they lead. CFOs and deputy CFOs (DCFOs) are each expected to have an appropriate combination of education, professional qualifications, experience and competencies in order to fulfill their duties. Under the guideline, in appointing CFOs, preference in all cases should be given to candidates who have a professional accounting designation. In all but the smallest departments, the guideline expects that, between the CFO and the DCFO, at least one possesses such a designation.

The *Policy on Financial Management Governance* came into force on April 1, 2009, and departments were expected to align their practices with those set out in the related *Guideline on Chief Financial Officer Qualifications* by that date. Given the consultative nature of the policy development process, the financial management community was aware of, and already responding to, the direction that the Secretariat was taking well before the policy instruments were finalized. As outlined in Table 1, the professionalization of the function has advanced overall, particularly with respect to accreditation. There is also greater capacity across the financial management community at the executive level than there has been in terms of this key attribute of the CFO Model.

Table 1. Executive Education and Accreditation: Public Service Financial Management Community Survey Results

Proportion of Executive (EX) Respondents	2003	2009
Proportion of EX respondents who have a bachelor’s degree or higher	82%	90%
Proportion of EX respondents who have a professional accounting designation	50%	70%

The progress made by the community in recent years has not gone unnoticed by the Auditor General. In Chapter 1 of her *Status Report of the Auditor General of Canada to the House of Commons* (2011),[xvii] Auditor General Sheila Fraser noted that in all the departments implicated in the audit, CFOs met the requirements for their positions and that the roles, responsibilities, authorities and accountabilities assigned to them complied with the *Policy on Financial Management Governance*. The audit report also confirmed that CFOs have assumed the key strategic advisor role that is at the heart of the evolution of the CFO within government. The report cited examples of change within departments influenced by the CFO’s advice and noted the considerable increase in the number of CFOs and DCFOS who hold a professional accounting designation compared with earlier years:

> In 2002, when we first reported on this issue, only 33 percent of senior financial officers had recognized professional accounting designations. In 2010, we found that 82 percent of chief financial officers and 82 percent of the deputy chief financial officers in the 22 largest departments had these designations. While the *Guideline on Chief Financial Officer Qualifications* requires that at least one of these officers hold one such designation, in many departments, both officers held designations. This is a significant improvement across the government since we first reported on this issue eight years ago. This high level of professional qualification provides the large departments with the skills and competencies to continue the work to fully meet the requirements of the financial management and control policies. (p. 21)

The successful appointment of so many highly qualified CFOs in such a relatively short period of time is a major accomplishment and has greatly contributed to the progress we have observed in financial management such as that noted in the first *Report on the State of Comptrollership in the Government of Canada* (2011):[xviii]

- On internal control: “Broadly speaking, departments have already been enhancing their efforts to manage their systems of internal control to ensure they are effective.” (p. 10)
- On financial reporting: “In 2009–2010, MAF ratings on the quality of departmental financial statements for 90 per cent of departments and agencies were rated as ‘acceptable’ or ‘strong.’” (p. 12)
- On financial systems: “Governance models for departmental financial management systems were strong, which enables senior management to better identify, integrate and address financial management systems issues that arise.” (p. 13)

This recruitment effort benefited from the existence of a large cadre of highly qualified and experienced financial management executives who were ready to assume the mantle of CFO.

Meeting Future Needs

The Challenges of CFO Demographics

Across government and among its leadership ranks in particular, the aging of the baby boom generation, coupled with the impact of program review in the mid-1990s, is being felt, as emphasized in the *Fourth Report of the Prime Minister’s Advisory Committee on the Public Service* (2010):

> A complete transformation in the leadership of the public service is taking place as the retirement of the post-war generation and the cessation of recruitment in the mid-1990s play out. In the near term, the effect of this changeover is churn in the senior ranks….
>
> Within this context, the importance of rigorous talent management, including succession planning, cannot be overstated. (p. 7)

The CFO community has been faced with this demographic challenge in recent years and is expected to continue to be affected.

In May and June 2011, the OCG conducted interviews with 67 CFOs across government as part of a community-wide succession risk assessment. Almost all Tier 1 and Tier 2 CFOs[5, xix] were interviewed, as were about half of Tier 3 CFOs. Of these 67 CFOs, 18 (27 per cent) indicated

---

5. Tier distinctions are based on Appendix A of the *Guideline on Chief Financial Officer Qualifications*.

that they were likely or very likely to retire within the next three years. In addition, CFO vacancies will arise when CFOs seek lateral or promotional appointments.

Given that the vast majority of CFO positions are filled from within the existing financial management community, and at times from within the existing CFO community, an individual retirement or other move out of a CFO position can have a domino effect to varying degrees throughout the community, magnifying the degree of churn across the financial management senior ranks.

Although retirement projections for the CFO community are not unique in the whole-of-government context, they are material. Encouragingly, the CFO interviews indicated that there is a considerable pool of talent available from which to draw successors. The challenge will be to ensure that these candidates possess the full range of competencies necessary for the CFO role of today.

Aligning Competencies With Today's Requirements

Given its mandate to support the development of sustainable capacity of the financial management community and the fact that the DCFO population is the primary feeder group for CFO positions, the OCG recently ran collective staffing processes for DCFO positions at the EX-02 and EX-03 levels (see Table 2). The intention of these processes was to establish pre-qualified pools at both levels from which departments could draw to fill vacancies as they arise. The processes were open to public servants and to the public, and drew applicants from across the country.

Table 2. Summary of EX-02 and EX-03 Collective Staffing Processes

Step in Staffing Process	EX-02 Process	EX-03 Process
Applications received	250	167
Applicants screened in	73	27
Applicants placed in pre-qualified pool	9	4

The performance of many candidates on the written exam (in the case of the EX-02 process) and at the interviews (in both processes) demonstrated an absence of strategic thinking and analysis. These candidates, many of whom were known within the CFO community to be otherwise strong performers, did not qualify for the pool. It is noteworthy that external candidates, particularly in the EX-03 process, demonstrated these competencies more frequently than internal candidates did, an observation consistent with the IBM study referred to earlier.

Candidates' performance in these collective processes appears somewhat at odds with data recently collected by the OCG on how financial management executives perceive their own strengths and weaknesses. The 2011 financial executive profile gathered information from 121 individuals at the EX-01 to EX-03 levels within financial management organizations. Participants were asked to identify their level of knowledge and experience in a variety of fields of practice that were organized among four roles from a proposed CFO Competency Model (see Appendix A, "Proposed Chief Financial Officer Competency Model"). More than three quarters of EX-01 and EX-02 respondents and almost all EX-03 respondents self-assessed as either "experienced" or "expert" in the strategist role (see Table 3).

Table 3. Financial Executive Profile Competency Self-Assessment

Self-Assessed Level of Competency	**Steward Role** The steward is oriented toward robust resource management, control rationalization and financial information quality.			**Operator Role** The operator is oriented toward best practices of the finance function itself.			**Catalyst Role** The catalyst is oriented toward best practices of the entire organization.			**Strategist Role** The strategist is oriented toward long-term strategic issues and is outwardly directed.		
	EX-01 and EX-02	**EX-03**	**Total**	**EX-01 and EX-02**	**EX-03**	**Total**	**EX-01 and EX-02**	**EX-03**	**Total**	**EX-01 and EX-02**	**EX-03**	**Total**
Expert	28%	41%	**31%**	27%	29%	**25%**	26%	47%	**31%**	22%	50%	**28%**
Experienced	45%	40%	**44%**	35%	47%	**38%**	50%	38%	**50%**	55%	46%	**53%**
Aware	25%	19%	**24%**	33%	22%	**32%**	20%	14%	**19%**	23%	4%	**19%**
Unfamiliar	2%	0%	**1%**	5%	2%	**5%**	1%	0%	**0%**	0%	0%	**0%**

Given that many internal candidates failed to demonstrate competencies associated with the strategist role and yet the vast majority of the executives surveyed self-assessed favourably in this regard, a misalignment of expectations between financial executives and their superiors may be in evidence. This disconnect has been previously noted, as feedback from deputy heads who are involved with CFO selection processes consistently indicates that they do not feel confident that many candidates would able to fulfill this role in their organization. There appears to be a need to recalibrate and communicate expectations, and to pursue professional development and other interventions to ensure that otherwise qualified candidates can advance in their financial management careers.

The Need for Formalized Succession Planning

Notwithstanding the evidence of pending churn in the ranks of CFOs and DCFOs, few departments are actively managing the issue. Among the 67 departments that participated in the succession risk assessment mentioned previously, only 21 per cent had a documented CFO succession plan. For DCFO positions, the incidence of documented succession plans was even lower, at only 15 per cent of departments. The problem is particularly acute within smaller departments and agencies; for these, it is well acknowledged that succession planning is inherently challenging. Of the 25 Tier 3 departments that participated, only 3 had a documented CFO succession plan, and only 2 had such a plan for the DCFO position.

During the interviews, CFOs were asked to identify potential successors for their positions, from inside or outside their own department, and the timeline by which they felt the individuals would be ready to assume the CFO role. The extent to which they were able to identify potential successors varied; in many cases, CFOs could not identify anyone. Where CFOs did not identify any potential internal successor, the reasons varied. In some cases, they indicated that individuals in the feeder group lacked certain competencies that are required to assume the CFO role. In other instances, CFOs indicated that some individuals were not considered likely potential successors because they did not have these particular career aspirations or because their retirement was pending.

The CFOs were also asked to identify potential CFO successors for other departments (i.e., where they saw a good potential fit); however, very few could offer specific names.

Evident in CFO responses to questions about succession planning is a low awareness, community-wide, of potential CFO successors. Fortunately, although some CFOs could not identify any potential successors, others were able to name multiple individuals. As a result, when the responses were considered collectively, a relatively large body of potential CFO talent was identified, albeit with different timelines associated with full CFO readiness. The challenge ahead is not only to identify and facilitate the most efficient means to accelerate this state of readiness, but to do so as a community where supply and demand for talent are managed more broadly for the betterment of the financial management function across government.

The Need to Actively Manage Ongoing Transformation

At the outset of the two OCG data collection efforts already mentioned, there was some perception within government of a shortage of potential future CFOs. The findings of the succession risk assessment and financial executive profile exercises put that perception to rest; there is no looming crisis in terms of the renewal of the current suite of CFOs and DCFOs. There is, however, work to be done.

There has been considerable movement in the CFO ranks in recent years, and the data collected indicates that this level of movement will be sustained for some time. As noted, although there are strong pools of feeder groups to fill these vacancies, the issue is candidates' readiness to assume the increasingly complex role of today's government CFO. As we move forward, we need to ensure that the transition is managed well. The solution is for the financial management community to take a well-coordinated and collective approach to CFO and DCFO talent management and succession planning.

The Office of the Comptroller General Has an Important Role to Play

A Community-Based Collective Response Is Key

The OCG is well positioned to lead this community-based initiative. As previously noted, it has the mandate to provide functional leadership and to support the development of sustainable capacity of the financial management community across government. In addition, the OCG has the perspective and expertise necessary to manage horizontally.

Whether it be in legislation or in policy, deputy heads' authorities, responsibilities and accountabilities, and those of the CFOs who support them, are always defined in terms of the departments they manage. It follows that, individually, their efforts in succession planning and talent management will be internally focused. However, given the common challenges faced by departments on this front, the solution can be delivered only through the community of departments acting collectively and collaboratively, a reality acknowledged by departments and endorsed by the Auditor General in her *Status Report of the Auditor General of Canada to the House of Commons* (June 2011):

> Given that a number of senior financial executives within government departments will be eligible to retire in the near future, it is important that departments have succession strategies in place to prepare for those retirements. We found that departments are at various stages in the process of putting succession strategies in place. In our view, departments should collaborate with the Office of the Comptroller General to ensure they have succession strategies to meet future needs. (p. 22)

The feedback received from the CFOs who participated in the interviews was unequivocal: there is a considerable desire for—and, in the eyes of many, an expectation of—leadership from the OCG on the issues of CFO competency development, talent management and succession planning. CFOs offered a variety of suggestions on what role the OCG might play and even what specific activities it might undertake. This input will be valuable as the OCG moves forward with an approach that takes an enterprise-wide view while respecting the role of deputy heads and the individuality of departments.

Building on Progress

To support deputy heads in fulfilling their responsibilities as accounting officers and to nurture a strong, capable and sustainable CFO and DCFO suite, the OCG intends to undertake the following:

- Regularly collect and analyze demographic and other data on the financial management community to forecast anticipated vacancies in the CFO and DCFO suite, and assess the capacity of feeder groups to meet the challenge;
- Work with deputy heads, CFOs and DCFOs to develop viable succession plans, including identifying and assessing potential internal successors;
- Refine the competencies expected of a CFO, building on the existing framework for the four roles of the CFO (steward, operator, catalyst and strategist), and in collaboration with deputy heads and financial management executives. The existing “FI-to-CFO Career Path” (see Appendix B, “DCFO Council FI-to-CFO Career Path”), which was developed by the DCFO Council, provides a starting point from which to identify the incremental experience, skills and competencies required to support sound career progression. Over the longer term, the OCG would integrate the key competencies of the four-role CFO Competency Model into a revised FI-to-CFO career path that reflects the expectations of deputy heads and current CFOs to help ensure that there is a steady reserve of senior financial management talent;
- Develop a suite of learning strategies and tools to accelerate the development of high-potential individuals (based on the above framework) while expanding external recruitment efforts;
- Continue to use collective staffing processes to fill vacancies (particularly targeted at smaller departments and agencies) and create a pool of high-potential pre-qualified individuals;
- Continue to participate as a member of CFO selection committees to ensure continuity, provide the deputy head with objective advice, and identify high-potential candidates and any readiness gaps they may have so that individualized learning opportunities can be developed; and
- Implement a formal on-boarding process to help ensure that appointed candidates are able to successfully adapt to their new responsibilities.

