

The Senate of Canada

Annual Report on Internal Audits 2010-2011

Report of the Standing Committee on
Internal Economy, Budgets and Administration

February 2012

TABLE OF CONTENTS

Introduction.....	2
I. Audit of Long Term Vision and Plan (LTVP).....	5
II. Status of Management Actions on Prior Year's Audits	21
II.A. Audit of Senators' Office Expenditures.....	21
II.B. Services Contracts Audit	22
II.C. Job Classification Function Audit	23

Introduction

Oversight and Audit in the Senate

The day-to-day oversight of the Senate's resources and administrative practices rests with the Standing Senate Committee on Internal Economy, Budgets, and Administration and with the Clerk of the Senate, whose responsibilities are described in chapters 2:02 and 2:03 of the *Senate Administrative Rules* as follows:

Chapter 2:02

2. (1) Subject to the rules, direction and control of the Senate, the Committee is responsible for the good internal administration of the Senate.
- (2) For the purposes of subsection (1), good internal administration means a competent administration that is flexible, fair and transparent, with appropriate policies and programs, suitable service levels, adequate resources including high-quality staff, appropriate reporting mechanisms and regular audits and assessments.

Chapter 2:03

3. (4) the principal functions of the Clerk of the Senate as head of the Senate Administration are:
 - (a) to provide advice on corporate governance, including on strategic, administrative and financial planning and administration;
 - (b) to organize the internal administrative and financial structures;
 - (c) to direct the Senate Administration;
 - (d) to control and monitor the functions of the Senate Administration; and
 - (e) to report to the Senate through the Internal Economy Committee.

The internal audit function supports the Committee and the Clerk in meeting their responsibilities by providing independent, objective assurance services designed to add value and improve the stewardship of Senate operations and resources. This assists the Senate in accomplishing its internal management objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance practices.

The internal audit function reports functionally to the Audit Subcommittee and administratively to the Clerk of the Senate and is led by the Director, Internal Audit and Strategic Planning. The function's processes and practices are designed to meet the Institute of Internal Auditors' Professional Practices Framework.

An Audit Subcommittee, made up of three members of the Internal Economy Committee, is the governance body charged with overseeing and directing the internal audit function. The Audit Subcommittee's primary responsibilities are to:

- Recommend for approval by the Internal Economy Committee a multiyear internal audit plan, reports and recommendations regarding the internal audit function, including audit reports that have been submitted, and other matters, as appropriate;

- Review management action plans and ensure (1) that they adequately address the recommendations and findings arising from internal audits, and (2) that the action plans have been effectively implemented;
- Submit an annual report with its observations and recommendations to the Internal Economy Committee; and
- Review the *Internal Audit Charter* and *Internal Audit Policy* and recommend changes as required to the Internal Economy Committee.

The Senate maintains a *Multiyear Audit Plan* that covers a three-year period and is updated annually using a risk-based audit planning methodology. The plan is reviewed by the Audit Subcommittee before being presented to the Internal Economy Committee for approval. Once approved, the Director, Internal Audit and Strategic Planning, is responsible for ensuring that the audits are carried out as planned. Audit work is typically carried out by outside audit firms engaged through a competitive process.

2010-2011 Audits

In March 2010, the Standing Senate Committee on Internal Economy, Budgets, and Administration renewed the three-year risk-based audit plan. In 2010-2011, the audit of the Long Term and Vision Plan (LTVP) was conducted. All other audits scheduled in the multiyear audit plan were postponed, in order to redirect audit resources to the performance audit of the Senate administration conducted by the Office of the Auditor General (OAG). The examination phase of the OAG audit was concluded in fall 2011 and the final report is anticipated later before the end of this fiscal year.

What Happens After the Audits?

Once an audit has been completed, the results are submitted to the Clerk of the Senate who, along with his management team, considers and validates the observations, prepares management responses and develops a follow-up action plan for addressing the recommendations. The final audit report, along with management's responses and action plans, are presented to the Audit Subcommittee and subsequently to the Senate Committee on Internal Economy, Budgets, and Administration.

The follow-up process on audit recommendations begins as soon as a weakness has been identified and it is not unusual to have corrective measures implemented during the course of the audit, even before the final report is issued. Other recommendations require more extensive changes to policies, procedures, practices and systems and can take anywhere from a few months to two years to fully implement. These actions often form the basis of key initiatives in the Administration's annual work plans.

The Clerk, with the assistance of the Director, Internal Audit and Strategic Planning, monitors progress made on the implementation of audit recommendations. The Audit Subcommittee is kept apprised of any delays or situations that might require closer attention and receives progress reports on a quarterly basis until all audit recommendations have been addressed.

I. Audit of Long Term Vision and Plan (LTVP)

The following report was prepared by the firm KPMG:

Executive Summary

Audit Objectives and Scope

The overall objectives of the audit were to provide an independent assessment in regard to the Senate's Long-Term Vision and Plan ("LTVP") implementation and project management practices. Specifically, the objectives were to determine whether the Senate's LTVP Office has established plans and processes to:

- identify, update and communicate the needs and interests of the Senate in regard to the LTVP to the Parliamentary Partners (PP) and Public Works and Government Services Canada (PWGSC);
- effectively monitor and provide oversight to help ensure that the identified needs and interests are met; and
- identify and obtain sufficient resources (human and financial) to support the planning, monitoring and implementation of the LTVP and related requirements.

The scope of the audit examined the LTVP Office's current management processes, practices and other means in place that are of relevance to the audit objectives defined and was therefore limited to an examination of processes and practices specifically related to the LTVP project.

Approach

The audit was conducted in accordance with the Institute of Internal Auditors' *International Professional Practice Framework*.

Audit criteria for each of the audit objectives were developed with reference to KPMG's leading practices in project management, and relevant leading practices in the private sector.

KPMG conducted interviews with LTVP Office representatives and representatives from its Parliamentary Partners in addition to reviewing documentary evidence to support its findings against the audit criteria.

Background and Context

The LTVP is a series of five-year programs, each of which includes primary projects to restore the key Parliamentary heritage buildings. Given that PWGSC is responsible for the planning and implementation of the LTVP rehabilitation projects and the Senate has control over their own premises, KPMG has been contracted to assess whether the LTVP Office has established the necessary processes, practices, and capacity to help ensure the Senate's needs and requirements are met through the LTVP project.

Summary of Findings

Overall, the LTVP Office has implemented a number of project management practices to help ensure that its requirements in regards to the LTVP project have been identified and communicated to the Parliamentary Partners and PWGSC. However, we have noted a number of areas where improvements could be achieved in the areas of Stakeholder Needs, Governance and Accountability, Risk Management, Information Management, Monitoring; and Capacity/Capability to help ensure that the accommodation needs of the Senate Stakeholder are properly met during the course of the LTVP.

1. Stakeholder Needs

The LTVP Office has implemented mechanisms to identify, confirm and communicate the needs of its stakeholders to PWGSC as well as other PPs. However, given the complexity and length of the construction process, review and communication of changes of stakeholder requirements will be a key factor in the success of this project. We recommend that the LTVP Office implement a process to review on a regular basis the project plans and scope to help ensure that user requirements are identified and the plan is able to achieve these requirements.

2. Governance

Although the roles and responsibilities of the LTVP Parliamentary Precinct Partners have been formally defined, it was noted by a number of representatives that the Senate LTVP Office is underrepresented at Committee meetings. We recommend that the Senate LTVP Office implement an integrated management plan which includes governance protocols, project charter, organization roles and responsibilities.

3. Risk Management

Through our consultations we have noted that the Senate LTVP Office does not have a formal risk management approach in place in regards to the LTVP project. We recommend that the Senate LTVP Office develop a risk management plan as well as validate and/or update existing risk assumptions, constraints and potential impacts on a regular basis.

4. Information Management

Although key LTVP documents are centrally stored, the Senate has not yet implemented a process in regard to project management documentation. Given the variety of people receiving LTVP documentation as well as the nature of the documentation (i.e. electronic), project information necessary for monitoring purpose may not be available on a timely basis. We recommend that the LTVP Office develop a centralized records management system to allow the effective tracking and distribution of project information.

5. Monitoring

In order to help ensure it achieves its space requirements, the LTVP Office will require monitoring the LTVP on an on-going basis. The Senate and PWGSC have agreed to re-establish a quarterly reporting process, however the information to be reported and the format has not yet been established. We recommend that the LTVP Office identify and communicate its information requirements necessary to be able to monitor the LTVP project.

6. Capacity/Capability

A number of respondents have noted concerns in regard to the current LTVP Office staff ability to meet the increasing demands of the LTVP in conjunction with the ongoing daily accommodation functions. Without reasonable resources commitments and defined roles and responsibilities, the LTVP Office may encounter problems that would result in its inability to adequately monitor and achieve the desired project results. In order to identify potential resource needs and avoid potential gaps and duplication of efforts, we recommend that the LTVP Office develop a responsibility matrix. We further recommend that the LTVP Office identify contingency plans for key LTVP Office resources and review the adequacy of PWGSC's resource contingency plans.

KPMG's detailed findings and observations, along with management responses and a summary of recommendations, are provided in the Findings and Observations section of this report.

Audit Objectives, Scope, and Approach

Audit Objectives

The overall objectives of the audit were to provide an independent assessment in regard to the Senate's LTVP implementation and project management practices. Specifically, the objectives were to determine whether the Senate LTVP Office has established plans and processes to:

- identify, update and communicate the needs and interests of the Senate in regard to the LTVP to the Parliamentary Partners and PWGSC;
- effectively monitor and provide oversight to help ensure that the identified needs and interests are met; and
- identify and obtain sufficient resources (human and financial) to support the planning, monitoring and implementation of the LTVP and related requirements.

Audit Scope

The scope of the audit examined the Senate LTVP Office's current management processes, practices and other means in place that are of relevance to the audit objectives defined above. The scope of the audit examined the Senate LTVP Office's controls, processes and practices in place that are of relevance to the audit objectives defined above. The audit examined the activities and practices that are currently in place at the Senate LTVP Office and was limited to an examination of processes and practices specifically related to the LTVP project.

Risk Areas Audited

The table below provides a list of the key risks identified through our risk assessment process conducted in the audit planning phase that led to the identification of the audit criteria which were addressed through the audit. The list below is not an exhaustive list of all potential risks that may impact the achievement of the LTVP project in relation to the Senate's objectives; rather, it represents those risks that have been identified to have the highest potential impact or likelihood.