Conclusion

The Government of Canada has made substantial progress in implementing the CFO Model and the new *Policy on Financial Management Governance*. The improvements we have seen in financial management practices and capacity are, to a large degree, a reflection of the community's ability to recruit and appoint the current cohort of highly qualified and competent CFOs.

The community's success in appointing over 100 CFOs in the last few years, in turn, depended on a pre-existing cohort of seasoned financial management executives. In the nomenclature of the time, these senior financial officers or senior full-time financial officers, although not CFOs, were the lead financial management executives within their organizations. We need to ensure that future cohorts are equally well prepared and fully understand the role of today's CFO and the expectations that accompany it. The rules of the game have changed; gone are the days of the financial executive as simply a scorekeeper. By identifying, addressing and closing any readiness gaps that could impede the current cohort of CFOs-in-waiting, we increase the likelihood of success in the pending demographically fuelled transition.

To this end, a community-based approach to CFO talent management and succession planning is required, and the OCG is best positioned to lead such an initiative. This paper has outlined a number of activities that the OCG is pursuing to better analyze this situation and to identify and fill anticipated vacancies. Concurrently, using its CFO Competency Model, the OCG will work with deputy heads to better understand their expectations so that high-potential internal candidates can be better prepared for the challenges they will invariably face as CFOs. Longer term, the plan is to incorporate these competencies into an FI-to-CFO career path so that a steady reserve of senior financial management talent is built over time.

Appendix A: Proposed Chief Financial Officer Competency Model

The following CFO Competency Model has been adapted from the competency model developed by the Institute of Chartered Accountants of Ontario and The Monieson Centre, Queen's University.[6, xx]

Steward Role

The steward is oriented toward robust resource management, control rationalization and financial information quality:

Resource Management

1. Budgeting and forecasting
2. Resource supply (Estimates)
3. Expenditure management
4. Cash management
5. Financial analysis and advice
6. Investment proposal and challenge
7. Costing, pricing and cost-benefit analysis
8. Preparation of Treasury Board submissions and memoranda to Cabinet

Controls

9. Financial management control frameworks (including processes and internal controls over financial reporting)
10. Internal audit
11. Fraud prevention and detection

6. See *Moving From CA to CFO: A Competency Framework—An ICAO/Queen's University Collaborative Study*.

Accounting and Reporting

12. Financial accounting principles and standards (Generally Accepted Accounting Principles and Treasury Board Accounting Standards)
13. Performance measurement processes and methods
14. Internal financial monitoring and reporting
15. Financial statements preparation and analysis
16. Statutory reporting (Reports on Plans and Priorities, Departmental Performance Reports, proactive disclosure)

Operator Role

The operator is oriented toward best practices of the entire finance function itself:

17. Accounting operations
18. Revenue management
19. Grants and contributions management
20. Procurement management
21. Asset management (real property, investments, etc.)
22. People management

Catalyst Role

The catalyst is oriented toward best practices of the entire organization:

23. Financial systems development and implementation
24. Continuous improvement processes and methods
25. Change management
26. Relationship building and collaboration with internal and external stakeholders and central agencies
27. Communication and presentation skills and executive presence

Strategist Role

The strategist is oriented toward long-term, strategic issues and is outwardly directed:

28. Corporate governance
29. Corporate goal setting and visioning
30. Strategic risk management (assessment and mitigation)
31. Financial information needs of decision makers
32. Critical thinking and analysis

Appendix B: DCFO Council FI-to-CFO Career Path

For additional information, consult the Treasury Board of Canada Secretariat's website on key leadership competencies.

Table 1. DCFO Council FI-to-CFO Career Path: Part I

	Level and Qualifications Needed for Promotion*						
Experience Factor	**FI 1**	**FI 2**	**FI 3**	**FI 4**	**EX (Other)**	**EX (DCFO)**	**EX (CFO)**
1. Years at level	2 years	3–5 years	3–5 years	4–5 years	4–5 years	3–4 years	3–4 years†
2. Education (undergraduate degree‡)	Desirable	Essential	Essential	Essential	Essential	Essential	Essential
3. Professional accreditation§	Desirable**	Desirable**	Essential	Essential	Essential	Essential	Essential
4. Bilingual capacity	Desirable	Desirable	Desirable	Essential (CBC)	Essential (CBC)	Essential (CBC)	Essential (CBC)

The information in this table has been adapted from DCFO Council information and has not been officially endorsed by the Treasury Board of Canada Secretariat. It is being presented for discussion purposes only.

Notes

* These qualifications should be acquired at the level indicated prior to promotion to the next level.

† This represents the minimum length of time an incumbent should serve in a CFO position.

‡ The undergraduate degree should be in a field related to the financial management function (e.g., accounting, economics, commerce, business administration, finance).

§ The FI must be a member in good standing of a professional accounting body.

** The FI should be working toward a professional designation.

Table 2. DCFO Council FI-to-CFO Career Path: Part II

Experience Factor	Detailed Experience	FI 1	FI 2	FI 3	FI 4	EX (Other)	EX (DCFO)	EX (CFO)
5. Functional experience*	a) Financial planning	Desirable	Desirable	Desirable	Essential	Essential	Essential†	Essential
	b) External reporting				Essential	Essential	Essential	Essential
	c) Internal resource manage-ment				Essential	Essential	Essential	Essential
	d) Advisory services				Essential: One of d) to i)	Essential	Essential	Essential
	e) Accounting operations				Essential: One of d) to i)	Essential: One of e) to i)	Essential: Two of e) to i)	Essential: Two of e) to i)
	f) Financial systems				Essential: One of d) to i)	Essential: One of e) to i)	Essential: Two of e) to i)	Essential: Two of e) to i)
	g) Financial policy				Essential: One of d) to i)	Essential: One of e) to i)	Essential: Two of e) to i)	Essential: Two of e) to i)
	h) Costing				Essential: One of d) to i)	Essential: One of e) to i)	Essential: Two of e) to i)	Essential: Two of e) to i)
	i) Internal controls				Essential: One of d) to i)	Essential: One of e) to i)	Essential: Two of e) to i)	Essential: Two of e) to i)
6. Breadth of experience	a) Program delivery	Desirable	Desirable	Desirable	Desirable	Desirable	Essential	Essential
	b) Depart-mental diversity‡				Essential	Essential	Essential	Essential
	c) Central agency				Desirable	Desirable	Desirable	Desirable
	d) Regional				Desirable	Desirable	Desirable	Desirable
	e) Complexity§				Essential	Essential	Essential	Essential

Information in this table has been adapted from DCFO Council information.

Notes

* To qualify, an FI must experience at least one complete budgetary cycle.

† This includes the entire management cycle.

‡ Experience in large, medium-sized and small departments and agencies.

§ Experience in a wide range of government financial management areas, including operating funds, capital, and grants and contributions.

Table 3. DCFO Council FI-to-CFO Career Path: Part III

<table>
<tr><th>Experience Factor</th><th>Detailed Experience</th><th>FI 1</th><th>FI 2</th><th>FI 3</th><th>FI 4</th><th>EX (Other)</th><th>EX (DCFO)</th><th>EX (CFO)</th></tr>
<tr><td rowspan="2">6. Breadth of experience (continued)</td><td>f) Managerial</td><td rowspan="2">Desirable</td><td rowspan="2">Desirable</td><td>Desirable</td><td>Desirable</td><td>Essential</td><td>Essential</td><td>Essential</td></tr>
<tr><td>g) Audit (internal or external)</td><td>Desirable</td><td>Desirable</td><td>Desirable</td><td>Desirable</td><td>Desirable</td></tr>
<tr><td rowspan="3">7. Skills</td><td>a) Oral and written communi-cations</td><td>Intermediate</td><td>Intermediate</td><td>Strong</td><td>Strong</td><td>Advanced</td><td>Advanced</td><td>Advanced</td></tr>
<tr><td>b) Risk management</td><td>Desirable</td><td>Intermediate</td><td>Strong</td><td>Strong</td><td>Advanced</td><td>Advanced</td><td>Advanced</td></tr>
<tr><td>c) Negotiation skills (integration and function)</td><td>Desirable</td><td>Desirable</td><td>Intermediate</td><td>Strong</td><td>Advanced</td><td>Advanced</td><td>Advanced</td></tr>
<tr><td rowspan="7">8. Competen-cies[7, xxi]</td><td>a) Values and ethics</td><td rowspan="7">Desirable</td><td>Supervisor</td><td>Manager</td><td>Manager</td><td>Director</td><td rowspan="7">Director General</td><td rowspan="7">ADM*</td></tr>
<tr><td>b) Strategic thinking (analysis)</td><td>Supervisor</td><td>Manager</td><td>Director</td><td>Director General</td></tr>
<tr><td>c) Strategic thinking (ideas)</td><td>Supervisor</td><td>Director</td><td>Director</td><td>Director General</td></tr>
<tr><td>d) Engagement</td><td>Supervisor</td><td>Supervisor</td><td>Manager</td><td>Director</td></tr>
<tr><td>e) Management excellence (action)</td><td>Desirable</td><td>Supervisor</td><td>Manager</td><td>Director</td></tr>
<tr><td>f) Management excellence (people)</td><td>Desirable</td><td>Supervisor</td><td>Manager</td><td>Director</td></tr>
<tr><td>g) Management excellence (finance)</td><td>Desirable</td><td>Supervisor</td><td>Manager</td><td>Director</td></tr>
</table>

Information in this table has been adapted from DCFO Council information.

*ADM: Associate Deputy Minister

7. For additional information, consult the Treasury Board of Canada Secretariat's website on key leadership competencies.

Appendix C: Acknowledgements

Acknowledgments

The Comptroller General acknowledges the input of the following:

- Pierre Bordeleau
- Marie-José Bourassa
- Michel Cavallin
- Francine Côté
- Doug Dollinger
- Liette Dumas-Sluyter
- Kelly Gillis
- Julie Laghi
- André Leger
- André Morency
- Thérèse Roy
- Juliet Woodfield
- The 67 federal government CFOs who were interviewed for the collective succession risk-assessment exercise
- The 121 financial management executives who completed the financial executive profile

Oversight in the Government of Canada: An Overview of Assurance Providers

Introduction

The practice of oversight in the Government of Canada has evolved considerably in the past few decades. It has become both sophisticated and multi-faceted but is perhaps not as well understood as it might be. Today, more players than ever oversee the activities of federal organizations and their deputy heads.

This paper outlines the roles of the various bodies that use similar tools (e.g., audits and reviews) to provide assurance that departments and agencies are operating and accounting for their performance in a manner that accurately reflects the intentions of the government. These assurance providers include agents of Parliament, such as the Office of the Auditor General of Canada, and central agencies, such as the Office of the Comptroller General of Canada. They perform similar yet separate and complementary functions and contribute to the efficient and effective working of government. By describing their mandates and approach to oversight, this paper explores one of the central tenets of any oversight regime, which is that those who are being held to account have a clear understanding of how they are being held to account and why.[8, xxii] It also suggests ways to achieve a better balance within current arrangements.

Operating Context

The federal government is the single largest organization in the country and engages in activities that are unmatched in terms of their scope, reach and impact on the lives of Canadians. It consists of a vast array of departments, institutions and regulatory and administrative agencies whose mandates can be divided into dozens of lines of business and thousands of individual programs. It also includes many separate actors who work in a multitude of occupations across the country and around the world.

In any given year, public servants process $360 billion in taxes, perform 870,000 food safety tests, administer close to $100 billion in direct social benefits for Canadians, and issue close to 5 million passports with remarkable client satisfaction.[9] This all occurs in a globalized world of rapid technological progress, debt and deficits, rising public expectations, social and demographic changes, a precarious security environment, and myriad other factors that are testing the limits of government capacity around the world as never before.

---

8. President of the Treasury Board. *Review of the Responsibilities and Accountabilities of Ministers and Senior Officials—Meeting the Expectations of Canadians*, 2005.
9. Keynote address by Janice Charette to the National Managers' Community Forum, May 4, 2011.

This complex and unpredictable environment has led to demands for greater accountability and transparency, prompting the government to take a number of actions to strengthen its oversight regime. Many of these reforms have affected the practice of assurance. The 2006 *Federal Accountability Act*,[xxiii] in particular, included a number of measures to enhance some of the officers and agents of Parliament, such as the Office of the Auditor General. It also established a number of new offices to perform oversight in areas such as lobbying and conflict of interest. In addition, the Act included a companion action plan that called for streamlining and modernizing the government's procurement and financial management and internal audit policies. This triggered an overhaul of the resource management regime led by the Office of the Comptroller General.

Role of Assurance Providers

Federal organizations, through their ministers, are accountable to Parliament and to the public for their use of public resources and the authorities conferred on them through legislation. It is the role of assurance providers to state whether these organizations are meeting the expectations placed on them. They do this in a wide range of areas. Some oversee compliance with a piece of legislation (e.g., the *Privacy Act*[xxiv]), while others are focused on a specific activity (e.g., procurement). Some are also not specifically mandated to provide assurance in any one area; instead, they establish their audit plans based on risk-based methodology, and on input and advice from their key stakeholders.