Risk #	Risk Description	Expected Controls	Included in Audit Scope (if No – Rationale)
1	Stakeholder Needs - Risk that the implementation plans do not reflect stakeholder needs and Senate accommodation requirements (temporary and long term) due to inadequate engagement of stakeholders in regards to their requirements and the impact of subsequent changes in the LTVP project.	<ul style="list-style-type: none"> ▪ Mechanisms are in place to identify stakeholder needs on a timely basis and regularly engage with stakeholders when changes are made. 	Yes
2	Governance and Accountability - Risk that the accountabilities and responsibilities (within the LTVP Office and amongst Parliamentary Partners) for implementing and supporting the LTVP project are not clearly defined, communicated and/or well understood.	<ul style="list-style-type: none"> ▪ A defined governance structure is in place where roles, responsibilities, and functional accountabilities are clearly communicated and understood internally and by all Parliamentary Partners. 	Yes
3	Risk Management - Risk that the Senate LTVP Office does not have the appropriate mechanisms in place to monitor project risks, implement corrective action as required on a timely basis and document key decisions made.	<ul style="list-style-type: none"> ▪ A risk management and / or management control framework has been developed and implemented to identify, monitor, manage, and report on key LTVP risks and related management actions. 	Yes
4	Information Management - Risk that the Senate LTVP Office does not have a proper process to retain and maintain documentation relating to key decisions, plans, monitoring and reporting information, leading to a loss of corporate memory.	<ul style="list-style-type: none"> ▪ A records/ knowledge management process has been established to retain information on key decisions monitoring and reporting. 	Yes
5	Monitoring - Risk that the LTVP project budget, timelines and quality are not properly defined and/or monitored leading to excess costs that are not reimbursed by PWGSC and/or delays in project completion and/or inadequate accommodation quality.	<ul style="list-style-type: none"> ▪ Policies and procedures are in place to monitor project progress in meeting expected milestones/budget/quality and take corrective action as required, on a timely basis. 	Yes
6	Risk that the Senate's Accommodation Planning and Projects Directorate does not have sufficient capacity and capability to provide sufficient LTVP project oversight, implement the LTVP project and maintain on-going accommodation services (day to day core services).	<ul style="list-style-type: none"> ▪ The activities, schedules, and resources required to successfully complete the LTVP project, have been identified and integrated into plans and budgets. 	Yes

Approach

The audit was conducted in accordance with the audit plan and the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Audit*. The conduct phase of the audit included two principal phases: I) examination; and II) analysis and reporting.

The examination phase consisted primarily of in-depth documentation review, and interview. Our interviews included the following:

- Director General, Parliamentary Precinct Services, Senate
- Director of Accommodation Planning and Projects, Senate
- Senior Advisor Long Term Accommodation Strategy, Senate
- Project Manager, Architectural Design, Senate
- Project Manager, Building Connectivity and Components, Senate
- Director Architecture and Program Strategic Planning, House of Commons
- Manager Strategic Planning, Senate
- Director Major Projects, House of Commons
- Director Information and Document Resource Service, Library of Parliament, and
- Wellington Project Director, PWGSC Major Crown Project.

The analysis and reporting phase included:

- a management debrief where KPMG formally presented and discussed our audit observations with the LTVP Office's management for debriefing;
- a draft audit report that was discussed with management for debriefing; and
- a final audit report, incorporating feedback received from management regarding the factual accuracy of items presented.

Findings and Observations

Consistent with the risks identified above, our findings are presented under the following six themes: Stakeholder Needs, Governance and Accountability, Risk Management, Information Management, Monitoring; and Capacity/Capability.

1) Stakeholder Needs

The first key activity in the development of a successful project is planning and needs definition. Given the Senate's mandate, the Senate has certain decision-making authority with respect to the LTVP as "owners", such as, the definition of their needs and related decisions with respect to accommodation standards, and security and communication requirements. Because each house of Parliament is constitutionally independent, the Senate is ultimately responsible for ensuring that their vision, goals and objectives are realized through this project. As a result, in addition to many of the elements discussed below, the identification of the Senate's needs (space requirements) is the key starting point for "success" as only the Senate can define.

Since 1992, three long term plans have been developed by PWGSC, endorsed by the three parliamentary Partners and endorsed by the Government of Canada. As identified by the OAG, in Chapter 3 of their 2010 Spring Report, it was noted that "none of the long-term plans were comprehensive." Areas

identified as being incomplete included security and visitor service requirements. In addition, project timing, sequence, and interdependencies have not been identified in detail past 2017.

Given the complex nature of the LTVP it is even more important that there is clarity over requirements. The LTVP Office needs to clearly identify and communicate exactly the Senate's needs and when. The clearer the definition of requirements, the more likelihood they can be met. Furthermore, given the expected duration of the LTVP project, it will also be important that the LTVP Office define and implement a process to confirm and/or identify any changes to its current needs.

The LTVP Office has implemented accountability and control mechanisms whereby Directors are required to sign off on the plans developed in consultation with Senators. Meetings with Senate Administration and Senators are held to obtain and understand requirements with a more future oriented focus for space and technology. In addition, a Master Security Plan Office has been established and an overarching security framework has been developed and links to the LTVP framework.

To date key Senate LTVP "needs" include:

- locate all "core parliamentary functions" within a clearly defined and secure area north of Wellington Street for safety and operational effectiveness purposes; and
- conduct the rehabilitation work with a minimal impact on operations.

Once the full suite of detailed LTVP needs are defined, the LTVP Office can begin to implement other key processes that may include: review of project plan/scope to ensure requirements are identified and plan is reasonable to achieve requirements, monitor project scope/cost/quality/timing/changes, identify and manage key risks, and define and implement information management and reporting requirements.

Both LTVP Office representatives and external LTVP stakeholders acknowledged that the LTVP will require a long-term perspective and vision. With this acknowledgement, the LTVP Office and other Parliamentary Partners ("PP") need to recognize that the LTVP cannot be planned perfectly; however, the planning and implementation approach needs to be rigorous and focus on key structural requirements, while provisioning for flexibility.

Given the complexity and length of the construction process, changes in stakeholder needs and/or other changes will be required. As a result, a key factor in the success of this project will be the efficiency and effectiveness of the change order process. KPMG understands that a process is being developed by PWGSC to identify and rationalize proposed scope changes. The current change process conducted on a case-by-case basis is defined as follows:

- a site visit is conducted between the LTVP Office and PWGSC to review the change request log of proposed changes;
- the LTVP Office discusses the log with PWGSC to understand the rationale and justification, and the impact on scope, costs, timelines / schedule of deliverables; and
- The change request process is validated by the LTVP Office.

Observation # 1: Changes to Stakeholder Needs:

To date, the LTVP Office has been successful in fulfilling its role as a knowledgeable client, stakeholder and partner by establishing the Senate's current stakeholder needs and implementing a process to determine, confirm and communicate these requirements to PWGSC and other PPs. Going forward, specifically with the renovation of the East Block, the LTVP Office will be required to establish a process to review and update these requirements on an ongoing basis. In addition, given the importance of the change order process, further study, documentation and assessment of the change order process should be conducted to help ensure process efficiency and effectiveness.

Recommendation #1: We recommend that the LTVP Office implement a process to review, on a regular basis (i.e. annually), the project plans and scope to help ensure that user requirements are identified and the plan is able to achieve these requirements. In addition, the process to deal with changes that result from changing stakeholder needs and/or regular project changes, should be documented in detail, approved, communicated and followed.

2) Governance and Accountability

Governance supports effective decision-making for a common purpose by defining the desired results and establishing a framework of resources, practices and accountabilities to achieve the desired results. Given the complexity of the LTVP project as a result of the nature of the restoration, its overall importance, security requirements, current building condition and age, the number of stakeholders, overlapping accountabilities, need for temporary accommodations, and length of time to complete, governance is a particularly key element. Without a strong governance framework and practice, key decisions may require excessive time and ultimately result in delays, inappropriate decisions, and/or the inefficient use of resources.

As identified by the OAG in Chapter 3 of their 2010 Spring Report, it was noted that "the governance framework in place is inadequate to guide the overall rehabilitation of the Parliament buildings. In particular, decision making and accountability are fragmented, and the framework does not allow for reaching consensus on priorities and committing resources to implement long-term plans."

Roles and responsibilities for LTVP Parliamentary Precinct Partners (Senate of Canada, House of Commons, and the Library of Parliament) have been defined in the Memorandum of Understanding ("MOU") between the PP and PWGSC and in the LTVP Planning Program. At the time of this audit, the Director of Accommodation Planning and Projects was working on LTVP job descriptions. In addition, the Senate has established a subcommittee on the Security and Accommodation, whose mandate includes "to review and make recommendations regarding the governance, accommodation and major renovations of the Senate precinct". The subcommittee meets on a regular basis with the Director General, Parliamentary Precinct Services and the Director of Accommodation Planning and Projects.

Most of our consultations agree that, to date, the LTVP Office has had an appropriate level of input into the LTVP project and has communicated its needs via the LTVP committee-based structure. In addition, it has been noted by LTVP Office representatives and other PPs, that decision-making information, action items and follow-up have improved. Although, there is a perception by some consulted, that the LTVP Office may have been underrepresented at Committee meetings and would benefit by having a "high level Senate champion" to fight for the interests and fundamental needs for office space, committee space and support services, the Senate's Director General of Parliamentary Precinct Services believes that his participation on the LTVP Steering Committee allows the LTVP Office sufficient representation to obtain the information required to make informed decisions. It was also noted by a number of LTVP Office representatives that there is a need for a Senate-PWGSC LTVP project

management office (PMO) with a clear charter outlining governance and project management responsibilities that is considerate of milestones, communication and training for both the LTVP Office and PWGSC staff on the National Project Management System (NPMS). There is a risk though that the decision-making process will be fragmented given the number of LTVP partners.

Discussions with the three PPs noted that overall, they are satisfied with the Committees, while making the following specific comments:

- The effectiveness of the LTVP Committees is improving regarding the decision-making information, action items, and follow-up;
- PP efforts help drive the agenda to help measure that their voices are heard at the Committees;
- The Committees function well so long as the right issues are brought to the right place at the right time;
- The reliability of the information is very good, the meetings are timely, and good discussions are held between participants;
- While the PPs agree that the committee structure and frequency of meetings is the responsibility of PWGSC's, some have commented that there may be "too many" Committees within the LTVP governance structure which has contributed to perceived issues with decision-making timeliness and while there has been observed improvements with regard to decision-making, many expressed reservation about the value of having to attend Committee meetings, as well as the usefulness of the Committee minutes.