The work of assurance providers is vital for supporting effective and efficient government. They have the power to investigate complaints, present findings and draw conclusions on the current status of an organization's performance, and to provide recommendations to encourage continuous improvement. Audits are perhaps the most common tool associated with the practice of assurance. But other tools can be used, including reviews, investigations and evaluations. These activities all support accountability. For example, they ensure the following:

- Funds provided to an organization are fully accounted for and used in full compliance with programs or project agreements (financial accountability);
- Staff and other officials adhere to standards of professionalism and ethics (individual accountability);
- Activities are conducted in accordance with an organization's legislative mandate and adopted policies (organizational accountability); and
- Activities are conducted in the most efficient and effective manner, and program overlaps, duplications and the inefficient use of resources are avoided (operational accountability).

Together, assurance providers provide a comprehensive assurance framework for departments and their deputy heads. At first glance, it may appear that there is overlap and duplication. However, as discussed in the following, each role has been created for a specific reason and oversees a particular area of government. In addition, many assurance providers apply a risk-based lens to their activities to focus their efforts on areas that matter most to senior management.

The following outlines the mandates and oversight activities of the assurance providers that have the greatest impact on departments.[10]

Canadian Human Rights Commission

Mandate

Established in 1977, the Canadian Human Rights Commission was created by Parliament to ensure that all Canadians have an equal opportunity to build, free from discrimination, the lives they are able and wish to have. It is responsible for the administration of the *Canadian Human Rights Act*[xxv] and for ensuring compliance with the *Employment Equity Act*.[xxvi] Both laws apply to federal government departments and agencies, Crown corporations and federally regulated private sector organizations.[11, xxvii]

Approach to Oversight

The Commission conducts compliance review audits to determine whether employers are meeting their obligations under the *Employment Equity Act*. This involves auditing federally regulated employers to ensure they are providing equal opportunities to the four designated groups: women, Aboriginal peoples, persons with disabilities and members of visible minorities.[12] The Commission's current audit planning process takes into account an employer's employment equity results and the specific challenges related to its industry.

The Commission also handles allegations of discrimination. By law, it is bound to screen every discrimination complaint it receives.

---

10. This excludes certain oversight bodies such as the Chief Electoral Officer of Canada (whose activities are focused largely on political parties), the Commissioner of Lobbying of Canada (whose work is focused on lobbyists), and the Public Sector Integrity Commissioner (whose work is largely complaints-driven).
11. Canadian Human Rights Commission, *2010–11 Departmental Performance Report*.
12. Ibid.

Office of the Commissioner of Official Languages

Mandate

As an officer of Parliament and an agent of change, the Office of the Commissioner of Official Languages (OCOL) has a mandate to promote the *Official Languages Act*[xxviii] and oversee its full implementation, protect the language rights of Canadians, and promote linguistic duality and bilingualism in Canada, which is considered one of the country's core values.

In meeting its responsibilities, the OCOL conducts audits of federal institutions, investigates complaints, intervenes before the courts, and appears before parliamentary committees, among other activities. Annually, the OCOL receives over 800 complaints, publishes 2 to 5 audit reports on average, and performs legal interventions.[13, xxix]

Approach to Oversight

The OCOL's approach goes well beyond simply auditing compliance with the Act and calls on managers of audited institutions to help find optimal solutions to issues identified during an audit. This approach is intended to strengthen managerial commitment to implementing corrective measures.

Before conducting an audit of an organization, the OCOL's audit unit discusses its scope with the organization's senior officials and managers. It also communicates regularly with a designated person throughout the audit.

Every year, the OCOL reviews its three-year audit plan. The plan is posted on the organization's website and includes the following:

- The institutions, programs and activities to be audited;
- The reasons these institutions were chosen and the associated risks;
- The objectives of the audits;
- The general approach to be used;
- The audit schedule; and
- The financial and human resources needed to carry out the audit.

---

13. Office of the Commissioner of Official Languages, *2010–2013 Risk-Based Internal Audit Plan*.

Office of the Privacy Commissioner of Canada

Mandate

The mission of the Office of the Privacy Commissioner of Canada is to protect and promote the privacy rights of individuals. It has a mandate to oversee compliance with the *Privacy Act* (1983), which covers the personal information-handling practices of federal government departments and agencies, and the *Personal Information Protection and Electronic Documents Act*[xxx] (2000), which applies to Canada's private sector.

Approach to Oversight

Complaint investigations make up most of the office's work, but another significant aspect of its role is promoting fair information management practices. To this end, the Privacy Commissioner conducts audits to enable deputy heads to ensure they are adequately managing their personal information holdings.

Based on extensive consultations with senior federal officials and various other stakeholders,[14] the office has developed a five-year risk-based audit plan for public sector entities that is based on four priority areas:

- Information technology;
- Public safety;
- Identity integrity and protection; and
- Genetic information.

Office of the Procurement Ombudsman

Mandate

Established in 2006 by amendments to the *Department of Public Works and Government Services Act*, enacted pursuant to the *Federal Accountability Act*, the Office of the Procurement Ombudsman operates at arm's length from the government to promote fairness, openness and transparency in federal procurement processes. It has a four-part mandate:

14. The current audit plan is based on over 70 different consultation sessions held with senior federal officials, select provincial privacy commissioners, public interest groups, academics and private sector privacy specialists. The Commissioner has also undertaken a high-level review of approximately 250 federal entities that must comply with the *Privacy Act*.

- Review the practices of departments for acquiring materiel and services to assess their fairness, openness and transparency, and make any appropriate recommendations;
- Review any complaint regarding the award of a contract for the acquisition of goods below the value of $25,000 and services below the value of $100,000 (where the criteria of Canada's *Agreement on Internal Trade*[xxxi] apply);
- Review any complaint regarding the administration of a contract for the acquisition of materiel or services by a department or agency, regardless of dollar value; and
- Ensure that an alternative dispute resolution process is provided, upon the request of a party to a contract, should all parties to the contract agree to participate.

Approach to Oversight

The Office of the Procurement Ombudsman characterizes its work as review rather than audit. However, its reviews generally follow performance audit methodology. They are designed to suggest improvements that will enhance the fairness, openness and transparency of federal procurement practices, as well as highlight good practices found in departments and agencies.

Reviews, which must be completed within one calendar year and can involve several departments, are selected based on a number of criteria:

- The relevance to the Ombudsman's mandate;
- The nature of the risk and the extent that fairness, openness and transparency are being compromised;
- The rotation of departments and agencies;
- Government priorities and initiatives regarding procurement; and
- Feasibility.

Public Service Commission of Canada

Mandate

The Public Service Commission of Canada (PSC) safeguards the integrity of staffing in the public service and the political impartiality of public servants. It develops policies and guidance for public service managers and holds them accountable for their staffing decisions. It conducts audits and investigations to confirm the effectiveness of the staffing system and to make improvements. As an independent agency, it reports directly to Parliament.

Approach to Oversight

The PSC's audits can examine two areas: the appointment framework and the compliance of appointments with the *Public Service Employment Act*.[xxxii] It uses a cyclical approach of seven years for its audit planning process. The current cycle ends in 2015 for an organizational audit universe that comprises 82 organizations that have signed an Appointment Delegation and Accountability Instrument with the PSC. The PSC's audit planning horizon is two years, and its audit and studies plan is updated annually.

To ensure a balanced view of staffing in the federal public service, a mix of organizations is selected based on size and level of risk (low, medium and high). Various factors are taken into consideration to establish levels of risk, including departmental staffing accountability results and internal consultations. Other information is also taken into consideration when selecting organizations, such as human resources audit burden and audits conducted or planned by other assurance providers such as the Office of the Comptroller General.

Office of the Information Commissioner of Canada

Mandate

The Office of the Information Commissioner of Canada is an independent public body set up in 1983 under the *Access to Information Act*.[xxxiii] It ensures that federal institutions respect the rights that the Act confers on information requesters. Its mission is to conduct efficient, fair and confidential investigations into complaints about federal institutions' handling of access-to-information requests, in an effort to maximize compliance with the Act while fostering disclosure of public sector information using the full range of tools, activities and powers at the Commissioner's disposal, from information and mediation to persuasion and litigation, where required.[15, xxxiv]

Approach to Oversight

The oversight activities of the Information Commissioner are as follows:

- Investigate complaints from individuals and corporations;
- Review the performance of federal institutions in complying with their obligations under the Act;
- Report results of investigations, reviews and recommendations to complainants, federal institutions and Parliament;

15. Office of the Information Commissioner of Canada, *2010–11 Departmental Performance Report*.

- Pursue judicial enforcement; and
- Provide advice to Parliament on access-to-information matters.[16]

In 2009, the Commissioner launched a three-year plan to improve the impact and usefulness of its annual report cards on the performance of federal organizations in complying with the Act. Each year of the plan contains new institutional assessments, follow-ups with previously assessed institutions and related systemic investigations.[17]

Office of the Auditor General of Canada

Mandate

Created in 1878, the Office of the Auditor General of Canada (OAG) provides Parliament with objective information and assurance regarding the use of public funds.[18, xxxv] It does this by conducting independent financial and performance audits and studies on good practices, areas that need attention, and (through recommendations) possible improvements in government.

Its duties relate to legislative auditing and, in certain cases, to monitoring of federal departments and agencies, Crown corporations, territorial governments, and other entities. The office's main legislative auditing duties are as follows:

- Financial audits;
- Performance audits;
- Special examinations;
- Sustainable development monitoring activities and environmental petitions; and
- Assessments of agency performance reports.[19]

Approach to Oversight

The OAG's planning process starts with periodic environmental scanning to identify external trends and long-term risks and challenges that the government may face. Throughout the year, groups identify proposed audits through risk-based analyses and the OAG's one-pass planning approach. The one-pass plan typically covers five years and all OAG audit activities.[20, xxxvi]

---

16. Ibid.
17. Ibid.
18. Office of the Auditor General of Canada, *2010–11 Departmental Performance Report*.
19. Ibid.
20. "What to Expect—An Auditee's Guide to the Performance Audit Process," Office of the Auditor General's website.

In preparing a one-pass plan, an OAG audit team will review key entity documents such as corporate plans, an integrated risk management framework, performance reports to Parliament and other reports. It will also review internal audit and program evaluation reports, as well as an entity's annual and long-term audit and evaluation plans in order to avoid unnecessary duplication or overlap.[21]

Because one-pass plans are completed for entities and functional areas, the results are presented to the OAG Executive Committee for review and discussion. Each spring, all of the proposed audits are consolidated, and the Executive Committee approves those that will be reported over the next 12 to 18 months and agrees on a schedule of planned audits for the next several years. In the fall, the operational plan for the upcoming fiscal year is approved.

Office of the Comptroller General of Canada

Mandate

In 2003, the government re-established the Office of the Comptroller General of Canada (OCG) as a separate organization within the Treasury Board of Canada Secretariat with a mandate to provide oversight and functional direction to government-wide efforts to improve the stewardship of taxpayers' dollars and government assets. The OCG works to strengthen financial management, internal audit, and the management of real property and materiel, investment planning, projects, and procurement throughout the federal public service. It does this by providing functional direction to departments, developing and maintaining policies and practices, supporting professional communities, and helping improve government financial operations.

Approach to Oversight

The OCG's primary oversight activities include monitoring and assessing departmental performance and compliance with key financial legislation, policies, and standards, and assessing performance in a number of management areas, such as asset management, project management and investment planning, procurement, financial management, and internal audit.

Because the OCG is required to periodically brief the Treasury Board on the overall state of risk management, control and governance across government, its audits address issues of significant risk across government. The audits also supplement the assurance activities of other assurance providers where needed.

21. Ibid.

The OCG maintains a three-year risk-based audit plan that is updated yearly. To meet the objectives of its stakeholders, the OCG focuses on the following areas:

- Where there are common and recognized performance issues;
- Where an audit could assist in implementing policy;
- Where there are variations in performance across government; and
- Where senior management has identified an inherently important area that requires assurance activity.

In addition, in instances where a risk has been identified that is common to many departmental internal audit plans, the OCG will consider conducting a government-wide internal audit.

Departmental Internal Audit Function

Mandate

Although not an oversight body per se, the internal audit function within departments is one of the primary assurance tools the Government of Canada uses to demonstrate stewardship and accountability in the spending of public funds.

This function was subject to significant changes with the introduction of the 2006 *Policy on Internal Audit*.[xxxvii] The policy requires deputy heads to put in place effective procedures to ensure systematic monitoring and assurance regarding the soundness of risk management, control and governance processes within their departments. To do so, they must ensure that internal audit capacity is appropriate to the needs of the department and that it operates in accordance with the policy and with professional internal auditing standards.

Deputy heads carry out this responsibility by appointing chief audit executives at a senior executive level who report directly to them. Chief audit executives are responsible for developing and implementing risk-based audit plans and for facilitating discussion of all assurance activities with a Departmental Audit Committee, which principally comprises members from outside the federal public service.

Approach to Oversight

Each department has an internal audit group or team that determines areas that should be subject to internal audits. Decisions are made based on risk and materiality, departmental objectives and priorities, and central agency requirements.

Each department also prepares a risk-based audit plan to address the assurance needs within its organization. These plans are three years in duration and are updated annually to ensure that planned activity is still appropriate. These risk-based audit plans look at the objectives of a department through its Program Activity Architecture. They assess what risks would impede the department from achieving its objectives. To assess these risks, internal audit teams collaborate closely with management within their department.

General Discussion: A View From the Office of the Comptroller General of Canada

The mandates and roles of the assurance providers discussed in this paper cover most, if not all, of the activities that the government undertakes on behalf of citizens. They therefore perform a vital function in our democracy. They ensure that government programs and services are working as they should, and that institutions and individuals are accountable for their actions and decisions.