Observation # 2: Integrated Management Plan

The LTVP Office is still defining its LTVP processes and practices and more emphasis in the future should be placed on: strategy, communication, risk management, quality assurance, and external financial for knowledgeable client funding and compliance monitoring. Additionally, the complex project and stakeholder group structure would benefit from an integrated management plan that consolidates the detailed project plans for the different knowledge areas into a cohesive and executable project plan.

Recommendation #2: We recommend that the LTVP Office implement an integrated management plan which includes governance protocols, project charter, organization roles and responsibilities, lessons learned, project breakdown structure, document management, project execution plan, and work breakdown structure. In addition, given the project complexity, overall importance and complex governance and stakeholder structures, we recommend that the LTVP Office continue to work with the subcommittee on Security and Accommodation.

3) Risk Management

Risks are uncertainties, liabilities or vulnerabilities which may cause a project to deviate from its defined plan. The objective of a risk management process is to help reduce the impact of unplanned incidents on the project by identifying and addressing potential risks before significant negative consequences occur and/or at a time when risk mitigation will be substantially less costly. On an annual basis, consultations with other PP's provide insight to the LTVP Office to update its Risk Management Strategy.

While it is particularly important that PWGSC maintain a robust risk management process for the management of LTVP, it is also important that unique risks from the Senate's perspective be identified, measured, mitigated, monitored and reported. A well defined and integrated risk management process

provides the project team confidence that all risks associated with the project are being addressed. The process allows management to prioritize and allocate resources to critical risk issues.

Based on KPMG's Global Construction Survey the top three risks from an "owner's perspective" are: the availability of qualified contractors, the shortage of internal resources and the lack of a defined and implemented process to manage risk. In addition, survey respondents identified two of the top five root causes of project failure to be poor risk identification and poor selection and implementation of risk mitigation.

Observation # 3: Risk Management

Although the Senate has a formal policy on risk management and the LTVP Office is monitoring the risk related to the LTVP project, our consultations have identified that there is currently not a formal risk management approach in place within the LTVP Office for the LTVP project. To date the Senate has not developed an effective risk management plan representing the systematic process to identify, communicate, analyze, and respond to project risk that is monitored on a regular basis. In addition, some project personnel appear to have limited formal risk management training or experience. As a result, multiple unexpected events may cause impacts on cost, quality and schedule.

Recommendation #3: We recommend the LTVP Office develop a risk management plan that includes: risk taxonomy, risk rating matrix, risk profile and a risk response plan for high priority risks. We also recommend that the LTVP Office routinely validate and/or update existing risk assumptions, constraints and analysis of potential impacts.

Some unique risks to be considered in the Risk Profile may include:

- *limitations in funding caused by the current funding process facilitated by PWGSC that does not allow for funding of projects throughout the full project lifecycle;*
- *limitations in capacity/capability may result in insufficient monitoring of the LTVP project and/or key core/non-core activities not being completed;*
- *accountabilities and responsibilities for implementing and supporting the LTVP project are not clearly defined, communicated and/or well understood;*
- *implementation plans do not reflect stakeholder needs and Senate accommodation requirements (temporary and long term) due to inadequate ongoing engagement of stakeholders in regards to their requirements and/or the impact of subsequent changes in the LTVP project;*
- *the Senate experiences significant operational impacts due to inadequate temporary space and/or LTVP schedule requirements not being met;*
- *excess reliance is placed on PWGSC to manage the LTVP project and achieve the desired outcomes;*
- *insufficient and/or inappropriate mechanisms in place to monitor project risks, implement corrective action as required on a timely basis, and document key decisions made;*
- *LTVP project budget, timelines and quality are not properly defined and/or monitored leading to excess costs that are not reimbursed by PWGSC and/or delays in project completion and/or inadequate accommodation quality; and*
- *Insufficient and/or inadequate process to retain and maintain documentation in relation to key decisions, plans monitoring and reporting information leading to a loss of corporate memory .*

4) Information Management

Information management encompasses the accumulation, organization, distribution and retention of documents, files and data. Information management generally includes the design and implementation of process, the development and management of information systems, and the security or protection of the information.

Given the complexity of the LTVP project, the likelihood of numerous changes throughout its lifecycle, and the likelihood of changes in personnel given the length of elapsed project time, it will be critical that key documentation is easily accessible to support monitoring. This will require the categorization, logging and filing of all relevant documentation.

Observation # 4: Document Management

While the Senate approved an information management policy in May of 2009, and is planning the implementation of the Function Based Classification System (FBCS) by fiscal 2011-2012, consultations have identified that document management has been a long-standing weakness at the Senate. This is evident by the absence of an existing document management plan, the lack of a standard project file taxonomy/structure, and the lack of a centralized document tracking and distribution system for managing project files.

While key LTVP documents are stored in a dedicated folder that is kept internally, internal archives remains a risk where documents are not secure and are not consistently examined for continued relevance. This is particularly risky given the variety of people who receive LTVP project documents and the nature of the documents (i.e. emails) that can be difficult to track.

As a result, project files may not be easily obtainable, may go missing or may be lost outright causing necessary project information for the monitoring of the project to be unavailable to support timely management decisions.

Recommendation # 4: We recommend that the LTVP Office develop a centralized records management process for paper-based and electronic documents that allows for the effective tracking and distribution of project information. This process/system should include an established project file taxonomy, document distribution matrices, secure access and periodic project file audits to help ensure the consistency and completeness of project records and to identify any data integrity and security issues regarding confidential and sensitive project information.

5) Monitoring

Monitoring is a critical activity to help ensure that the Senate achieves its space requirements over the time period required. The complexity of the LTVP project and the noted issues with respect to PWGSC continuity further highlight the need for effective monitoring.

To effectively monitor the progress of the LTVP project the LTVP Office needs to understand the PWGSC project management process. Firstly, there may be elements of this process that the LTVP Office wishes to emulate. Secondly, the process will identify the key project management activities that the LTVP Office needs monitor to ensure they are completed. Lastly, the process will identify potential sources of information that the LTVP Office may need to support their monitoring.

The effectiveness of the LTVP Office's monitoring will in large part be dependent of the quality and relevance of the information it receives. It is our understanding that although the previous practice of quarterly reporting to the PPs by PWGSC had been eliminated; PWGSC, in collaboration with the PPs, has agreed to re-establish this process.

Observation # 5: Reporting

In order to remain informed in regard to the LTVP project the Senate, the PPs and PWGSC have agreed to re-establish the quarterly reporting process, however the information to be reported and the format has not yet been established.

Recommendation #5: *Going forward, it will be imperative that the LTVP Office identify, communicate and receive the information that it requires to effectively conduct its own monitoring. Key monitoring elements will likely include:*

- *Monitoring of risks and related risk management actions from the overall project perspective and from the Senate's perspective;*
- *Monitoring of the project timeline; and*
- *Monitoring of changes affecting LTVP budget, scope, quality and time.*

6) Capacity/Capability

At the present, it is our understanding based on our discussions that the Senate's LTVP representation is limited to two individuals which are also responsible to complete the daily accommodation functions for the Senate. All attendance to the LTVP committees must be performed by these individuals and the Director of Accommodations. Where possible, the LTVP Office has supported their limited resource pool by leveraging tools from other LTVP Partners and PWGSC, such as, the HOC Project Management Framework and the PWGSC National Project Management System. Although, most agree that the LTVP Office's potential resource limitations have not substantially affected their input to date into the LTVP governance structure, some interviewees have noted that the LTVP Office input had been delayed with the beginning of the East Bloc projects and noted concerns in regards to the Senate's current resources ability to provide timely input to the LTVP project on an ongoing basis.

There is some concern that the current complement of LTVP Office management and staff will not be able to meet the increasing demands of LTVP and other ongoing Senate requirements. For example, when the Wellington building and the renovation of the East Block are underway the LTVP Office should require resources to be dedicated to these projects in order to help ensure the Senate's requirements are met. It is anticipated that the LTVP Office may be required to identify two FTEs for the Project Management Office ("PMO") to support with the East block strategy and oversight. Already, the LTVP non-core work is placing demands on already short-staffed group to meet dual core and non-core demands. For LTVP Office staff, consultations have identified that the non-core workload has doubled in the past year without additional resources. Currently the estimated time spent on LTVP is 40-50% of staff time which should be higher; however, there are not enough people given staff capacity issues. As a result of the focus on day to day management, the LTVP Office does not currently have a strategic focus on the LTVP vision, plan, and risks. Concern was expressed, in relation to resources, that the LTVP Office does not have the sufficient skills and capacity at this time, which creates a risk for the LTVP Offices' ability to monitor PWGSC and which may cause a challenge once the transfer of custodianship of the East Block to the Senate takes place. The House of Commons has implemented a team which is fully dedicated to the LTVP project and during the Library of Parliament renovation, they had a fully dedicated Manager and Architect.

The Director is planning the creation of a dedicated internal LTVP team for the East Block move and construction. The Director of Accommodation Planning and Projects is currently preparing a plan that identifies the needs, skills, competencies and will be aligned to a strategic staffing allocation to core Senate work and non-core LTVP work. The Directors resourcing plan should clearly outline the key LTVP

roles and responsibilities from the Senate's perspective, identify current capacity and capabilities and link the additional individual needs, skills and competency requirements to any gaps identified.

Critical to being a knowledgeable client is having individuals with the necessary mix of skills and competencies to effectively manage the complex interdependencies of the LTVP project and to clearly communicate organizational interests. Specialized knowledge can be very beneficial, particularly in large and complicated projects. There is some concern that even if a position or positions are identified, it will be difficult to find an adequately experienced individual with the required competencies and skills needed to help monitor the LTVP project to ensure that they are managed and delivered according to plan, budget, need, and within scheduled timelines. If permanent staff cannot be identified, it has been suggested that the LTVP Office work with the PPs on retaining consultants to help ensure knowledge and consistency of understanding of the plans, players and requirements.

Observation # 6: Dedicated LTVP Personnel

To date the LTVP Office has not committed any dedicated staff/management to the LTVP project which is currently being managed as a relatively minor part of a number of individuals' day-to-day activities and often conflicts with other ongoing core activities. Without reasonable resource commitments and clearly defined roles and responsibilities, the LTVP Office may encounter problems with project communication, coordination, monitoring and overall management resulting in an inability to adequately monitor and achieve the desired project benefits.