Given the number of oversight bodies and mechanisms in place and the potential for overlap, it is important that, to the greatest extent possible, assurance providers work constructively with each other and with their many stakeholders in fulfilling their specific responsibilities. Plenty of evidence suggests that this has been happening. In areas such as human resources and financial management, assurance providers regularly review each other's audit plans and work when planning their respective activities in an effort to limit the burden on departments and agencies. They also regularly adjust their long-term audit plans based on consultations and ongoing communications with stakeholders such as deputy heads and their management teams.

Still, concerns have been raised about the level of oversight that departments are subject to in today's complex environment.[22, xxxviii] For its part, the OCG has taken various actions to help achieve a better balance within the current arrangements. For example, it has taken steps to improve communication among assurance providers. In 2011, it organized a meeting of a select group of these organizations within the government. This provided an opportunity for them to discuss their various mandates and key stakeholders in an effort to improve collaboration and build understanding in areas of mutual concern. A report summarizing the discussions was later circulated. This was the first in what is expected to be a series of meetings that will allow members to share upcoming audit plans and discuss how to better coordinate their oversight activities. These meetings are an excellent forum for assurance providers to discuss the types of oversight activities they have undertaken or plan to undertake. It is hoped that such discussions will reduce duplication and encourage oversight bodies to build on the work of others.

---

22. For example, the Prime Minister's Advisory Committee on the Public Service expressed concern about "the cumulative impact of the various oversight and accountability mechanisms that have been created over many years, and the resulting costs and complexity of the current oversight regime" (*Fifth Report of the Prime Minister's Advisory Committee on the Public Service*, 2011, p. 6).

Furthermore, the OCG has been reviewing its own mandate and activities so as to ensure its work does not overlap with that of other assurance providers, particularly the Office of the Auditor General, which oversees similar areas of management. To that end, the OCG is focusing more and more on policy implementation and compliance within departments and leaving the oversight of departmental programs and services to others. In doing so, the OCG is better serving the Secretary of the Treasury Board in her role of conveying to the deputy head community the decisions and expectations of the Treasury Board regarding government policies.

These initiatives, combined with similar efforts taking place in other organizations that play a role in providing assurance, are part of a growing culture of continuous review and adjustment of the practice of oversight in government. They reflect a commitment to addressing the oversight burden on departments and are signs that concrete actions are being taken. The challenge is to build on the momentum that has been created.

Life-Cycle Management of Real Property Assets and Public-Private Partnerships

Executive Summary

The Government of Canada is this country's largest owner of real property assets. Federal organizations either own or lease close to 36,000 buildings on almost 22,000 properties. These holdings, which include office buildings, military bases, laboratories and national museums, are tremendously diverse. They are located in every province and territory across Canada and in many other countries.

Real property assets represent a significant long-term investment for the Government of Canada and for Canadians. Policy instruments such as the *Policy on Management of Real Property*[xxxix] and the *Policy on Management of Materiel*[xl] and their associated directives, standards and guidelines have as their objective the proper management of assets over their entire life. The key objective underlying these policies is for federal departments to take a life-cycle management approach to their assets, i.e., assets should be managed in a sustainable and financially responsible manner, throughout all four phases of their life cycle (planning, acquisition, use and disposal) in order to support the cost-effective and efficient delivery of government programs.

This paper examines from a policy perspective what aspects of a public-private partnership (P3) approach show promise for improving the performance of an asset throughout its life cycle. It also explores whether lessons learned from using a P3 approach could be applied to more conventional delivery models for real property. However, this paper is not meant to be an in-depth review of P3 models and their processes and tools.

Obtaining successful results when using conventional models to procure and deliver an asset presents various challenges. This paper examines how the P3 approach can improve life-cycle outcomes for a real property asset through practices that differ from more conventional models. These practices are as follows:

- Significant upfront planning for the whole of an asset's life;
- Appropriate allocation of risks between the private and public sectors;
- Private financing;
- Managing one comprehensive contract instead of several contracts; and
- Issuing payments based on performance during the life of the asset.

Budget 2011 outlined the Government of Canada's commitment to build on the successes of recent federal P3s. This paper therefore draws upon the experience of two federal organizations that have used the P3 approach: the Royal Canadian Mounted Police "E" Division and the headquarters of Communications Security Establishment Canada. These P3s and their case studies illustrate the opportunities and challenges of using a public-private partnership model to procure, deliver and maintain (and sometimes operate) a real property asset in the federal context. Lessons are drawn from these case studies and from other Canadian and international examples.

Although a P3 approach can achieve improved life-cycle outcomes, it should not be seen as a "one size fits all" solution. The approach requires a significant upfront commitment of time and resources, and its suitability should be assessed on a case-by-case basis using specific screening criteria. The decision to use a P3 model should be grounded in a comprehensive analysis of value for money and of risk.

In conclusion, there may be potential for conventional delivery models to incorporate elements of a P3 model in order to improve the life-cycle management of assets. In particular, comprehensive upfront planning for an asset over its entire life cycle, not just during its design and construction phases, and the use of output-based specifications are two characteristics of the P3 approach that could be further explored in other delivery models with the objective of achieving improved outcomes for the management of real property assets.

Life-Cycle Asset Management

Importance of Life-Cycle Asset Management

Capital assets represent a significant long-term financial investment for the Government of Canada. The *Public Accounts of Canada* valued the federal government's tangible capital assets, as of March 31, 2010, at just over $55 billion.[23, xli] This includes all types of capital assets, such as land, buildings, works and infrastructure; machinery and equipment; and vehicles. Further, the value of federal real property, excluding any real property included in assets under construction, is $19.6 billion. Realizing this magnitude of value, the Government of Canada, in protecting its assets, has developed policies that require deputy heads to ensure that assets are well managed over their entire life. The Treasury Board's *Policy Framework for the Management of Assets and Acquired Services*[xlii] sets this overall direction. The framework's ultimate goals are to achieve value for money, i.e., cost efficiency and effectiveness, as well as sound stewardship, which is defined as responsible management of the asset.

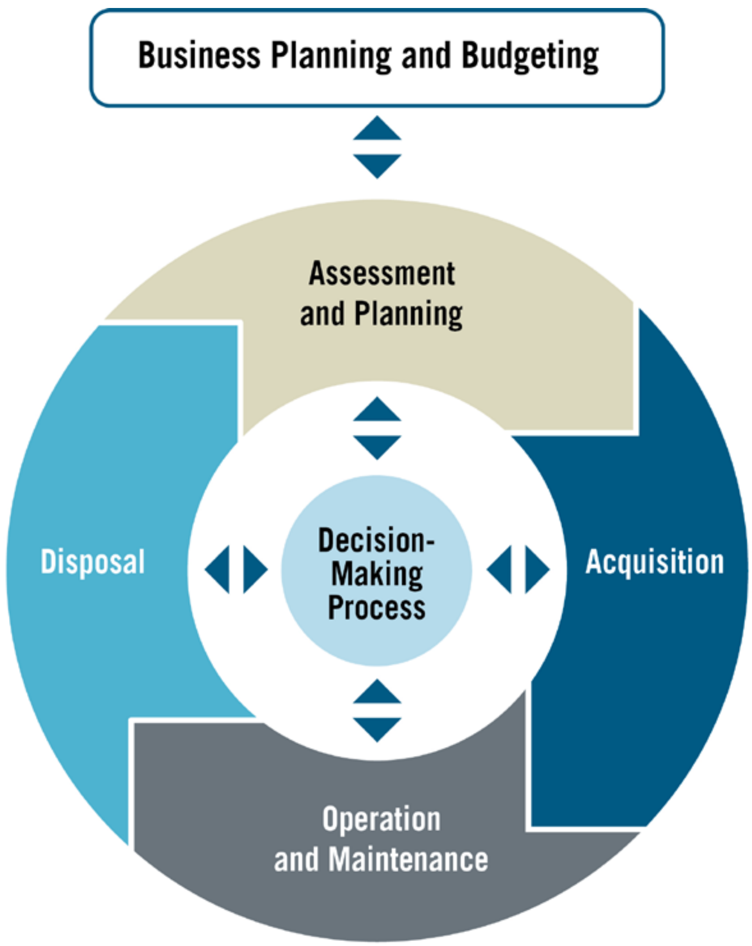
Life-cycle asset management is the foundation of this framework and is further entrenched in several policy instruments. The Treasury Board's *Policy on Investment Planning—Assets and Acquired Services*[xliii] states that planning must take into account the whole-of-life cost of

23. Receiver General for Canada, *Public Accounts of Canada 2010*, Vol. 1, p. 1.17.

stewardship based on the life cycle of the asset (section 6.1.2). In addition, section 6.1.4 of the Treasury Board's *Policy on Management of Real Property* requires that the economic analysis consider the full life-cycle costs and benefits of real property options. The need for strong governance is also highlighted. Taken together, these policies set out principles for effective life-cycle management of assets and acquired services.

Assets are considered tangible and intangible items of value that have a future life beyond one year, whether they are Crown-owned, Crown-leased or accessed through other arrangements. Life-cycle management reflects the direct and indirect costs of assets to ensure affordability, cost-effectiveness and performance throughout their planning, acquisition, use and disposal. It is a critical concept for effective real property management. Figure 1 illustrates an asset's life cycle.

Figure 1. Life Cycle of an Asset



Source: International Facility Management Association, 2011

A life-cycle approach to asset management requires knowledge of the **total** cost of ownership. Design and construction costs, which usually receive the most attention, represent only about one third of an asset's life-cycle costs.

Because over 60 per cent of the total cost of an asset is often incurred after it is built, the costs of operating and maintaining real property should not be ignored. Given the magnitude and age of the federal real property portfolio, it is imperative that operating and maintenance costs be taken into account when making investment decisions.

Federal organizations either own or lease close to 36,000 buildings on almost 22,000 properties across Canada and abroad. Examples of the diversity of these properties are Parliament Hill, the Esquimalt Graving Dock and the National Gallery of Canada. The median year of construction for federal assets in Canada is 1963, which means that most of these assets are nearing 50 years of age.

The duration for which real property assets are used and the annual cost to recapitalize, repair and maintain real property underscore the need for effective life-cycle management. For example, in 2006 PWGSC estimated that the average age of the office space portfolio was approximately 44 years. It also estimated that several billion dollars in recapitalization investments would be needed to repair and maintain PWGSC's inventory of Crown-owned buildings.

Challenges in Life-Cycle Asset Management

Managing assets from a life-cycle perspective would seem straightforward, but it can be difficult in practice. There are various approaches to the delivery and management of real property (see Appendix A); however, each has its challenges in achieving life-cycle management goals. Elements of conventional delivery models, such as the Crown Construct (Design-Bid-Build) model, tend to focus on short-term priorities instead of longer-term asset considerations. The challenges in achieving effective life-cycle management of an asset using this model are discussed in the following.

Incentive alignment: In the Crown Construct (Design-Bid-Build) model, separate contracts are issued to the private sector to design, construct, operate, maintain and recapitalize an asset. Cost is the primary evaluation criterion. Because several companies are involved and contracts are negotiated independently, private sector parties have little incentive to work together and find savings or operating efficiencies for the facility over the long term. Rather, each party is focused on maximizing its individual profit through its individual contract. A singular focus on construction, for example, does not necessarily translate into a concern for how the building will perform in 10 years' time. Having many separate contracts with different companies can impede the integration of asset requirements over the phases of its life.

Segmented responsibilities: With multiple contracts, it can be difficult to determine who is responsible for what, especially if a problem arises. The Treasury Board of Canada Secretariat's *Guide to the Management of Real Property*[xliv] recognizes that those responsible for the acquisition of an asset may not necessarily be the same as those who are responsible for its operation and maintenance. It therefore sets out the need for strong governance models and communication so that it is clear who is responsible for what. In addition, with separate contracts, potential synergies between planning and implementation phases may be lost. Overall, segmented responsibilities may reduce the effectiveness of asset management over the long term.

Managing change in scope: When more than one private sector company is engaged in the design and construction of an asset, there is much room for modification, which can lead to costly delays in its completion. Further, public sector managers, because of competing interests or organizational factors, may have little incentive to comprehensively identify all asset requirements at the outset because they realize that the scope of the project may change several times throughout these stages.

Life-cycle costing: A review of federal audits between 1984 and 2002 reveals issues related to inaccurate life-cycle costing in which such costs may not have been adjusted following significant design changes. The consultancy PricewaterhouseCoopers has identified some general challenges in implementing life-cycle costing. First, historical data may not be useful because changing technologies and construction methods can significantly affect cost. Second, future major maintenance needs may be difficult to predict with any degree of accuracy. Finally, life-cycle profiles may be difficult to standardize because they vary with the nature of the asset; trade-offs are thus made between life-cycle phases. Although these challenges can be mitigated, the National Bank of Canada has observed that addressing projected future costs is often postponed in more traditional delivery models.[24]

Deferred maintenance: Delaying or reducing maintenance can negatively affect value for money and asset quality over the long term, thus reducing its value. The Conference Board of Canada has noted that a preventive maintenance program can lead to an increased service life of a facility, early identification and correction of issues, and lower overall operating costs over the asset's life cycle.[25, xlv] Ignoring regular maintenance of a roof, for example, can eventually lead to its required replacement earlier than anticipated and potentially at a higher cost.

24. National Bank of Canada. The Present & Future of Public-Private Partnerships in Canada. Provided by PPP Canada.

25. Iacobacci, Mario. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, 2010. Ottawa: The Conference Board of Canada. Accessed August 24, 2011.

Public financing: When an asset is financed entirely by public funds, the public sector, by definition, bears the cost of all risks, including risks over which the private contractors have greater control, such as cost overruns. Further, there is a tendency in the public sector to focus on annual expenditures rather than on costs over the longer term. Funds can also be shifted from maintaining real property investments toward program (non-asset) purposes, which may speed the rate of an asset's deterioration unless these funds are recovered and sufficient recapitalization occurs in future years.

Client satisfaction: The level of client engagement, especially during the planning stages, can vary. If the client, who is the end user, is not adequately involved when plans for an asset are being developed, the client's needs may not be reflected in the final design. This gap can create issues when the asset is occupied that result in costly refurbishments to meet the client's needs.

These factors help explain some of the challenges that organizations face in achieving life-cycle management goals. The next section explores P3s as an alternative approach to real property management in leading to better life-cycle outcomes.

What Are P3s?

PPP Canada,[xlvi] a federal Crown corporation, was established in 2008 and has a mandate to improve the delivery of public infrastructure by achieving better value, timeliness and accountability through P3s. PPP Canada has defined the P3 approach as a long-term contractual relationship between a public authority and the private sector that involves the following:

- Providing capital assets and associated services to meet a defined output specification (i.e., define what is required rather than how it is to be done);
- Integrating multiple life-cycle phases and processes (e.g., design, build, finance, operate and maintain);
- Transferring risk to the private sector anchored with private sector capital at risk; and
- Implementing a performance-based payment mechanism.

The extent of private sector responsibility is typically used to differentiate between various delivery models (see Appendix A). The model that has the least private sector involvement is the Design-Bid-Build (DBB) model, where private sector stakeholders, through separate contracts, are responsible for the design, construction and maintenance of an asset. At the other end of the delivery spectrum is the Design-Build-Finance-Maintain/Operate (DBFM) model where the private sector, through a single contract, is also responsible for the long-term maintenance and often the operations of the asset.[26] In the middle are the Design-Build (DB) model and the Lease-

26. This is considered to be a model that fully expresses the characteristics of a public-private partnership.

Purchase (LP) model where ownership and responsibility for operations and maintenance can vary between the public and private sectors.

Recent Federal P3s

In Canada, P3 agreements have been used by different levels of government for assets such as schools, hospitals and roadways. The Government of Canada's experience with P3s started in the 1990s with the Confederation Bridge between Prince Edward Island and New Brunswick. In the last few years, two federal entities have adopted the P3 approach for office accommodation: the Royal Canadian Mounted Police (RCMP) and Communications Security Establishment Canada (CSEC). For this paper, interviews were conducted with key participants from both organizations to gather lessons learned and explore the potential of P3s for improving life-cycle outcomes.

In April 2010, the Government of Canada entered into a long-term contract for the integrated design, construction and maintenance of a new headquarters for the RCMP "E" Division in Surrey, British Columbia. When construction is complete (targeted for December 2012), the 76,000-m^2 facility will house up to 2,700 RCMP employees and members of integrated policing units.[27, xlvii]

The second federal P3 initiative will provide a new facility for CSEC. An agreement was signed in January 2011 whereby the private sector is responsible for the design, construction, financing and maintenance of CSEC headquarters in Ottawa. It will house approximately 2,000 employees when completed in 2014.[28, xlviii]

What Is Different About the P3 Approach?

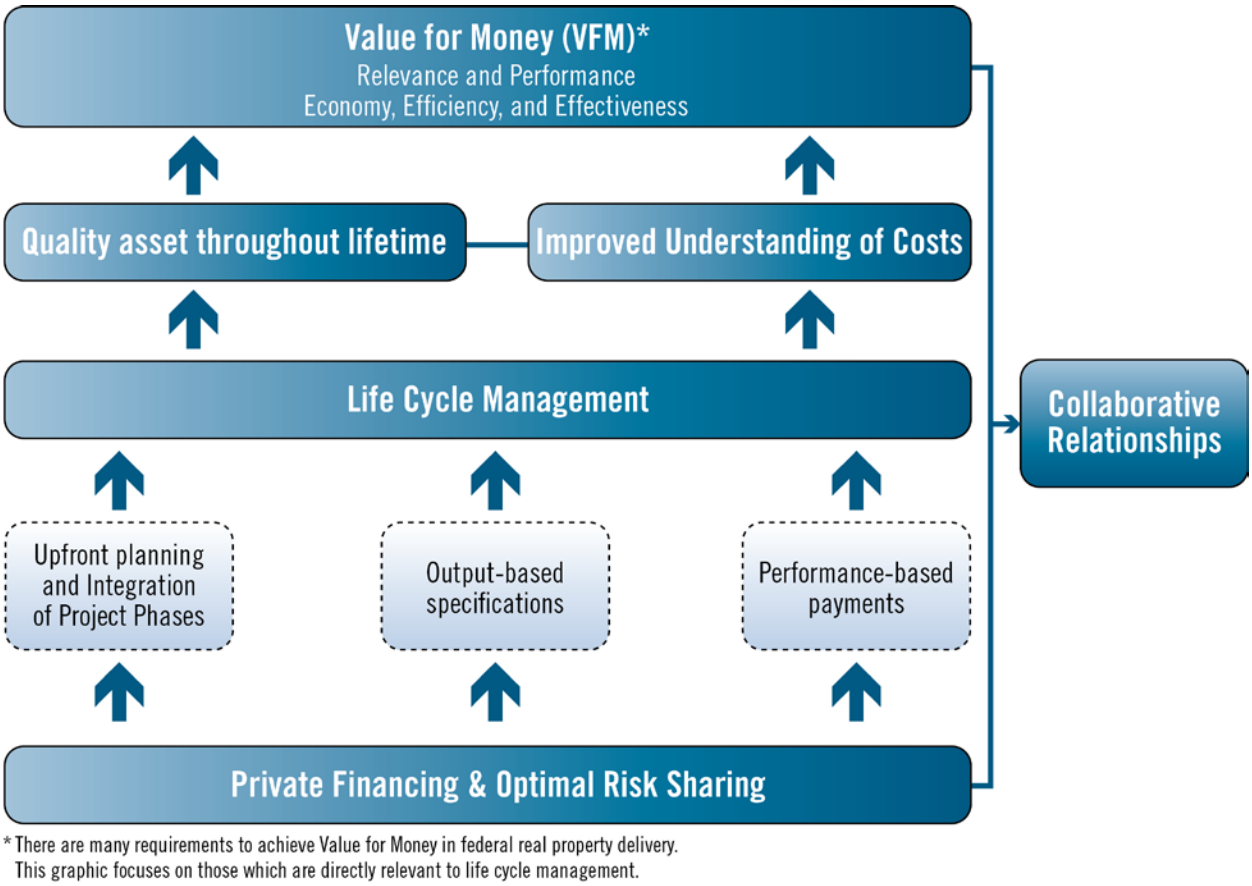
The P3 approach is more typically used for new construction initiatives. However, it can also be applied to the renovation of existing facilities and even to areas that involve information management and information technology.

The P3 approach differs in several key ways from other delivery models that make P3s well suited to realizing life-cycle management objectives. Figure 2 illustrates the key characteristics of the P3 approach, and these are described below in further detail.

---

27. Further information can be found in the "RCMP E Division Headquarters Relocation Project Fact Sheet."
28. Further information on this project can be found on the CSEC website.

Figure 2. Key Characteristics of the P3 Approach



Source: Public Works and Government Services Canada, 2011

Use of Private Financing

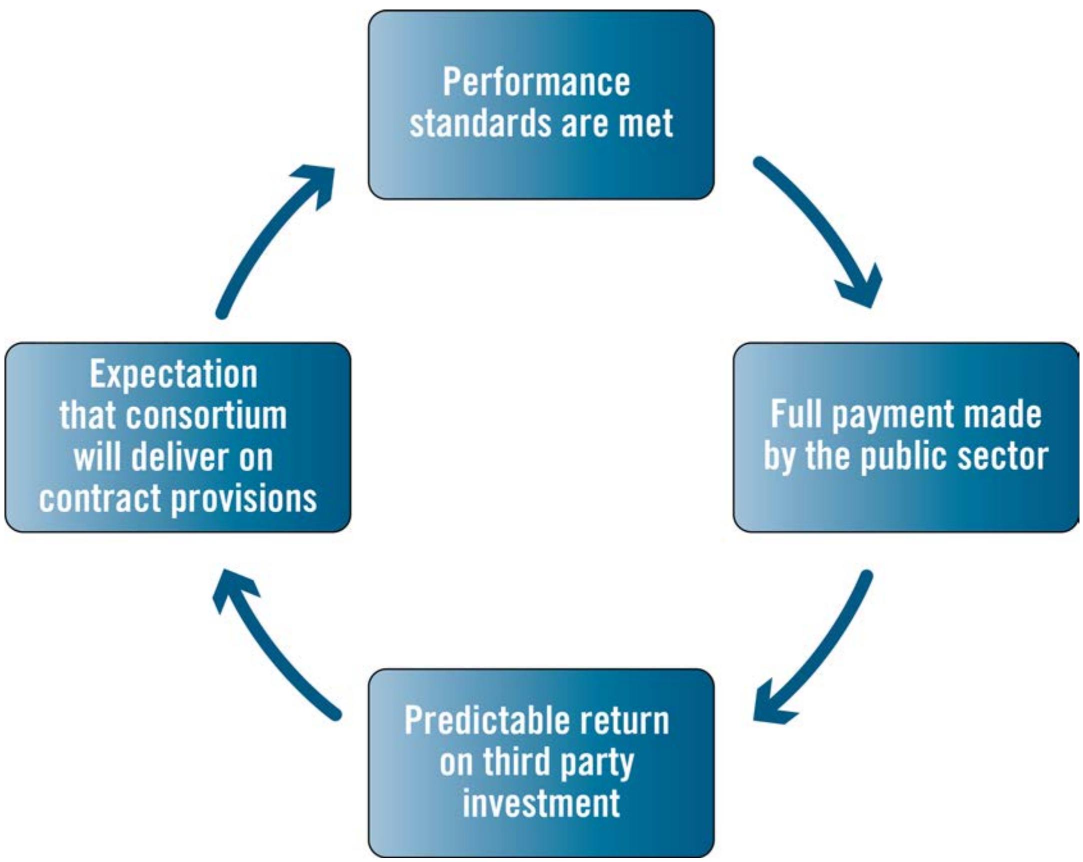
In a P3, the selected private sector consortium is responsible for securing a significant portion of the financing. Private financing normally takes the form of a small amount of equity (usually less than 20 per cent) from the consortium itself, with the balance being made up of debt instruments (e.g., bank loans, bonds, etc.). This differs from more traditional delivery models where funds are provided by the public sector. Private financing imposes the discipline of the market and can be seen as an insurance premium paid by government to offset the risk of higher costs.[29, xlix] The

29. Murphy, Timothy J. "The Case for Public-Private Partnerships in Infrastructure," *Canadian Public Administration*, Vol. 51, No. 1 (March 2008); pp. 99–126.

Conference Board of Canada refers to private financing as "the glue that binds together" a P3 model.[30, 1]

Understanding the impact of private financing on life-cycle management begins by examining the financier's motivation. Because financial backers are seeking a predictable and safe return on their investment over a long period of time, it is in their interest to ensure that the investment is financially viable from the outset; therefore, they are likely to carefully assess estimated life-cycle costs. The private sector consortium has similar incentives to accurately predict life-cycle costs; without doing so, it is unlikely that the consortium will receive the financial backing necessary to proceed with a P3 model. Private financing therefore plays an important role in asset quality, which affects life-cycle management, as illustrated in Figure 3.

Figure 3. Impact of Private Financing on Asset Quality



Source: Public Works and Government Services Canada, 2011

30. Iacobacci, Mario. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, 2010, Ottawa: The Conference Board of Canada, pp. iv, 32 and 61.

With the P3 approach, if performance standards are not met, the public sector can employ penalty provisions as set out in the P3 contract. This deduction or withholding of payment creates an incentive for the private sector partner to proactively address necessary maintenance. Private financiers, who are motivated to see a return on their investment, are also influential in ensuring that performance standards are achieved.

This influence can be seen in the CSEC example where it was observed that the private financiers were more aggressive than the public sector in setting the conditions for on-time delivery. This experience was similarly noted in the RCMP example, as the bankers were more concerned—even potentially more vigilant—than the public sector facility owners in making sure that maintenance would be performed to the specified standard.

Allocation of Risks

The allocation of risks is another area where efficiencies related to life-cycle management may be gained in a P3 model. P3s can generate value for taxpayers by allocating the risks associated with an asset to the party best able to manage those risks. Risks refer to a wide range of considerations such as facilities management, soil remediation, legislative changes, construction delays, and defects identified after the expiration of warranty periods. The risk allocation approach used in a P3 model contrasts with that used in the traditional procurement model, where the public sector bears the most risk. The range of risks can be broad, and accurately identifying and financially evaluating them is critical to determining whether a P3 is suitable.

Upfront planning requires a clear understanding of risk allocation and corresponding responsibilities. This contributes to life-cycle goals by helping managers think through all elements at the outset and then determine which party is best placed to manage each risk.

In the RCMP experience, involving various parties, including internal team members and external advisors, brought different perspectives to the table. This was important in ensuring that the risk evaluation was comprehensive and accurately quantified.