Recommendation # 6:

- a. *We recommend developing a responsibility matrix that includes all of the tasks to be performed and each person's role and responsibility pertaining to each task. This will facilitate the identification of any potential resource needs and the effective communication of roles and responsibilities, avoiding potential gaps and duplication of efforts.*
- b. *Based on the complexity of the LTVP project, consultation with key stakeholders, review of current time and resources, and benchmarking it is generally acknowledged that as the LTVP project advances, the number of building interdependencies will increase and the LTVP Office will need a dedicated, knowledgeable individual (architect / engineer) who will be able to:*
 - *make decisions independent of Committee consultations;*
 - *establish tight deadlines to review plans and comments leading to decisions;*
 - *monitor project progress within the approved scope, cost, schedule and quality;*
 - *provide some specialist insight on conservation, heritage building, utilities, etc;*
 - *review and approve changes to the original plans; and*
 - *help ensure that the project plans are updated based on the changes in the Senate's requirements.*
- c. *Because LTVP activity costs are the responsibility of PWGSC, certain dedicated LTVP Office resource costs may be recovered from PWGSC. For the Library renovation, the costs of an architect were fully recovered from the LTVP budget as these costs were determined to be a reasonable LTVP knowledge client cost. The LTVP Office should work with PWGSC to define the positional requirements and criteria for recoverability as a LTVP project cost.*

- d. We recommend that the LTVP Office identify contingency plans for all key LTVP Office resources (potentially considering the temporary sharing of PP resources) and review the adequacy of the PWGSC resource contingency plans.*
- e. Although the HOC and LTVP Office acknowledge their institutional independence and share a culture of independence, both institutions should further consider opportunities for shared services to increase the effectiveness and efficiency of scarce service delivery. Consultations have identified that the HOC and Senate are working on a MOU for security, transportation and IT.*

7) Summary of Recommendations:

A summary of the recommendations, their importance, and suggested timing is provided in the table below.

Insurance Summary		
Recommendation	Importance	Timing
1. We recommend that the LTVP Office implement a process to review, on a regular basis (i.e. annually), the project plans and scope to help ensure that user requirements are identified and the plan is able to achieve these requirements. In addition, the process to deal with changes that result from changing stakeholder needs and/or regular project changes, should be documented in detail, approved, communicated and followed.	Moderate	Medium term (6-8 months)
2. We recommend that the LTVP Office implement an integrated management plan which includes governance protocols, project charter, organization roles and responsibilities, lessons learned, project breakdown structure, document management, project execution plan, and work breakdown structure. In addition, given the project complexity, overall importance and complex governance and stakeholder structures, we recommend that the LTVP Office continue to work with the subcommittee on Security and Accommodation.	Moderate	Medium term (6-8 months)
3. We recommend the LTVP Office develop a risk management plan that includes: risk taxonomy, risk rating matrix, risk profile and a risk response plan for high priority risks. We also recommend that the LTVP Office routinely validate and/or update existing risk assumptions, constraints and analysis of potential impacts.	High	Short term (2-4 months)
4. We recommend that the LTVP Office develop a centralized records management process for paper-based and electronic documents that allows for the effective tracking and distribution of project information. This process/system should include an established project file taxonomy, document distribution matrices, secure access and periodic project file audits to help ensure the consistency and completeness of project records and to identify any data integrity and security issues regarding confidential and sensitive project information.	Low	Long term (8 - 12 months)
5. Going forward, it will be imperative that the LTVP Office identify, communicate and receive the information that it requires to effectively conduct its own monitoring. Key monitoring elements will likely include: <ul style="list-style-type: none"> – Monitoring of risks and related risk management actions from the overall project perspective and from the Senate's perspective; – Monitoring of the project timeline; and – Monitoring of changes affecting LTVP budget, scope, quality and time. 	Moderate	Medium term (6-8 months)
6a. We recommend developing a responsibility matrix that includes all of the tasks to be performed and each person's role and responsibility pertaining to each task. This will facilitate the identification of any potential resource needs and the effective communication of roles and responsibilities, avoiding potential gaps and duplication of efforts.		

Insurance Summary		
Recommendation	Importance	Timing
<p>6b. Based on the complexity of the LTVP project, consultation with key stakeholders, review of current time and resources, and benchmarking it is generally acknowledged that as the LTVP project advances, the number of building interdependencies will increase and the LTVP Office will need a dedicated, knowledgeable individual (architect / engineer) who will be able to:</p> <ul style="list-style-type: none"> – make decisions independent of Committee consultations; – establish tight deadlines to review plans and comments leading to decisions; – monitor project progress within the approved scope, cost, schedule and quality; – provide some specialist insight on conservation, heritage building, utilities, etc; – review and approve changes to the original plans; and – help ensure that the project plans are updated based on the changes in the Senate's requirements. <p>6c. Because LTVP activity costs are the responsibility of PWGSC, certain dedicated LTVP Office resource costs may be recovered from PWGSC. For the Library renovation, the costs of an architect were fully recovered from the LTVP budget as these costs were determined to be a reasonable LTVP knowledge client cost. The LTVP Office should work with PWGSC to define the positional requirements and criteria for recoverability as a LTVP project cost.</p> <p>6d. We recommend that the LTVP Office identify contingency plans for all key LTVP Office resources (potentially considering the temporary sharing of PP resources) and review the adequacy of the PWGSC resource contingency plans.</p> <p>6e. Although the HOC and LTVP Office acknowledge their institutional independence and share a culture of independence, both institutions should further consider opportunities for shared services to increase the effectiveness and efficiency of scarce service delivery. Consultations have identified that the HOC and Senate are working on a MOU for security, transportation and IT.</p>	High	Medium term (6-8 months)