For CSEC, careful thought went into determining which business functions could be transferred to the private sector and which ones would remain with the Crown. It was helpful for the organization to distinguish between standard and specialized operations. For example, the organization decided to transfer responsibility to the P3 consortium for “non-mission-critical” information technology (IT), including furnishings and the life-cycle management of desktop hardware, commercial software and the fibre-optic data distribution backbone; however, “mission-critical” IT remains the responsibility of CSEC.

Upfront Planning

Upfront planning is critical in any federal property investment decision but is especially crucial in a P3 process. It adds rigour and ensures that decisions are made with an understanding of life-cycle impacts and the end user's needs. The Auditor General has noted that a thorough definition of needs can support projects being delivered on time and at the expected cost and quality level. The National Bank of Canada has observed that upfront planning helps ensure that key questions are "tackled today, not tomorrow."[31]

Upfront planning is influenced by output-based specifications and private financing, and risks and requirements need to be considered at the outset. To achieve this, the P3 approach involves a high level of collaboration between the public and private sectors.

In both federal P3 examples mentioned, upfront planning allowed consideration of facility requirements for current staffing levels and future growth. The RCMP project team's upfront planning process addressed potential future needs of approximately 15 to 20 per cent growth by developing innovative and flexible workspace design and furniture plans.

In the CSEC example, the organization was mindful of life-cycle considerations and wanted a high-quality facility for several decades to come. Not only did this life-cycle approach align with Treasury Board policy, it allowed CSEC to avoid disrupting its future operations because of facility moves. Because major investments in a facility are often made around the 25-year mark, CSEC negotiated a 30-year contract so that these recapitalization costs will be borne by the private sector and that the work will be done to an expected "hand-back" standard defined in the agreement. The long-term nature of life-cycle thinking, exemplified by considering ongoing operating needs at the outset, was integral to CSEC's upfront planning process.

Integrated Agreement

In a P3 model, there is a single contract between the public sector and the private sector consortium. Having this sole agreement forces the private sector partners to work together, thereby creating a strong incentive to find savings and operating efficiencies. It also shifts the burden of resolving facility challenges (for example, a design flaw versus a construction error) from the public to the private sector. An outcome of an integrated agreement is that it may limit or reduce significant changes in scope once the contract has been signed, as financial costs to

31. National Bank of Canada. *The Present & Future of Public-Private Partnerships in* Canada, 2011. Provided by PPP Canada.

make changes can act as a deterrent. One of the interview participants observed that integration "makes you stop and think" about the life-cycle costs associated with a change in scope.

In the two federal examples, the process of integrating the asset's life-cycle phases produced some interesting results. For CSEC, the winning proponent incorporated natural stone and wood products for flooring rather than traditional carpeting in order to lower costs over the long term. The overall design principle was to create flexible space that would support CSEC's operating needs over the asset's lifespan. For example, CSEC estimated, based on its previous experience, that the selected design will enable a team of 200 people to be physically set up in half a day rather than an average of two years.

In the case of the RCMP, the concept of integration was powerful, not only because it linked phases together, but also because it brought together various teams from the RCMP and from Public Works and Government Services Canada (PWGSC). The P3 approach also facilitated broader collaboration between the public and private sectors. This should facilitate the achievement of the project's life-cycle goals because it enabled everyone to have a good understanding of what other stakeholders expected, leaving little room for confusion or the possibility of parties later contesting responsibility.

Output-Based Specifications

An important component of the P3 approach, linked to upfront planning, is developing output-based specifications. In a traditional Design-Bid-Build model, specifications may be narrowly defined and input-based, whereas in a P3 model, specifications focus instead on the desired outcome. The successful proponent has flexibility in determining the optimal solution to achieve the end result. This is illustrated in the Canada Line rapid transit project in Vancouver where the public sector identified where the transit line had to be located underground but did not specify the tunnelling methodology. The private sector proponent was then able to use an innovative methodology and state-of-the-art technology for the underground transit line and was also able to incorporate the installation of fibre-optic lines, which became an additional source of revenue.

Output-based specifications shift responsibility for the complexities associated with design and construction stages to private sector experts. It also forces the public sector to clearly articulate its needs and expectations early in the planning process. The Conference Board of Canada has observed that in changing the language of requirements from one of prescriptive detail to that of a broader outcome, the private sector has more flexibility to develop innovative solutions. This can, in turn, increase the value-for-money benefit of a P3 model.

For the RCMP team, the transition to output-based specifications took several months, but this investment of time and effort was identified as important.

In the case of CSEC, developing performance specifications took a significant amount of time, but this was seen as necessary in order to accurately capture project requirements. The organization held 56 collaborative sessions over 6 months with 3 proponents during the request for proposal stage. These sessions allowed members of the consortia to ask questions for clarification, which then enabled the agency to improve output specifications. If the sessions revealed anything of substance, CSEC informed all parties of these clarifications, thereby ensuring a level playing field. A fairness monitor was used to support fair and open competition. In the end, all three proposals were very different, but each met the organization's requirements.

Performance-Based Payments

In a P3 model, the public sector's payment for an asset is contingent on the private sector fully delivering on the established service standards. Failure to meet the standards—for example, delaying the completion date or providing lower-than-expected service such as a malfunctioning air-conditioning unit—may result in deductions (or no payment at all). The consortium therefore has a strong incentive to deliver on time, on budget and on scope, and to meet negotiated quality standards throughout the life of the contract. Because the public sector pays only for services that meet contractual obligations, high-quality facilities are more likely to be achieved if life-cycle needs are accurately specified in the contract.

In the eyes of one CSEC project manager, deductions provide a powerful incentive to ensure that operating and maintenance activities meet expected standards. The RCMP project team also recounted the need to enforce the standards that are set out in the performance-based contract through payment deductions for non-performance. Enforcement of the standards creates an environment where the private partner has to respond to any long-term consequences of decisions made during the design and construction phases. The consortium therefore has a vested interest in integrating life-cycle management into every stage, starting with the initial P3 proposal and continuing even after the financial close.

Collaborative Relationships

The interaction between the private and public sectors in the P3 approach is grounded in collaborative relationships, which support effective life-cycle management. This is particularly evident in the competitive dialogue process, where commercially confidential one-on-one sessions are held between proponents and the public sector team during the request for proposal phase. The requirement to integrate phases and consider operating and maintenance needs upfront encourages parties to work together.

For the RCMP, a key lesson was the importance of involving all critical stakeholders throughout the process. The team was surprised at the hands-on nature of the P3 approach. It initially expected a more traditional approach where the risk would be taken on by the public sector organization, with design and construction performed by the private sector, without much client interaction until the end of the construction. However, the actual process involved, and will continue to involve, sustained communications among all stakeholders. One interview participant indicated that there is every reason to think that this effort to sustain early and ongoing communication will prove to be worthwhile and contribute to a functional and reliable facility for the agency over the long term.

In the CSEC example, the organization worked carefully with stakeholders such as the National Capital Commission (NCC) and the City of Ottawa. CSEC approached the NCC's Advisory Committee on Planning, Design and Realty to introduce itself as an organization before even discussing details. The benefits of building this relationship became evident when the NCC's experts suggested some modifications to the building setback that resulted in a better facility design. CSEC was also able to consult the public through its outreach to the City of Ottawa. This involved engaging elected officials, sending letters to residents and supporting a local councillor at a community meeting. Neighbourhood concerns were addressed, and the results were positive. When examining these situations, effective communication plays a supporting yet vital role in achieving asset management objectives.

Taken together, the characteristics of a P3 model demonstrate its potential for improving the performance of an asset, and the satisfaction of its occupants, throughout its life cycle.

Conditions for Success in Life-Cycle Management Using Public-Private Partnerships

P3s that integrate design, construction, financing and maintenance (and possibly operations) into one contract present significant potential for realizing sound life-cycle management of real property assets. However, simply using a P3 model is not sufficient to ensure that these gains are realized. This section examines some of the conditions that must be in place in order for a P3 to achieve these benefits.

Because the two federal facilities of the RCMP and CSEC are not yet operational, the following section is based largely on theory and on the experiences of other jurisdictions.

Phased Planning

The P3 model should not be seen as a "one size fits all" solution. P3s need to be selected carefully, following a rigorous options analysis that examines all applicable delivery models. The importance of screening for P3 potential is supported by recent direction from Budget 2011 that introduced mandatory P3 screening when creating assets that have capital costs of $100 million or more and a lifespan of at least 20 years. If the screening indicates that a P3 is viable, the responsible department is to develop a P3 proposal among other possible options. The budget also encouraged the consideration of other potential assets that are below these value and lifespan thresholds.

The decision to use a P3 model should be taken on a case-by-case basis. In the words of one interview participant, "P3s are not a template." Whether an investment in an asset should be pursued as a P3 is determined by several factors, including value, potential for synergies between life-cycle phases, and the potential for risks to be transferred to the private sector. The absence of one or more of these criteria can signal that a different delivery model may be a better choice. For this reason, P3s should be seen as one option among a range of delivery models rather than as a default option.

When assessing for P3 viability, a staged approach should be used, with each stage involving more detailed and precise considerations, with the final product being a comprehensive analysis of delivery options that includes a value-for-money analysis. Reaching this final stage often requires a significant investment, which is why the preliminary, more qualitative assessment serves to screen in only those investments that have a strong P3 potential.

The first stage involves screening a potential investment in a real property asset for its viability as a P3. If an investment is confirmed as suitable for this delivery approach, a P3 would be one of the options considered in a more detailed but still qualitative analysis. In this more detailed stage, another set of criteria, such as the custodian organization's program and policy objectives, would be brought to bear, further reducing the list of viable options. A "market sounding," which provides an overview of the degree of industry interest in the short-listed options, may then be conducted. These options would then be subjected to a detailed risk analysis and financial comparison, culminating in a value-for-money analysis that compares the risk-adjusted net present value of each option. The value-for-money analysis helps the public sector evaluate the costs associated with transferring various risks to the private sector and determine whether these premiums are reasonable. This analysis is the determining factor on whether to use a P3 delivery model.

Robust Contract

In any service delivery contract, it is important to have a solid agreement to avoid having negative consequences on operations and maintenance of the asset and to be able to sustain value for money over its life cycle. This is particularly important in a P3 because the contract will contain many details and be "set in stone" for a long period. In the words of one participant, "It is critical to get the agreement right." Unclear or incomplete documentation of the agreement can result in confusion concerning the allocation of risk, or the asset's service standards, with the result being costly litigation or negotiation of contract amendments. This was the outcome of an earlier P3 involving schools in Nova Scotia where there was a lack of a robust and well-understood contract. The lessons learned from this case are useful and continue to inform the planning for P3s at the federal level.

Client Input

There is not always direct communication between the facility's end user (client) and those designing and building the facility. As a result, misunderstandings may occur that can have impacts on its functionality from the perspective of the user. The Academic Ambulatory Care Centre P3 of the Vancouver Coastal Health Authority demonstrates the implications of insufficient consultation with facility users. The Auditor General of British Columbia suggested that the public sector partner "did not have a clear understanding of the scope and user requirements before going to market for a private partner…. Had facility users been more involved in the design at the planning stage, user requirements could have been reflected in the procurement documents. By tailoring the design details to the risks in the procurement stage, greater cost certainty could have been achieved."[32, li]

In contrast, the RCMP P3 involved the end users at every stage of the planning, design and construction processes. They sat at the table for all major decisions and will continue to do so over the length of the agreement. Although the facility is not yet occupied, it is believed that the active participation by RCMP representatives will contribute to its long-term functionality and quality.

32. *Audit of the Academic Ambulatory Care Centre Public Private Partnership: Vancouver Coastal Health Authority*, Office of the Auditor General of British Columbia, May 2011, p. 11.

Upfront Planning

Sufficient resources for upfront planning are important in developing a P3 agreement and are therefore important to the long-term success of the asset. The planning phase for a public-private partnership can be notably longer than that for conventional models. Because the public sector is committed to a long-term contract, upfront planning could be viewed as time well spent, but may not be feasible in all situations. Maintaining a stable project team over the planning, design and construction stages may also be a challenge.

Both the CSEC and the integrated PWGSC-RCMP P3 teams were assembled about three years before receiving formal Treasury Board approval. The common theme that emerged was the need to provide support and funding for the time commitment and human resources needed for the upfront planning of a P3.

Building on this idea, the effectiveness of a P3 agreement could be reduced if there is insufficient public sector expertise at this stage. Public sector personnel need to be able to accurately forecast life-cycle needs as well as evaluate and verify private sector proposals. To do this, the public sector must be well-versed in the P3 approach from start to finish and have a range of technical expertise related to asset management. In a 2011 UK House of Commons report, committee members called for strong contract management skills for those responsible for P3 contracts, arguing that poor oversight and insufficient contract management, or lack thereof for some contracts, have negatively affected the achievement of value for money.

Monitoring and Enforcement

Public sector oversight of the P3 contract after the facility is in use is essential; monitoring is important no matter how extensive the planning and how comprehensive the agreement to ensure that contractual commitments are implemented. Lessons learned from other jurisdictions can apply to Canada. As observed in the United Kingdom, the success of a P3 model "rests on a combination of clear contractual service standards and effective monitoring of compliance, including, where appropriate, the use of penalties."[33, lii]

A monitoring framework for a P3 contract should help identify areas of non-performance and support effective communication. This framework should be developed and implemented by the organization responsible for the P3; no separate oversight body needs to be created. No effective monitoring framework was established in the Nova Scotia P3 initiative for schools; payments were made despite evidence of contract non-performance, such as when important services were not received.

33. Murphy, Timothy J. "The Case for Public-Private Partnerships in Infrastructure," *Canadian Public Administration*, Vol. 51, No. 1 (March 2008); pp. 99–126.

Resources and Expertise

Effective management of a P3 contract requires sufficient executive support and knowledgeable resources. For example, the UK's National Audit Office report on the Darent Valley Hospital indicates that even with the risk transfer inherent in a P3 contract, managing the agreement requires a large amount of senior management time, particularly in the early years of implementation.

Other Success Factors

The characteristics of a P3 and its available variations will likely evolve over time. As a result, the public sector needs to remain nimble and responsive to these trends in order to anticipate what management skills and technical expertise will be required of public service employees to create and manage P3s in the future. Another consideration involves employee turnover rates, which could affect the public sector's capacity to effectively monitor contract compliance over the more than 20-year life of a P3.

Conclusion

This paper has examined the characteristics of a P3 model that potentially could improve the life-cycle management of assets. Table 1 summarizes the challenges experienced with conventional delivery models and how a P3 model may offer better results.

Table 1. Summary of Life-Cycle Challenges and the P3 Approach

Life-Cycle Concern	P3 Characteristic	Impact of P3 Characteristic	Considerations
Alignment of incentives throughout life cycle	Integrated agreement with a single contract Performance-based payments	Aligns motivation of private sector partners so that they work together to find operating efficiencies and savings.	Needs strong contract negotiation by public sector. Solid upfront planning with significant investment in resources and time is also required.
Segmented responsibility	Collaborative relationships over the life of the asset	Upfront work and contract duration build relationships between the public and private sectors over time. Public sector is no longer caught in the middle of disputes between private sector partners.	Employee turnover or the lack of technically skilled public sector employees throughout the life of the asset presents challenges, regardless of contract length.
Scope change management	Upfront planning	The public sector must carefully think through each phase of the asset's life.	Additional costs because of errors in planning or not anticipating changes in future facility use.

Life-Cycle Concern	P3 Characteristic	Impact of P3 Characteristic	Considerations
	Output-based specifications	The public sector must clearly articulate the end product; clarification occurs through the competitive dialogue process.	The public sector may be unwilling or unable to move away from the comfort of prescriptive specifications.
Challenges with life-cycle costing	Use of private financing	The third party looking for a return on its investment will ensure that full costs are accurately assessed.	Discount rates and value for money are not standardized across jurisdictions.
Deferred maintenance	Integrated agreement Use of private financing Performance-based payments	Maintenance is written into the contract and clear performance standards are developed. If these are ignored, the third party is not paid.	Vague or absent performance standards. Lack of consistent oversight and willingness to enforce terms of contract over the long term.
	N/A	Funds are set aside in public sector budgets for the long term. The public sector cannot reallocate funds.	Restricts the options of future decision makers.
Use of public financing	Use of private financing	Third-party oversight brings discipline and rigour of the market.	Financial viability of P3s could be vulnerable to market activity and changing interest rates. Public-sector organizations use different approaches for value-for-money analysis such as the selection of the discount rate.
Challenges with client satisfaction	Collaborative relationships	End users are consulted and seen as key partners throughout the term of the P3 agreement. Facility meets operational needs.	Time and dedicated resources are required to involve end users in a meaningful way.

Source: PWGSC, 2011

Although the P3 approach shows promise, it should not be seen as the best option for all assets. Careful analysis of the various delivery models—be it Crown Construct (Design-Bid-Build), P3 (Design-Build-Finance-Maintain/Operate) or somewhere in between—is a crucial step for federal real property managers. This cannot be over-emphasized: it is important to enter the investment planning process without preconceived preferences for one model or another.

For a P3 model to be viable, the magnitude of the planned investment is a critical test of potential private sector interest.[34] This supports the Budget 2011 requirement to screen potential infrastructure assets that have capital costs of $100 million or more and a lifespan of at least 20 years for viability as a P3. However, this should not preclude considering P3s for investments that have a lower dollar value or shorter lifespan; these investments could be bundled together as a portfolio. It should also not be assumed that any asset over $100 million must be procured as a P3. As stated in an article prepared by the Library of Parliament, P3s are "not a panacea…and may not deliver a project or a service that is better than that delivered under conventional procurement."[35, liii] Although the P3 approach may not be suitable in every situation, lessons learned from P3s could be applied to more traditional models and mitigate some of their drawbacks.

Application of a P3 Approach to Conventional Procurement and Delivery Models

Because the common process of investment analysis typically involves investigating options that cover quantitative and qualitative assessments, several elements of the P3 approach could be instructive during the options analysis stage to improve the effectiveness of the life-cycle management of the asset. Drawing from theory and from the two RCMP and CSEC examples, specific areas of promise include upfront planning, allocating risk appropriately, integrating phases into one contract, developing output specifications, and making performance-based payments.

Comprehensive upfront planning is probably instrumental for the long-term success of an asset. One project manager noted that regardless of whether a Crown Construct or P3 model was ultimately chosen, all of the upfront work would have been put to good use. Yet it is important to realize that successful upfront planning requires a substantial investment of time, money and human resources. Through its *Policy on Investment Planning—Assets and Acquired Services*, the federal government requires departments to take into account operating and maintenance requirements at the beginning of the investment planning process. The purpose is to ensure that a

---

34. Informal discussion at a recent Canadian Council for Public-Private Partnerships conference indicated that industry preference is often for projects that have a capital cost of at least $300 million to $400 million.

35. Padova, Allison. *Public-Private Partnerships: Why, Where, When, and How*. Library of Parliament Background Paper, 2010, Publication No. 2010-18-E, p. 2.

department's resource allocation considers existing and new assets, and any related acquired services such as maintenance contracts.

The detailed risk analysis conducted within a P3 methodology can strengthen conventional procurement and delivery models, which would typically assess about 10 to 20 risks for probability, impact and the development of mitigation strategies. In a P3 model, this number is considerably higher, at about 150 to 200 risks. Another level of analysis that may not occur within more traditional models involves the examination of the capacity of the public and private sectors to assume each risk, evaluating which sector is better positioned to effectively manage each risk, and then identifying the premium that the public sector would deem appropriate for each risk transfer to the private sector. This level of analysis supports effective life-cycle management because a P3 model considers the risks associated with operations, maintenance and recapitalization at the initial stages of a project instead of after occupying the facility.

Another P3 element that might improve outcomes in other delivery models is the identification of possible variations on a fully integrated P3 agreement—a hybrid model in other words that would enhance the alignment of incentives for the efficient and sound stewardship of an asset over its life. Certainly, P3s demonstrate that there can be a benefit to bundling more than one phase of an asset's cycle into a single contract, and that having a longer-term contract provides more funding predictability for future repairs, maintenance and recapitalization.

The development of output specifications is another P3 practice that could be incorporated into other delivery models. Although some federal organizations use output specifications for a Design-Build model, these specifications, by definition, apply only to the design and construction of an asset. In a P3 model, by contrast, the output specifications would also include those for operations, maintenance and recapitalization. In the CSEC example, the agency received three very different designs, but each fully met the organization's requirements.

Performance-based payments have emerged as a critical element that supports the life-cycle management of assets over the long term. In conventional delivery models, payments to the private sector are not always performance-based. Resolution of issues sometimes takes place through means such as litigation, which involves significant expense and lost time. Although performance-based payments can be included in traditional models such as Lease-Purchase, such payments normally focus on routine maintenance. The incentive to perform is stronger in a P3, where partial or full payment can be withheld if an asset is not performing to the agreed-upon standard. The possibility of having payments withheld provides better assurance that the private sector partners will deliver on their commitments over the long term, which in turn can enhance the life of an asset. For all delivery models, adequate monitoring and enforcement of contract clauses are essential in order for performance-based payments to be effective.

There is an important link between performance-based payments and private financing. The Conference Board of Canada has raised doubts as to whether the benefits described in a P3 model could be realized using public financing. Specifically, “a public lender may behave quite differently from a private lender, because it would not have the same incentives to perform due diligence and monitor the delivery of the project.”[36, liv] The impact of third-party oversight is powerful and perhaps could not be duplicated when using public financing. Further, work is required to determine the extent to which a performance-based payment mechanism works in a contract that has prescriptive specifications.

Lessons from examples in other jurisdictions also show that performance monitoring of a P3 contract is critical for its success and for the achievement of ongoing benefits. This will present challenges to the public sector to mitigate employee turnover and to ensure that employees have the knowledge and skills to manage a P3.

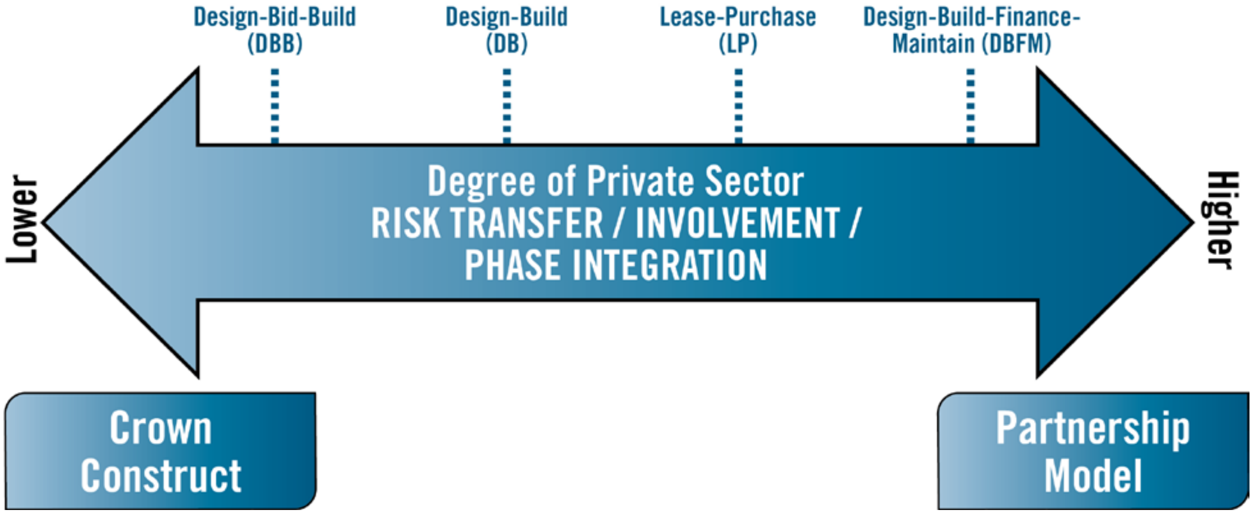
In conclusion, there may be potential for conventional delivery models to incorporate elements of a P3 model in order to improve the life-cycle management of assets. In particular, comprehensive upfront planning for an asset over its entire life cycle, not just during its design and construction phases, and the use of output-based specifications are two characteristics of the P3 approach that could be further explored in other delivery models with the objective of achieving improved outcomes for the management of real property assets.

36. Iacobacci, Mario. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, 2010, p. 38 (footnote 11), Ottawa: The Conference Board of Canada.

Appendix A: Real Property Delivery Models

There are various real property delivery models that can be characterized by the degree of involvement of either the public or private partner. Although not an exhaustive list, various models are presented in Figure A1, and their definitions are given below.

Figure A1. Spectrum of Real Property Delivery Models



Source: PWGSC 2011, adapted from Deloitte 2011.

Design-Bid-Build (DBB): This is also referred to as a Crown Construct. Under this model, the public sector is responsible for the design of a facility. Following the design phase, a private sector contractor is selected through a bidding process and enters into a contract with the public sector to construct the facility. After construction, the asset is commissioned to the public sector for operation and maintenance, which can in turn be outsourced to the private sector. Separate contracts are used for each phase, and cost is the main evaluation criterion. Ownership of the facility remains with the public sector.

Design-Build (DB): In this approach, the government contracts a single private partner to design and build a facility in accordance with the specified requirements. After completing the facility, the government assumes responsibility for operating and maintaining the facility. Ownership of the facility remains with the public sector.

Lease-Purchase: The government grants a private entity with a leasehold interest in an asset. The private entity operates and maintains the asset in accordance with the terms of the lease. At the end of the lease, the public sector may choose to purchase the facility. Ownership of the facility rests with the private sector unless the public sector makes a purchasing decision at the end of the contract.

Design-Build-Finance-Maintain/Operate (DBFM, DBFO or DBFM/O): This is also referred to as a public-private partnership (P3). Under this model, the private sector designs, builds, finances, maintains and/or operates a new facility. There is typically a high degree of integration between these phases, and a single contract is used. Ownership of the facility remains with the public sector.

Appendix B: Acknowledgements

The Comptroller General acknowledges with thanks the input of the following individuals:

- Shanna Bancroft
- Robert Brûlé
- Christopher Burt
- Frank D'Alessandro
- Vincent D'Amours
- Naresh Debidin
- Elizabeth Gooding
- Shirley Jen
- Ashifa Jiwa
- Stéphane Huot
- Orest Klufas
- Vince Knight
- Joseph Knowles
- Deirdré Liebrandt-Johnson
- Tom McKenzie
- Steven Porter
- Sandy Smithbower
- Tracy Sohi
- Wayne Sutherland
- Jay Thompson
- Michael Yablonsky

This paper was compiled with support from the following individuals at Public Works and Government Services Canada:

- Tara Cooper
- Steve Kelly
- Malcolm Leong
- Carla McEachern
- Samuel Mok
- Camila Prado
- Farnaz Rameshni
- Laura Rock
- Dean Slonowsky
- Stephanie Strong

Appendix C: Bibliography

Ballesty, Stephen, Rider Levin Bucknall, and International Facilities Management Association. "Life Cycle Costing in the 'Age of Environmental Thrift,'"[lv] 2010. Accessed August 30, 2011.