Senate response to the audit report and follow-up action

An action plan was developed and implementation has progressed despite a delay in staffing the specialized knowledgeable client position assigned to the LTVP office pursuant to audit recommendation 6c. Measures have been put in place to review the LTVP project plans and scope annually, to ensure adequate risk management, and to establish an integrated management plan. A filing system for projects has been implemented, although the timeline for the centrally implemented electronic file system only projects completion for the LTVP Office (under Real Property Planning) by the second quarter of 2012. Contingency planning for key resources is underway and has included cross-training and succession planning. Shared services agreements have been negotiated with the House of Commons where required and will be monitored on an ongoing basis. A matrix of roles and responsibilities for the Office, including all project and committee assignments, has been prepared and provides evidence of overlap, which responds to contingency planning as well.

Some outstanding follow-up, such as project monitoring, is dependent on third party collaboration and remain outstanding.

II. Status of Management Actions on Prior Year's Audits, 2009-2010

II.A. Audit of Senators' Office Expenditures

The initiatives implemented to address the recommendations for the audit are nearly complete. Ernst and Young had made twenty recommendations to improve the controls and accountability surrounding Senators' Office Expenditures. Since the report was tabled in 2010, administration has instituted initiatives such as a 60 day deadline for all claims, formal policies and procedures for actions to be taken in the case of policy non-compliance, updating desk procedures, creating checklists to ensure complete file documentation, standardizing documentation related to claims, preparing signature cards for Senators, and voluntary public disclosure of Senators' expenses.

Several Senate policies and guidelines have been updated and approved, such as the *Senators' Living Expenses in the NCR Guidelines*, *Miscellaneous Expenditures Account Guidelines*, *Senators' Research and Office Expense Budget*, and the *Taxi Policy*.

It should be noted that the Internal Economy Committee considered the recommendation for a second-level approval process for Senators' expenses claims. The Senate's rigorous expense claim review process together with implementation of a regular sample testing of claims address this recommendation and constitute effective mechanisms to mitigate the typical risks associated with expense claims.

One final initiative is required in order to address the remaining recommendations of the audit, the approval of the *Senators' Travel Policy*. Several recommendations that were incorporated into the amended policy include providing clearer guidance on which activities constitute a parliamentary function, guidance on travel exceeding four days, and domestic travel by spouses of Senators. It also integrates a number of guidelines and Committee decisions into one comprehensive document, which will facilitate its understanding and application. The policy has been presented to the Internal Economy Committee and is awaiting comment and approval.

The Committee is confident that, once all initiatives have been completed, the audit recommendations will have been effectively addressed.

II.B. Services Contracts Audit

The audit provided by Ernst & Young provided 24 recommendations to help the Senate improve its controls surrounding services contracts.

The major initiatives implemented in response to this plan include the centralization of the Purchasing and Contracting Services Group and the integration of personnel services contracts into the services contracts under the Procurement Division or the employment contracts under the HR Directorate.

New or amended policies were approved, including the *Senate Procurement Policy*, *Policy on Hiring and Compensation for Senators' Staff*, *Policy on Casual Work in Senators' Offices*, *Delegation of Financial Authorities*, *Policy on the Use of Resources Allocated to Caucuses*, and *Senators' Research and Office Expense Budget Guidelines*.

Other initiatives implemented include formal communications for policy non-compliance for the requirement to have contracts and/or purchase orders; improved guidance and communication between Procurement, HR and Senators' offices; approval of a lower services contract threshold for Senators' offices; improvements to legal contract arrangements; improved procedures surrounding contract files; and the implementation of quality control procedures.

One recommendation has yet to be fully implemented, relating to Senators' occasional policy non-compliance requiring an employment contract in place prior to the start of work by the hired individual. Arrangements have been made to have the issue discussed with the caucuses, and HR is investigating a formal process in the event of future breaches in policy.

The Committee would like to commend the actions of the Finance and Procurement Directorate, the Human Resources Directorate and the Office of the Law Clerk for their assistance in achieving this progress.

II.C. Job Classification Function Audit

Senate Management has taken immediate action on most of the initiatives identified in the follow-up action plan, and has currently fully implemented and documented 11 of the 19 recommendations. Improvements implemented have included drafting revisions to the *Senate Administration Policy on Classification and Organizational Design*, updating the Classification Procedures Manual, presenting information to management and staff on the classification process, updating checklists, completion of a Legal Compliance Review, reviewing and updating files for missing data, preparation of Conflict of Interest oaths, multiyear cyclical review of job descriptions, and a list of unique job descriptions.

Remaining initiatives which will lead to full implementation of the audit's recommendations include completing a study of discrepancies of classifications and rectifying the issues, preparing a competency map of a seasoned classification officer, further updates to the Classification Procedures Manual and checklists, analyzing the need for an external salary analysis, finalizing the Policy, and completing an annual report on certain key classification indicators.

The Committee is appreciative of the audit's recognition that the Senate already has effective controls and practices in place to manage risks associated with the job classification function. The recommendations are serving to make an already effective function even better.