Deloitte & Touche LLP. "P3 101: Introduction to public-private partnerships," 2011. Hard copy of a presentation.

Grimsey, Darrin and Mervyn Lewis. "Public Private Partnerships and Public Procurement,"[lvi] *Agenda*, Vol. 14, No. 2, 2007; pp. 171–188.

Iacobacci, Mario. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*,[lvii] 2010. Ottawa: Conference Board of Canada. Accessed August 24, 2011.

International Facilities Management Association. "A Framework for Facilities Lifecycle Cost Management,"[lviii] 2011.

Murphy, Timothy J. "The Case for Public-Private Partnerships in Infrastructure,"[lix] *Canadian Public Administration*, Vol. 51, No. 1 (March 2008); pp. 99–126.

National Audit Office, United Kingdom. *Darent Valley Hospital: The PFI Contract in Action*,[lx] 2005.

National Audit Office, United Kingdom. *Lessons From PFI and Other Projects*,[lxi] 2011.

National Bank of Canada. *The Present & Future of Public-Private Partnerships in Canada*, 2011. Provided by PPP Canada.

Office of the Auditor General of British Columbia. *Audit of the Academic Ambulatory Care Centre Public Private Partnership: Vancouver Coastal Health Authority*,[lxii] 2011.

Office of the Auditor General of Canada. *Report of the Auditor General of Canada*,[lxiii] 1984. Accessed August 24, 2011.

Office of the Auditor General, Nova Scotia. *Report of the Auditor General*,[lxiv] February 2010.

Office of the Auditor General of Ontario. *2008 Annual Report*,[lxv] 2008. Accessed August 8, 2011.

Padova, Allison. *Public-Private Partnerships: Why, Where, When, and How*,[lxvi] Library of Parliament Background Paper No. 2010-18-E, May 12, 2010.

PPP Canada. "About Us" [overview],[lxvii] 2011. Accessed August 25, 2011.

PPP Canada. "What Is a P3?"[lxviii] 2011. Accessed August 25, 2011.

PricewaterhouseCoopers LLP. "Structuring and Negotiating PPPs: Life Cycle Costing of PPP Projects," 2009. Hard copy of a presentation.

Public Works and Government Services Canada. "PWGSC Awards Contract With Respect to Certain Real Estate Assets,"[lxix] 2006. Accessed August 30, 2011.

Public Works and Government Services Canada. "The Capital Conundrum: Finding a Sense of Urgency," 2011. Internal document.

Receiver General for Canada. *The Public Accounts of Canada*,[lxx] 2011.

Treasury Board of Canada Secretariat. *Directory of Federal Real Property*,[lxxi] 2011. Accessed August 1, 2011.

Treasury Board of Canada Secretariat. *Policy Framework for the Management of Assets and Acquired Services*,[lxxii] 2006. Accessed July 18, 2011.

Treasury Board of Canada Secretariat. *Policy on Investment Planning—Assets and Acquired Services*,[lxxiii] 2009.

Treasury Board of Canada Secretariat. *Policy on Management of Materiel*,[lxxiv] 2006.

Treasury Board of Canada Secretariat. *Policy on Management of Real Property*,[lxxv] 2006.

Endnotes

i. *Report on the State of Comptrollership in the Government of Canada*, http://www.tbs-sct.gc.ca/fm-gf/reports-rapports/rsc-rfc/rsc-rfctb-eng.asp

ii. *Policy on Internal Audit*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=16484&section=text

iii. *Internal Auditing Standards for the Government of Canada*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?section=text&id=12344

iv. *Federal Accountability Action Plan*, http://www.tbs-sct.gc.ca/faa-lfi/docs/ap-pa/ap-patb-eng.asp

v. *Policy Framework for Financial Management*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18790&section=text

vi. "Financial Management and Control and Risk Management," http://www.oag-bvg.gc.ca/internet/English/parl_oag_201106_01_e_35369.html

vii. *Policy on Transfer Payments*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=13525&section=text

viii. *Treasury Board Accounting Standard 1.2—Departmental and Agency Financial Statements*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18830&section=HTML

ix. *Contracting Policy*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14494&section=text

x. *Policy on Investment Planning—Assets and Acquired Services*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18225&section=text

xi. *Policy on the Management of Projects*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18229&section=text

xii. *Policy Framework for Financial Management*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18790&section=text

xiii. *Policy on Financial Management Governance*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14005

xiv. The *New Value Integrator: Insights From the Global Chief Financial Officer Study*, http://public.dhe.ibm.com/common/ssi/ecm/en/gbe03277usen/GBE03277USEN.PDF

xv. *Federal Accountability Act*, http://www.tbs-sct.gc.ca/faa-lfi/index-eng.asp

xvi. *Guideline on Chief Financial Officer Qualifications*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=14104&section=text

xvii. *Status Report of the Auditor General of Canada to the House of Commons* (2011), http://www.oag-bvg.gc.ca/internet/docs/parl_oag_201106_01_e.pdf

xviii. *Report on the State of Comptrollership in the Government of Canada*, http://www.tbs-sct.gc.ca/fm-gf/reports-rapports/rsc-rfc/rsc-rfctb-eng.asp

xix. Appendix A of the *Guideline on Chief Financial Officer Qualifications*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?evttoc=X&id=14104&section=text#appA

xx. *Moving From CA to CFO: A Competency Framework—An ICAO/Queen's University Collaborative Study*, http://www.icao.on.ca/PD/PDExecutiveDev/1016page9864.pdf

xxi. Treasury Board of Canada Secretariat's website on key leadership competencies, http://www.tbs-sct.gc.ca/tal/kcl/intro-eng.asp

xxii. *Review of the Responsibilities and Accountabilities of Ministers and Senior Officials—Meeting the Expectations of Canadians*, http://www.tbs-sct.gc.ca/report/rev-exa/ar-er-eng.asp

xxiii. *Federal Accountability Act*, http://laws-lois.justice.gc.ca/eng/acts/F-5.5/index.html

xxiv. *Privacy Act*, http://laws-lois.justice.gc.ca/eng/acts/P-21/index.html

xxv. *Canadian Human Rights Act*, http://laws-lois.justice.gc.ca/eng/acts/h-6/

xxvi. *Employment Equity Act*, http://laws-lois.justice.gc.ca/eng/acts/E-5.401/

xxvii. Canadian Human Rights Commission, *2010–11 Departmental Performance Report*, http://www.tbs-sct.gc.ca/dpr-rmr/2010-2011/inst/hrc/hrc00-eng.asp

xxviii. *Official Languages Act*, http://laws-lois.justice.gc.ca/eng/acts/O-3.01/FullText.html

xxix. Office of the Commissioner of Official Languages, 2010–2013 *Risk-Based Internal Audit Plan*, http://www.ocol-clo.gc.ca/html/rbiap_pviar_2010_13_e.php

xxx. *Personal Information Protection and Electronic Documents Act*, http://laws-lois.justice.gc.ca/eng/acts/P-8.6/index.html

xxxi. *Agreement on Internal Trade*, http://www.ait-aci.ca/index_en.htm

xxxii. *Public Service Employment Act*, http://laws-lois.justice.gc.ca/eng/acts/P-33.01/

xxxiii. *Access to Information Ac*t, http://laws-lois.justice.gc.ca/eng/acts/A-1/

xxxiv. Office of the Information Commissioner of Canada, *2010–11 Departmental Performance Report*, http://www.tbs-sct.gc.ca/dpr-rmr/2010-2011/inst/nd5/nd500-eng.asp

xxxv. Office of the Auditor General of Canada, *2010–11 Departmental Performance Report*, http://www.tbs-sct.gc.ca/dpr-rmr/2010-2011/inst/aud/aud00-eng.asp

xxxvi. "What to Expect—An Auditee's Guide to the Performance Audit Process," http://www.oag-bvg.gc.ca/internet/English/meth_lp_e_30860.html

xxxvii. *Policy on Internal Audit*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=16484&section=text

xxxviii. *Fifth Report of the Prime Minister's Advisory Committee on the Public Service*, http://www.clerk.gc.ca/eng/feature.asp?featureId=19&pageId=272

xxxix. *Policy on Management of Real Property*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12042&section=text

xl. *Policy on Management of Materiel*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?section=text&id=12062

xli. Receiver General for Canada, *Public Accounts of Canada 2010*, Vol. 1, p. 1.17, http://epe.lac-bac.gc.ca/003/008/099/003008-disclaimer.html?orig=/100/201/301/public_accounts_can/2010/v1pa2010e_revised.pdf

xlii. *Policy Framework for the Management of Assets and Acquired Services*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12022&section=text

xliii. *Policy on Investment Planning—Assets and Acquired Services*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18225&section=text

xliv. *Guide to the Management of Real Property*, http://www.tbs-sct.gc.ca/rpm-gbi/doc/gmrp-ggbi/gmrp-ggbi-eng.aspx

xlv. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, http://www.conferenceboard.ca/e-Library/abstract.aspx?did=3431

xlvi. PPP Canada, http://www.p3canada.ca/home.php

xlvii. "RCMP E Division Headquarters Relocation Project Fact Sheet," http://www.tpsgc-pwgsc.gc.ca/biens-property/nouvelles-news/frpdgrc-rcmpprpfs-eng.html

xlviii. CSEC website, http://www.cse-cst.gc.ca/home-accueil/accommodation-installation/index-eng.html

xlix. "The Case for Public-Private Partnerships in Infrastructure," http://www.mcmillan.ca/Files/TMurphy_caseforP3_Infrastructure_0508.pdf

l. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, http://www.conferenceboard.ca/e-Library/abstract.aspx?did=3431

li. *Audit of the Academic Ambulatory Care Centre Public Private Partnership: Vancouver Coastal Health Authority*, http://www.bcauditor.com/files/publications/2011/report_2/report/OAGBC-P3-Report-May-2011.pdf

lii. "The Case for Public-Private Partnerships in Infrastructure," http://www.mcmillan.ca/Files/TMurphy_caseforP3_Infrastructure_0508.pdf

liii. *Public-Private Partnerships: Why, Where, When, and How*, http://www.parl.gc.ca/Content/LOP/ResearchPublications/2010-18-e.pdf

liv. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, http://www.conferenceboard.ca/e-Library/abstract.aspx?did=3431 lv. “Life Cycle Costing in the ‘Age of Environmental Thrift,’” http://www.ifmafoundation.org/international/files/RTF/2010-04-23_Singapore-BCAA.IFMA_Life.Cycle.Costing_Stephen.Ballesty.pdf

lvi. “Public Private Partnerships and Public Procurement,” http://epress.anu.edu.au/wp-content/uploads/2011/06/14-2-A-7.pdf

lvii. *Dispelling the Myths: A Pan-Canadian Assessment of Public-Private Partnerships for Infrastructure Investments*, http://www.conferenceboard.ca/e-Library/abstract.aspx?did=3431

lviii. *A Framework for Facilities Lifecycle Cost Management*, http://www.ifma.org/tools/research/Asset_Lifecyle_Model.pdf

lix. “The Case for Public-Private Partnerships in Infrastructure,” http://www.mcmillan.ca/Files/TMurphy_caseforP3_Infrastructure_0508.pdf

lx. *Darent Valley Hospital: The PFI Contract in Action* (executive summary), http://www.nao.org.uk/idoc.ashx?docId=16eebd7e-e373-46e8-9827-02b3a61b8bba&version=-1

lxi. *Lessons from PFI and Other Projects*, http://www.nao.org.uk/idoc.ashx?docId=424b45ad-8b0b-4790-aa5c-5ad856627478&version=-1

lxii. *Audit of the Academic Ambulatory Care Centre Public Private Partnership: Vancouver Coastal Health Authority*, http://www.bcauditor.com/files/publications/2011/report_2/report/OAGBC-P3-Report-May-2011.pdf

lxiii. *Report of the Auditor General of Canada*, http://www.oag-bvg.gc.ca/internet/English/parl_oag_198411_e_1166.html

lxiv. *Report of the Auditor General*, http://www.oag-ns.ca/feb2010/full0210.pdf

lxv. *2008 Annual Report*, http://www.auditor.on.ca/en/reports_2008_en.htm

lxvi. *Public-Private Partnerships: Why, Where, When, and How*, http://www.parl.gc.ca/Content/LOP/ResearchPublications/2010-18-e.pdf

lxvii. “About Us,” http://www.p3canada.ca/about-ppp-canada-overview.php

lxviii. “What Is a P3?,” http://www.p3canada.ca/what-is-a-p3.php

lxix. “PWGSC Awards Contract With Respect to Certain Real Estate Assets,” http://news.gc.ca/web/article-eng.do?crtr.sj1D=&mthd=advSrch&crtr.mnthndVl=12&nid=239269

lxx. *The Public Accounts of Canada*, http://www.tpsgc-pwgsc.gc.ca/recgen/pdf/49-eng.pdf

lxxi. *Directory of Federal Real Property*, http://www.tbs-sct.gc.ca/dfrp-rbif/home-accueil-eng.aspx

lxxii. *Policy Framework for the Management of Assets and Acquired Services*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12022 lxxiii. *Policy on Investment Planning—Assets and Acquired Services*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=18225&section=text

lxxiv. *Policy on Management of Materiel*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?section=text&id=12062

lxxv. *Policy on Management of Real Property*, http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=12042&section=text